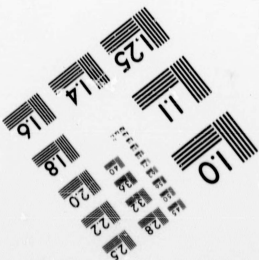
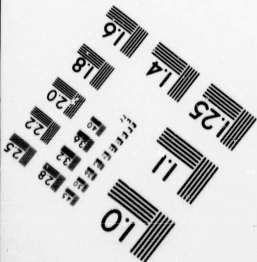
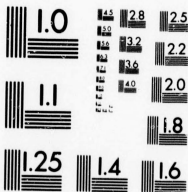


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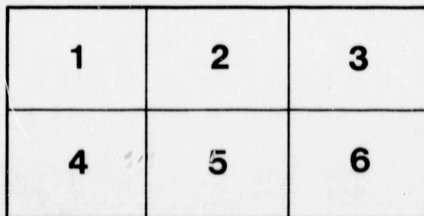
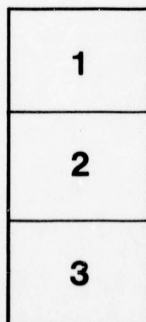
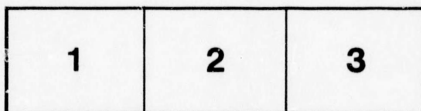
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- 1. Criticism
 - 2. Crime of incompetent Government
 - 3. Inflated Bank Credit
- H. G. B. 1917
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Dawson Pamphlets

3

CRITICISMS

ON THE

RECENT FINANCIAL POLICIES

OF

THE UNITED STATES AND FRANCE,

INCLUDING

AN ATTEMPT TO EXPLAIN THE CAUSE OF THE
PRESENT PROSTRATE CONDITION OF THE
SOUTHERN STATES.

BY

HENRY CAREY BAIRD.

“The time was when men were indicted for intruding into public
offices the duties of which they were incapable of discharging, and it
is to be hoped that that day will again return.”

BARON TENTERDEN, *Lord Chief Justice of the King's Bench.*

PHILADELPHIA.

HENRY CAREY BAIRD & CO.,

INDUSTRIAL PUBLISHERS, BOOKSELLERS, AND IMPORTERS,

810 WALNUT STREET.

1875.

THE RECENT FINANCIAL POLICIES
OF THE
UNITED STATES AND FRANCE.

*Why a National Debt may become a National Blessing. How
the world is misgoverned.*

From the PHILADELPHIA INQUIRER, August 6, 1874.

To the Editor of the Philadelphia Inquirer :—

As long ago as the time of Montesquieu the idea prevailed among the people that "a national debt was a national blessing," for he tells us that "some have imagined that it was for the advantage of the State to be indebted to itself; they thought that this multiplied the riches by increasing the circulation." The fact was, the people had seen that accompanying a national debt or its increase were found increased societary action, increased production, trade, and commerce, in a word generally increased prosperity; and while not examining the subject very profoundly, or even closely, they very naturally inferred that that condition of prosperity flowed necessarily and alone from the very existence of the debt itself. They failed to appreciate the fact that such a debt only became a national blessing by reason of its forcing the rulers of the country, on account of the public necessities, to pursue such a policy as was for the public weal, and further, that really enlightened statesmanship, without a debt, was capable of giving to the State all such blessings unaccompanied by any of the burdens and other drawbacks of a debt. Let us illustrate this position by means of examples drawn from the recent experiences of our own country and of France.

The breaking out of the rebellion in the winter of 1860-61 placed the Treasury of the United States in such a position that it was obliged to borrow money at as high a rate as 12 per cent. per annum. Nevertheless, with the advent of Mr. Lincoln's administration and the subsequent commencement of hostilities, Congress, co-operating with Secretary Chase, pursued the plan of issuing demand notes, *not a legal tender*, in limited amount, and bonds, but mainly relied upon the latter, giving, however, but little heed to the condition of the people, which was certainly very sad. To float these bonds it became necessary to appeal to the

patriotism of the banks, and in return for this patriotism Mr. Chase demanded payment for bonds in coin, of which the banks soon becoming exhausted were of necessity forced, December 30, 1861, to suspend specie payments. Business was then and had been for a twelvemonth completely prostrated, except so far as the demands of the government for services and commodities had tended to revive it.

By the end of January, 1862, the national finances were upon the eve of a total collapse, and from that date sixty days more of the policy which the department had so far followed would have completely bankrupted the Treasury, dissolved our armies, scattered our navy, and caused the rebellion to become an accomplished and a successful revolution. Nothing but a full realization of these facts, and with perdition clearly in view, and the recognition of the necessity, under the circumstances, of giving to any Treasury notes which were to obtain general circulation, the legal tender quality, forced the Secretary and Congress to agree to the Legal Tender Act. Even under these terrible circumstances many and humble were the apologies which were made for so far invading the sacredness of capital, even to save a nation of freemen. So humble were these apologies from the friends of the bill, so strong were the protests in behalf of capital, from the enemies of it, that the Hon. William Kellogg, of Illinois, found himself constrained in debate, in the House of Representatives, February 6, 1862, to utter these eloquent and burning words:—

“Mr. Chairman,” said he, “I am pained when I sit in my place in the House and hear members *talk about the sacredness of capital; that the interests of money must not be touched. Yes, sir, they will vote six hundred thousand of the flower of the American youth for the army, to be sacrificed, without a blush;* but the great interests of capital, of currency, must not be touched. We have summoned the youth; they have come. *I would summon the capital, and, if it does not come voluntarily, before the Republic shall go down, or one star be lost, I would take every cent from the treasury of the States, from the treasury of capitalists, from the treasury of individuals, and press it into the use of the government. What is capital worth without a government?*”

The result was that the necessities of the hour cut short debate, overwhelmed all protestants, and forced the early passage of the bill by a decided majority; and thus did the very weakness of the public Treasury become a source and cause of strength by obliging Congress to issue a currency which brought out the full power of the country, much of which had hitherto lain dormant and unavailable even in more happy days. But for the greenback at that hour the rebellion would never have been crushed, the nation would have been divided into numerous and jarring fragments, and the great body of the people would have been

ruined. It proved to be one of the most potent engines ever called to the aid of a people or a State.

One might naturally infer that a measure which had proven itself so powerful and so beneficent in the hour of national trial, amid war and destruction, might be equally so in peace in building up that which war had pulled down. Not so, however, have thought our great finance ministers and other statesmen—our McCullochs, Boutwells, Richardsons, Shermans, Joneses, and Grants! As soon as, by the combined operations of a cessation of war and of the wringing of taxes from the people, the National Treasury had become strong enough to have no fear for its own future, and giving no heed whatsoever to the people, the greenback was denounced as “a forced loan,” “inflated, irredeemable paper,” etc. etc., and efforts, to some extent successful, were made to retire it, and the consequences have been nine years of societary paralysis, which have cost the country ten times the pecuniary cost of the war, and left the people so much prostrated, and in such a state of financial exhaustion that they are unable any longer to carry the indebtedness of their government, which latter is now obliged, in peace, to call upon foreign credit-mongers to do for it that which, in the midst of war and ruin, its own people were able to do and did with such alacrity. Seeing, then, how much more ruinous than war itself are incompetent rulers, when their hands are not tied by the force of public necessities and considerations, is it in the least to be wondered at, that the idea should have gone abroad that a “national debt,” when so great and so pressing as to overrule and control the ignorance and incompetence of public officials, “is a national blessing?”

Let us, in the same connection, turn to the contemplation of France and her recent experiences. Carried into an unsuccessful and disastrous war by her late imperial master, she had to pay not merely her own bill of costs but that of her conqueror, in the shape of an indemnity, the heaviest ever, in modern times, exacted of one country by another. By the end of 1872 this war had increased the funded debt of France \$1,649,000,000.* The world believed her ruined, but she was not. The

* Note, April 15, 1875.

It is now computed that the entire cost of the war to France was as follows:—

Sums paid by France for her own military operations	521,006,580
Sums paid to Germany	1,090,963,080
Collateral expenses	193,496,040
Requisitions in cash or objects, estimated at	72,900,000
Loss of profits consequent upon the suspension of trade, estimated at	145,800,000

\$2,024,165,700

See *Blackwood's Magazine*, February, 1875. Article, *The Payment of the Five Millards*.

increase of her exports and imports for 1873 over 1869 was \$259,814,600, and it is believed by competent authority that her internal commerce had grown in like proportion.

In September, 1870, the Bank of France suspended specie payments, and by the end of October, 1873, its circulation, which had in June, 1870, been but \$275,000,000, had reached \$602,000,000, thus putting in practice a plan which, in 1848, had been resorted to with marvellous results.* The people now rallied to the support of the government, and,

* Efficacy of the French plan of remedying a Drain of Specie, namely—by simply declaring *Bank Notes* to be *legal tender*: as depicted in the following extract from the *Times*, of the 16th February, 1849:—

“As a mere commercial speculation, with the assets which the bank held in its hands, it might then have stopped payment, and liquidated its affairs with every probability that a very few weeks would enable it to clear off all its liabilities. But this idea was not for a moment entertained by M. D’Argout, and he resolved to make every effort to keep alive what may be termed the *circulation of the life blood* of the community. The task was overwhelming. Money was to be found to meet not only the demands on the bank, but the necessities, both public and private, of every rank in society. It was essential to enable the manufacturers to work, lest their workmen, driven to desperation, should fling themselves amongst the most violent enemies of public order. It was essential to provide money for the food of Paris, for the pay of the troops, and for the daily support of the *ateliers nationaux*. A failure on any one point would have led to a fresh convulsion. But the panic had been followed by so great a scarcity of the metallic currency, that a few days later, out of a payment of 26 millions fallen due, only 47,000 francs could be recovered in silver.

“In this extremity, when the bank alone retained any available sums of money, the Government came to the rescue, and, on the night of the 15th of March, the *notes of the bank* were by a decree made a *legal tender*, the issue of these notes being limited in all to 350 millions, but the amount of the lowest of them reduced for the public convenience to 100 francs. One of the great difficulties mentioned in the report, was to print these 100 franc notes fast enough for the public consumption—in ten days the amount issued in this form had reached 80 millions. No sooner was the Bank relieved from the necessity of paying away the remnant of its coin, than it made every exertion to increase its metallic rest. About 40 millions of silver were purchased abroad at a high price. More than 100 millions were made over in dollars to the treasury and the executive departments in Paris. In all, taking into account the branch banks, 506 millions of five-franc pieces have been thrown by the bank into the country since March, and her currency was thus supplied to all the channels of the social system.

“Besides the strictly monetary operations the bank of France found means to furnish a series of loans to the Government—50 millions on exchequer bills on the 31st of March, 30 millions on the 5th of May, and on the 3d of June, 150 millions, to be paid up before the end of March, 1849; of this last sum only one-third has yet been required by the State. The bank also took a part in the renewed loan of 250 millions, and made vast advances to the City of Paris, to Marseilles, to the department of the Seine, and to the hospitals, amounting in all to 260 millions more. But even this was not all. To enable the *manufacturing* interests to weather the storm, at a moment when all the sales were interrupted, a decree of the National Assembly had directed warehouses to be opened for the reception of all kinds of goods, and provided that the registered invoice of these goods, so deposited, should be made negotiable by endorsement. The Bank of France discounted these receipts. In Havre alone, 18 millions were thus advanced on *Colonial produce*, and, in Paris, 14 millions on *merchandise*—in all, 60 millions were thus made available for the

pouring out their means with a lavish hand, the loans were taken, and \$1,100,000,000 of indemnity was paid to Germany in advance of its falling due. Taxation, too, has been piled upon taxation, so that coffee, which lately yielded some \$5,000,000, now yields \$14,000,000; the revenues from sugar, which used to be \$21,000,000, are now \$35,000,000; stamp and registration duties have risen from \$95,000,000 to \$115,000,000; the revenues from customs, which used to be \$27,000,000, have now reached \$52,000,000. Within two years no less than six laws have been passed increasing the duties on beverages, and articles of food have been burdened in like proportion.

The combined operation of patriotism in furnishing loans, and of taxation in bringing in revenues, has been to strengthen the hands of the National Treasury; and what is the result? Having borrowed \$306,000,000 from the Bank of France, the government has already paid it back \$133,000,000, and by reason of this and other accumulations the bank has been enabled to reduce its circulation from \$602,000,000, October 30, 1873, to \$495,000,000, June 25, 1874. It has also reduced its private loans and discounts from \$277,000,000 to \$170,000,000, and has accumulated specie from \$145,000,000 to \$235,000,000. Thus, between October, 1873, and June 25, 1874, but eight months, there has been an actual contraction of the purchasing power of the people in the face of the immensely increased taxation, as follows:—

Circulation of the bank	107,000,000
Specie	90,000,000
Loans and discounts	107,000,000
	<hr/>
	\$304,000,000

That France is not utterly and completely ruined, that all government has not been overthrown and society resolved into its elements, must be a cause for wonder and amazement to every thoughtful man who studies these figures. That there should be a deficiency in the revenues of but \$5,250,000 created by diminished production of taxation, and another of \$5,000,000 by reason of the refusal of the Assembly to vote new taxes at the beginning of the year, seems more surprising still. The patriotism of such a people is not merely thrown away upon such rulers, but places the power in the hands of the latter to enslave these

purposes of trade. Thus, the great institution had placed itself, as it were, in direct contact with every interest of the community, from the Minister of the Treasury down to the trader in a distant outpost. Like a huge hydraulic machine, it employed its colossal powers to pump a fresh stream into the exhausted arteries of trade, to sustain credit, and preserve the circulation from complete collapse."—*The Bank Charter Act and the Rate of Interest*, London, 1873. pp. 123-5.

people. Were not these rulers experimenting upon, financially, the most powerful nation of which there is any record in history, the results of their experiments would be apparent in the destruction of their country. Thus far the only effect which is apparent, beside discontent, is the almost complete paralysis of business in Paris; but what care the rulers for this, so long as it does not drive them out of power?

But in the face of all these trials we are assured by one of the most careful of English authorities* that—

“For the first time in modern French history, the peasant and the town workman have been brought together into line. Widely as they differ in their view of its form, though the one means a conservative *bourgeoise*, scarcely differing from the English monarchy, and the other a democratic dictatorship, both peasant and workman are one in demanding the Republic. Nor is it a mere toleration of the Republic that the peasant is prepared for. It is a settled conviction and instinct. To him the Republic has become the conservative, safe, and moderate institution; it is identified with property; it represents order; it gives a dignity to the country without, and puts an end to civil war within. The parties which seem to him to rage against the Republic are they who breathe anarchy and confiscation.”

Ruled as she is by incompetency, distracted by the cabals of the adherents of three deposed dynasties, surrounded by the hostility of the imperialists and the royalists of Europe, and ground between the upper and the nether millstones of taxation and contraction, it would seem almost impossible that even the great wealth and the greater patriotism of her people could save her. If they do, these people should receive, as they will most justly merit, the ever-enduring admiration of mankind.

The great lesson to be learned from the foregoing experiences of the United States and France is that of the awfulness of the responsibility which men take upon themselves when they assume to become the governors and the law-makers of a great country, and of the justice and force of the ground taken by the late Lord Tenterden, Lord Chief Justice of the King's Bench, who, in the course of an able speech in the House of Lords, some years since, said that the time had been when men had been indicted for intruding into public offices, the duties of which they were incapable of discharging, and adding that he hoped that day would again return.

The burden of misgovernment is heavier and more intolerable to a people than any public debt which the credit of their government is capable of accumulating, and the resources of the country of honoring and protecting, and even the heaviest of these debts have been made to

* Frederic Harrison, in *Fortnightly Review*, June, 1874, page 844.

appear as blessings when the condition of the national finances has been such as to tie the hands of incompetent governors, and thus prevent their trying upon their fellow-citizens or fellow-subjects their wild, impracticable, and absurd financial theories. Incompetency in high office is dear at no price at all, while competency in such a place is cheap at any price that may be demanded. But, alas! it is to-day as it was in the days of Oxenstiern, the great Chancellor of Gustavus Adolphus, when he said to his son: "You do not know, my son, with how little wisdom men are governed."

If for no other reason than because of the stupidity and the inefficiency of the rulers of the nations of the world, to none of them should be entrusted control over the question of the volume of the "current money of the realm." This should alone be determined by the wants of the people, and can only be done by means of national paper money, interchangeable with bonds—the same plan which is advocated in this country, and is known as the 3.65 bond system, for "in the interchangeability (at the option of the holder) of national paper money with government bonds bearing a fixed rate of interest, there is a subtle principle that will regulate the movements of finance and commerce as accurately as the motion of the steam-engine is regulated by its 'governor.' Such paper-money tokens would be much nearer perfect standards of payment than gold and silver ever have been or can be," and at the same time the system would cause to be avoided in this the most vital function of the body politic all danger from the "little wisdom" with which "men are governed."

HENRY CAREY BAIRD.

PHILADELPHIA, August 4, 1874.

NOTE OCTOBER 15, 1875.

The policy of the Bank of France and of the French government under M. Magne, as finance minister, which is condemned in the foregoing pages, has more recently been somewhat modified in the right direction. M. Magne was succeeded in office by M. Bodet July, 1874, and the latter by M. Leon Say, March, 1875. While between October 30, 1873, and June 25, 1874, eight months, the circulation of the bank was contracted \$107,000,000; it was contracted, between June 25, 1874, and September 23, 1875, fifteen months, but \$26,000,000, leaving it at the latter date at \$469,000,000.* Even this more moderate degree of contraction it was not possible to carry forward without interruption, for while on December 24, 1874, the circulation was expanded to \$510,000,000, it had by December 31, 1874, been further expanded to \$531,000,000, and was not brought back again to \$510,000,000 until March 18, 1875. Between July 1, 1874, and August 31, 1875, there was a net import of specie and bullion into France of \$167,408,150, of which but \$85,700,000 has been added to the bank-balance, leaving \$81,700,000 of it with the people. Deducting the \$26,000,000, the contraction of the bank circulation, from this \$81,700,000, will give a net increase of money of all kinds among the people, within fifteen months, June 25, 1874, to September 23, 1875, of \$55,700,000.

The people of France are not so much indebted to intelligent consideration

* Since the foregoing has been put in type, the returns of the bank to Sept. 30, 1875, have come to hand. The circulation on that date had been expanded to \$484,000,000, and money was in active demand in Paris.

for themselves and their fortunes for relief from violent contraction of the bank circulation as to the necessities of the government. The latter has fortunately for the people found its hands pretty full in providing for current expenses and interest on the public debt, and there has been a decided opposition to borrowing money at five per cent. with which to pay to the bank a loan made at one per cent. in consideration of its being allowed to suspend specie payments. The war loan of \$306,000,000 obtained from the bank, which by June 25, 1874, had been reduced \$133,000,000, has since that date been reduced but \$48,000,000, and now stands at \$125,000,000. Had it been convenient for the government more rapidly to pay off this debt during the past fifteen months, the currency would have been contracted accordingly—the absence of contraction being more a reflex of the financial necessities of the government than of the people, or of any sympathy for the latter on the part of either the government or the bank. Indeed resumption of specie payments has been determined upon for January, 1878, because by that time it is estimated that the debt due to the bank will be reduced to \$60,000,000—the people not being a factor in the calculation. In the item of the private loans of the bank the small measure of consideration for the people is more clearly shown than in the circulation. While October 30, 1873, these loans stood at \$277,000,000, they were June 25, 1874, at \$170,000,000, and September 23, 1875, at \$119,000,000, showing a contraction in less than two years of \$158,000,000, or 57 per cent. For selfishness this is probably without a parallel in the history of banking, except in the action of the Bank of England, which between 1815 and 1817, in preparing for resumption, reduced its discounts from £14,917,000 to £3,960,600.

Amid such criminal blundering, it happens most fortunately for the people of France that they have a specie circulation of not less than \$1,250,000,000, and have always largely done their business for and with cash, relying but little on bank loans, deposits and checks as means of making payments, the private deposits in the Bank of France Sept. 23, 1875, being but \$57,400,000.* Had France such a system as that of Great Britain, where \$600,000,000 of specie serves as a so-called "basis" for \$3,840,000,000 of bank deposits† and \$3,500,000,000 of discounts and loans,‡ such a policy as that pursued by France within the past two years would long since have resulted in wide-spread bankruptcy and ruin. France has, indeed, surprised the world by her financial feats since September, 1870, but it has been due more to the necessities of the government which drove the bank to suspension, and to the country's inherent financial and industrial strength than to the ability of her finance ministers or government. From the evidence presented to us, there is no reason to doubt that under like circumstances her authorities would have committed blunders equal in extent and fatality to those of our McCullochs, Boutwells, Richardsons, and Bristows, or to those of the stupid rulers of Germany since the close of the war of 1870-71.

We repeat it, *a national debt becomes a national blessing, by reason of its forcing the authorities of a country to pursue such a policy as is for the public weal.* Enlightened statesmanship is capable of giving to a State all such blessings, unaccompanied by any of the burdens and other drawbacks of such a debt; but what people has ever found and enjoyed such statesmanship? Hardly a single one in the world's history.

* M. Pinard, Manager of the *Comptoir d'Escompte*, of Paris, testified before the French Commission of Inquiry, 1865-68, that the greatest efforts had been made by that institution to induce French merchants and shopkeepers to adopt English habits in respect to the use of checks and the keeping of bank accounts, but in vain; their prejudices were invincible; "it was no use reasoning with them, they would not do it, because they would not."

† Considerably over \$400,000,000 of this specie is, however, permanently out in circulation among the people, the Bank of England, which, according to the *London Economist*, holds "the only reserve the nation possesses," having had Sept. 29, 1875, but \$137,000,000 of it.

‡ See p. 7, *Banking and Currency. A Letter to Henry Hucks Gibbs, Esq., Gov. of the Bank of England*, etc. By Henry R. Grenfell, Director of the Bank of England. London: Effingham Wilson, 1875.

§ See p. 21, *The Banks of Issue Question. Memorial Addressed to the Governor and Court of Directors of the Bank of England, and submitted to the Select Committee of the House of Commons of 1875.* By Ernest Seyd. London: Edw. Stanfords, 1875.

NATIONAL DISCORD AND DEMORALIZATION.

The Cause and the Remedy.

FROM THE PHILADELPHIA PRESS, October 1, 1874.

PERHAPS at no previous period in our history have there been so many misgivings amongst thoughtful and patriotic men as to the success and permanency of our institutions as at present. Discord exists throughout the land between the various interests, races, and sections, and between the people and their rulers. Then it cannot be disguised that there is a decline in public morals, and that jobbery, corruption, and robbery preside over the municipal governments of most of our cities and large towns. To-day a man pays almost or quite as much in the form of taxes for the privilege of living in his own house in one of our cities as he did twenty years ago in rent for living in a similar one which belonged to another, and the saddest feature of this sad business is that these evils grow as time proceeds upon its onward course.

Many well-meant and vigorous efforts have been made in this city to bring about a reform, but thus far they have met with but moderate success. Notwithstanding this we believe that the practical solution of this question of municipal government under republican institutions is simple, and not only simple, but that the measures necessary to solve it are such as will prove beneficent to every section of the land and to the entire people thereof.

Let the whole people be set to work and kept at work at profitable employments. Let the industries of the country once more be vitalized as those of the loyal States were at the close of the war, and kept steadily so, and the pressure upon "the public crib" will by degrees be lightened, and be finally, almost if not wholly, removed.

A republican, above and beyond all other forms of government, demands and will have intelligence and virtue among its people, with whom all power is finally lodged. Without a large measure of these it will cease to exist as such, and a despotism will take its place. Steadily maintained prosperity is the one and only foundation upon which such intelligence and virtue can permanently rest. While the universal education of the people is acknowledged to be an absolute necessity under free institutions, such education accompanied by a condition of

things which leads to enforced idleness is but the preliminary preparation of a large body of men for living by their wits--a mode of existence over which virtue holds but moderate sway. In the presence of such a body of men, republican institutions may even become an instrument of tyranny and oppression.

We do not hesitate to affirm our full and entire conviction that the steady and persistent following of a policy which will give this country permanent prosperity, and banish from it forever all financial or rather credit crises, will finally relieve us from the control of that corruption which now threatens us with destruction, and that no other agency whatsoever will do it. Set the people to work, as they can and should be, and "the cohesive power of public plunder" will cease to be the ruling instinct of party leaders and their immediate followers, for the want of sufficient backing.

The first and most important step towards this desirable end is for our rulers to relieve their minds of all belief in the idea that any human judgment is capable of ascertaining, *a priori*, how much currency a country or a people need, and for them to embrace the necessary one that public demand, and it alone, is capable of determining that great question. Then will be banished from our midst the most dangerous and far-reaching piece of empiricism in all legislation, an empiricism which grows out of the practice of tyrannical governments, and is fast demoralizing us by forcing us to use the credit system, to be followed by credit crises, bankruptcy, bankrupt laws, ruin, stagnation, and widespread misery. Let these rulers so far restore to the people the power to determine the volume of the currency as to give them a 3-65 bond, interchangeable with currency, for "*in the interchangeability, at the option of the holder, of national paper money with government bonds bearing a fixed rate of interest, there is a subtle principle that will regulate the movements of finance and commerce as accurately as the motion of the steam-engine is regulated by its governor.*" Such paper-money tokens would be nearer perfect standards of payment than gold and silver ever have been or ever can be." Under such a monetary system our country would again take upon itself the prosperity which once it knew, and, ceasing to be obliged to substitute the credit system for currency, that prosperity would be permanent, and no crisis could possibly arise, as all could deal for cash, and few would sell on credit. With that prosperity "the blessed gospel of work" would insure to us alike public peace and private morals, and then need no one despair of that Republic which is the hope of the downtrodden and the oppressed throughout the world.

THE SOUTH.

An Attempt to Indicate the Nature and the Cause of its Diseases and the Remedies for them.

From the NEW YORK TRIBUNE, October 22, 1874.

To the Editor of the Tribune:—

SIR: When a locomotive has run off the track, one first-class mechanic with ten men to aid him will be more likely to get it on again than would fifty ignorant boors without the directing hand and the intelligence and ingenuity of such a mechanic. On a recent occasion the iron-clad *Independencia*, which was being built upon the Thames for the Brazilian Government, stuck on the ways in being launched, and was thereby, by reason of her immense weight, wrecked. It was thought probable by *The London Times* that it might be necessary to blow her to pieces with powder in order to get her out of the way. However, the intellect of one good mechanic, Mr. John Dudgeon, was equal to the solution of the problem; and her leaks being stopped and pumps started she was soon cleared of water, and by means of the proper application of power was floated, and will be docked, and, it is not impossible, repaired and rendered fit for service.

Now the Southern States, it strikes us, are at this moment in a position which finds its analogy in the condition of the *Independencia*, wrecked, water-logged, and apparently ruined beyond redemption. Blundering violence will be apt to do more harm than good, to aggravate the disease, and to render the case even still more desperate. What is now necessary is not such violence, but the application of an equal amount of good sound sense with that used with the *Independencia*. We believe it quite possible clearly to ascertain what are the causes of trouble at the South, and what are the remedies to be applied, and that they can be applied with a result quite as happy as that in the case of the wrecked iron-clad.

With few diversified industries, and, therefore, with but feeble society life, the South was unable before the war to throw off the disease of slavery, a disease which can only permanently retain its hold upon communities which are poor. The almost entire absence of these indus-

tries deprived her of the presence of a large and powerful middle class—the bulwark and defence of a free State, and the very class which saved the Government of these United States in the hour of its greatest peril. Such being the state of its society it became an easy task for a few infatuated demagogues so to fan the flames as to precipitate a rebellion and a war. As ignorant as their ignorant followers as to what were the prerequisites necessary to the foundation of a great nation, these demagogues never for one moment doubted the successful result of the issue, seeing that they held control of one great staple—cotton, upon the supply of which depended immense interests, as well in the North as in Europe. But, after a bloody struggle of four years, their confederacy went down before the armies of the Union, backed as they were by that intelligent and thoroughly vitalized society of the North, which was the healthy and vigorous offspring of its diversified industries.

The close of the war brought under the control of the Government of the United States a number of conquered States, which, with but limited resources, had made an herculean effort, adopting the business of war and its sustenance, as well-nigh the sole occupation of its people. When, after such an effort, such a people succumb, they must indeed be ruined, and in fact the South surrendered solely because of this ruin.

The American body-politic now presented to view a picture very much akin to that of a body-physical one-half of which is paralyzed, while the other half is thoroughly vitalized. How to vitalize the paralyzed half of this body-politic and bring it up to the same healthy and vigorous condition as that of the other half, was one of the most interesting and important problems ever presented for the consideration of a government. Especially did this question concern the then Finance Minister, Hugh McCulloch. Did he attempt to grapple with it? No! not in the least! So far from doing so he concentrated his thoughts upon certain theories of the schoolmen about money, which theories were so far from being universally accepted as principles that they were entirely repudiated and treated as utterly false by many of the best thinkers and writers upon the subject.

This Finance Minister, placing his theories far above the teachings of the marvellous financial results of the war, as quickly as possible put those theories into practical operation, and it was soon found that even the loyal States were quite unable to pass through the ordeal thus forced upon them, and peace, so far from bringing to them prosperity and happiness, brought to them adversity and misery. But for the prompt intervention of Congress in arresting the Secretary's scheme of the contraction of the currency, a crisis would have occurred as early as 1868.

However, enough was accomplished by Mr. McCulloch to secure not only the prostration of the industries of the people, and to make these people the victims of the usurer, but finally to force the Government itself to rely upon syndicates of foreign bankers to carry that national indebtedness which in the midst of war and destruction had been readily and cheerfully carried at home.* Eventually the policy culminated in a desolating financial (or rather credit) crisis, with its accompaniments—ruin, stagnation, and widespread misery.

If such have been the results in the more prosperous and wealthy North, what might we expect to find in the prostrate South, which was left at the close of the war almost without any currency whatever? What do we now find there? Ruin, almost without a parallel in the history of the world, to have been accomplished in so brief a period of time—every legitimate interest well nigh without exception destroyed, men of fortune rendered bankrupt, land valueless, taxation in thousands of cases amounting to confiscation, a general state of demoralization, and society being fast resolved into its elements—in a word, all signs pointing to a near approach in a great portion of that country to a condition of things such as has long existed in Ireland, Spain, Sicily, Greece, Mexico, and South America.

But it may, in reply, be said that this state of affairs comes of a change from slavery to freedom, and from the enfranchisement of the freedman.

* Had Hugh McCulloch been a real statesman, and not a mere empiric in the practice of this most important of all professions, he would clearly have foreseen precisely this result, because he would have known of England's experience in adopting in 1819-23 those very financial theories which he was about to force upon his countrymen. In 1793, Great Britain, under the leadership of William Pitt, declared war against France, and by February 27, 1797, it became necessary for the Bank of England to suspend specie payments. Mr. Pitt subsequently declared that this suspension was to the Government equivalent to "*finding a mountain of gold*," and so it was, for the bank, expanding its circulation and loans, gave prosperity to the people and power to the State. Thus was Great Britain enabled, by 1815, finally to crush the power of Napoleon at Waterloo. But as soon as the pressure of war was removed, the theorists, who had had to content themselves in proclaiming their theories during the continuance of the war, were allowed supreme control over the people, their fortunes, and their happiness. In 1819 Peel's bill for the resumption of specie payments, May 1, 1823, passed, and was followed by immediate and sharp contraction; and the people were ruined by thousands. While from 1816 to 1822 inclusive, the money *annually* applied to the reduction of the public debt averaged over £16,000,000, in 1823 it fell to £7,482,325, and never after rose above that amount, except in 1824, when it was £10,625,059, after which it steadily fell reaching £5606 in 1832, with a deficiency of £12,000,000 in the six years 1837 to 1842 inclusive. Since reaching a "specie basis" in 1823, Great Britain has practically ceased to pay off her public debt. Thus was it but needless cruelty towards the people, and wicked blundering towards the State, for Hugh McCulloch once more to try this already tried experiment upon his countrymen, when he had but to read the terrible story of England's experience, to see how would inevitably come a decline in the people's prosperity, and from it would result the financial weakness of the National Treasury.

It cannot be denied that these changes have had their influence, but the great demoralization of society throughout the South has come of the prostration of nearly every interest and from the extreme difficulty of finding any field for employment which will yield a competency or even a livelihood, just as from like causes brigandage has for centuries been an established institution in Italy, and as the well-known corruption of officials, high and low, in Mexico has long held sway over her destinies.

If then, the causes of the existing condition of things in that unhappy and discontented section of our country be such as are above indicated, what is the remedy? Clearly and beyond a question to set the people to work with the least possible delay, and to keep them at work, to bring their industries finally up to, and even beyond, that condition in which those of the loyal States were found at the close of the war. A policy which will do this will promptly improve, not merely the material, but the moral condition of the people, and will cause the reorganization of society, and in time make those people who compose it as happy, as contented, as loyal, and as true as any in this country, or indeed upon the face of the earth, and no other policy will. The history of mankind from the earliest ages to the present hour, and more especially in modern times, teaches this lesson with so much clearness and force that any one of ordinary intelligence and reading may, upon slight examination, fully satisfy himself of its exact truth.

As there can be no thorough industrial vitality without an entirely adequate supply of money to meet the daily and hourly wants of the active intercourse between man and man, and thus prevent a waste of labor power, the primary step in the great work of regenerating the South is for the people of the whole nation to re-enter upon the exercise of the right to determine by themselves, and for themselves alone, the volume of that money. For as they do not permit Congress to fix a limit to the supply of potatoes, wheat, corn, horses, oxen, cows, or sheep which shall be furnished to the country, so they cannot in justice to themselves permit it to determine how much money shall be, seeing how far more universal is the necessity for this latter, than for any one, or indeed for all of the former combined. Further, to allow any such body to provide by law that "the current money of the realm," the only legal tender, shall consist of gold and silver alone, while that body does not charge itself with the duty of seeing that the country has an adequate supply of these metals, is to submit to even a still deeper injustice than that of a mere fixed and arbitrary limit to the volume of the money, for the reasons that the supply of such metals is notoriously inadequate to the wants of mankind, and that they steadily flow *from* those communi-

ties and countries which are poor and in which they are scarce, to those which are rich and in which they are abundant—thus demonstrating a power in a community or a country to command these metals in an inverse ratio to their necessity for them. If any vested interests are sacrificed by the re-entry of the people upon the exercise of this natural right to determine the quantity and the character of their money, then those vested interests must give way. They should neither in law nor in equity longer be permitted to block the road, for the people have long and sorely suffered, and do now suffer by reason of the withholding from them of this right, and they must in justice to themselves resume it.

The only system ever devised for furnishing a country with a volume of money in exact accordance with the needs of that country—neither in deficiency nor in excess—is that by which it is proposed that the public debt of the United States shall be converted into bonds bearing 3.65 per cent interest, and legal-tender notes interchangeable with each other at the pleasure of the holder. It has been well and truly said that “*in the interchangeability, at the option of the holder, of national paper money with government bonds bearing a fixed rate of interest, there is a subtle principle that will regulate the movements of finance and commerce as accurately as the motion of the steam-engine is regulated by its governor. Such paper money tokens would be much nearer perfect standards of payment than gold and silver ever have been or ever can be.* The use of gold or other merchandise as money is a barbarism unworthy of the age.”

In conclusion, let it again and most earnestly be urged that we do not permit ourselves or our government to be guilty of any ignorant and blundering violence in the treatment of the South in its present abnormal and demoralized condition, but that we rather look into the special features of the case, and endeavor to ascertain the causes at work in producing its diseases, and then apply an equal measure of good sound sense with that applied to the Independencia, and we may fully depend upon it that the effect will be equally happy. Let us bear in mind that we at the North are at this very hour suffering from a great and growing corruption and demoralization in our own midst, and that it is therefore quite within the range of possibility that such intelligent treatment as is intended to meet the case of the South alone, may even at the same time prove to be the very remedy needed for ourselves, and that it may thus become that good which “blesseth him that gives as well as him that takes.”

HENRY CAREY BAIRD.

PHILADELPHIA, Oct. 13, 1874.

