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A PLEA

FOR

UNCLE SAM'S MONEY;

OR,

Greenbacks versus Bank Notes.

BY

HUGH BOWLBY WILLSON.

New York, March, 1870.

New York:
JOHN MEDOLE, BOOK AND JOB PRINTER,
193 PEARL STREET.
1870.

-Copy 2-

To General U. S. Grant,

President of the United States.

Sir: I take the liberty of addressing the following pages, containing arguments deduced from scientific principles, in favor of maintaining and perpetuating the national currency, to you, as the truest representative of the popular will and sentiment.

The honest and efficient administration of the public finances, by your able Secretary, Mr. Boutwell, and the strict enforcement of economy in all branches of the public service, since your advent to power, have strengthened the public conviction that the nation has placed "the right man in the right place."

During the first year of your administration we have witnessed a reduction of our national debt of $100,000,000, without any addition to the burthens of the people. We have in that time seen the national securities rapidly appreciate, and the national currency rise from 76 to about 90. The disjointed elements of the Union have been nearly restored, and the public confidence in the stability of the Government fully established.

All that is now needed is the cordial support of the legislature, during the remainder of your term of office, to effect a great reduction of the public burthens by a wise measure for funding the national debt. We should have at least two years more of the same rigid economy and honest enforcement of the revenue laws, before devising a law for funding the debt. By that time our currency will be firmly settled on a specie basis, and the public creditors, at home and abroad, will be glad to accept a much lower rate of interest. The funding bill now before Congress, if passed in its present form, will, in my judgment, prove abortive, like so many similar measures prematurely attempted in England.

I am,
With great respect,
Your very obed't servant,
H. B. WILLSON.

85 Liberty Street, New York.

A PLEA FOR UNCLE SAM'S MONEY;

OR,

GREENBACKS vs. BANK NOTES.

THE CURRENCY—THE MOST IMPORTANT QUESTION BEFORE THE PEOPLE.

(From the New York Herald, 10th Dec., 1869.)

Now that the question of reconstructing the nation on a durable basis draws near its solution, one of no less importance to the present and future welfare of the country presents itself for prompt and earnest consideration. That question is, how to deal with our paper currency. This description of currency is the creature, and has now become the necessity, of modern civilization. Civilized society can no more do without a paper currency than it can dispense with the steam engine, the railway or the electric telegraph. The principles and uses of these have been wrought out by the patient labor and research of men of exalted genius; but paper money has been the motive-power that has set all the vast machinery involved in operation. Hence every man who has studied the subject from a scientific as well as a practical point of view, will admit it is one of first-class national importance, and as such demanding the most careful and dispassionate investigation by our national legislators.

The wisdom of retaining our national currency, and of retiring or canceling the national bank currency, is every day being recognized by all classes of the community, except those interested in the national banks themselves. General Garfield, the chairman of the House Committee on Banking and Currency, to which this question is properly referable, has candidly confessed his conversion, since last session, to the views long and uniformly advocated by this journal. The argument used by those who favor the retirement of our national circulation, and the substitution of national bank notes therefor, is that the former was a war measure, forced on the country by necessity, and ought to be dispensed with as soon as possible. Senator Sumner and, it is said, Chief-Justice Chase and many other distinguished statesmen take this position; but none of this class of opponents have offered a single sound reason in support of this assumption, which stands as a mere *brutum fulmen*—a simple, unsupported declaration. On the other hand, the most powerful and unanswerable reasons have been urged in favor of the opposite policy. As the question will probably engage the early attention of Congress, we propose to consider it in all its bearings, and to lay before our readers such a summary of the origin, uses and development of paper currency, and of the principles which govern it, as will convince every candid and unbiased man in the country that the views we have contended for are right.

Before entering into the merits of so great a question, we will dispose of the unmeaning assertion that the national currency should be retired because it was the creature of necessity, at a time when the nation was involved in a life and death struggle. Now, it by no means follows that a measure adopted in time of war, and justified on the grounds of necessity, may not be good and highly beneficial in time of peace. Necessity is said to be the mother of invention, and whether the necessity originate in the exigencies of war or in "piping times of peace" the merits of her progeny must be weighed by the same standard and tested by the same rules of evidence.

What is meant by the Science of Money.

It is only since the commencement of the present century that banking and currency (embracing the uses and circulation of money and paper currency) have been treated as a science—that is, as being governed by certain determinate principles, deducible from known and uniform results. Like all inductive sciences, it is founded on the practical experience of mankind. That is, when we find that history establishes the fact that certain effects invariably follow certain causes, or a certain definite policy, with as much exactness as the demonstrations of the so-called "exact sciences," or mathematics, we claim this as a scientific solution of the questions involved. Though much has been done since the days of Adam Smith to evolve a regular and scientific solution of the money question, it must still in many respects be regarded as wanting in system and as being in its infancy. Great Britain and France have produced many able and some very demonstrative writers on money and currency, considered according to scientific principles. In this respect we have but little to boast of, but it is hardly possible that the prominence which this subject has assumed in this country will not wipe out this reproach. The great desideratum of the present time is a concise and demonstrative treatise on banking and currency, showing the necessity of maintaining a national currency and none other. Although the columns of a daily journal do not permit of treating the subject in any other than a brief and popular manner, we hope to be able to point out a solution, at once feasible and practical, of the question as it presents itself for consideration at the present time.

The Origin of Paper Currency.

We shall commence with a brief statement of the origin of paper currency, which, we have said, has been the creature and has become the necessity of modern civilization. It will be seen that the issue and circulation of promissory notes, payable at short dates or on demand, by banks, instead of by governments or nations, was purely accidental, and the circumstance affords no argument in favor of continuing the system, if a better one has been discovered or can be proved to exist.

Up to the thirteenth century merchants were compelled to transmit, at great risk and cost, all their remittances from one country to another, and from one part of their own country to another, in gold or silver coin or bullion, in order to maintain the balances of trade. This circumstance of itself, at a period when expresses were unknown, and when neither the public conveyances by sea nor by land were free from danger, would necessarily limit the growth of trade—especially between distant countries. At length, early in the century just named, the Lombard merchants—a class of shrewd money dealers—invented what were termed "money dealers' letters," which were, in fact, bills of exchange. A small sum was added to the amount demanded for these bills, to cover risk of transferrence of balances from place to place in coin, which these dealers could effect cheaper than ordinary merchants and travelers. These classes were greatly accommodated by this simple expedient, and, as their bills were transferable by indorsement, they soon passed from hand to hand, and were at length received as a kind of circulating medium or currency.

This was the nearest approach to a paper currency till the early part of the seventeenth century, when the Bank of Amsterdam was established, with the view of correcting the abuses growing out of the generally worn and clipped coins in circulation throughout Europe. This bank commenced by receiving gold deposits by weight and granting receipts therefor, making a small deduction for the cost of recoinage. These receipts were granted for six months, payable to bearer, and, in consequence of the high repute of the bank, went into general circulation as money. From this stage the plan of issuing promissory notes of fixed denominations, payable to bearer on demand, and the use of checks, was an easy step.

It will thus be seen that, while banking is claimed by eminent writers to have existed as early as the time of Moses, the use of bank notes for money is of very recent date. The principles which govern a paper currency will be considered at another time, and the advantages of a solvent and opulent nation's currency over that of one or many banks pointed out.

Great Importance of the Currency Question.

(From the New York Herald, 15th Dec., 1869.)

What gives precedence to this question is the circumstance that the currency of a country is a permanent, ever-abiding necessity—a thing not of months or years, but for all time. While industry and commerce continue to exist, or, in other words, so long as the human race shall inhabit the earth in its present form, currency, in some shape and under some condition or other, must be maintained to circulate commodities and keep all the complicated and varied machinery of labor in motion. Hence the question of funding the national debt, which is only a temporary charge on the industry of the people, and the readjustment of taxation, which is merely an incident growing out of the same, are matters which the economist and the legislator can only regard as of secondary importance.

The Adoption of Bank instead of Government Notes, for Currency, the Result of Accident.

We have shown the origin of paper currency, and that it was rather the result of accident than of any preconceived theory. The "money-dealers' letters" of the Lombard merchants, in the thirteenth century, were simply bills of exchange, similar to those of the present day, which we shall hereafter classify with the various kinds of currency recognized by modern political economists. Their circulation, however, was limited, and we have no evidence that they were used as money then more than now. The gold certificates of the Bank of Amsterdam, which were payable in six months, did take the place of gold as a circulating medium. Now, it was the accidental circumstance of the issue of this currency or "paper money" by the Bank of Amsterdam that established the practice or system which has ever since prevailed of limiting the issue of promissory notes, payable on demand in gold or silver bullion or coin, to banks. Had the government of Holland or of any other opulent country been the first to issue such certificates or demand notes, it is not only probable, but certain, that the usage would have been confined to the national administrations, instead of being turned over to a number of private corporations, or to one great national monopoly, as in England, France and other European countries. When governments have resorted to the practice of issuing paper promises they have in all cases done so, not to create a convenient circulating medium, or to promote the ends of legitimate commerce, but to create capital or resources, out of the credit of the nation. Hence such notes have as invariably been irredeemable, *and, as a consequence, have depreciated when issued in excess of the requirements of commerce.*

The argument of Senator Sumner and other statesmen, that we should make haste to abolish our national or government currency, and substitute in its place the paper of an infinite number of banks, has no better foundation than the reason offered by the countryman who was asked by his more enlightened neighbor why he balanced his bag of grain on his horse by means of a stone of equal weight, when he might readily divide his corn between the two ends, and thus relieve his beast of half his load. His answer, we are informed, was, that his father and grandfather had done so before him, and it was not for him to try experiments. Those who argue for a retention of our national currency and for abolishing our bank currency, fortunately have had the experiment so far tried as to leave no doubt of its complete success, when the growth of our commerce and the rapidly increasing resources of the nation shall bring that currency to a specie basis by an easy and natural process. It is of no consequence what the originators of our present national currency contemplated when they put it in circulation —whether they intended it as a temporary war measure or as a permanent institution. If it has served a valuable purpose and has, as we contend it has, produced a large share of the resources, of the prosperity which has since enabled the country not only to bear up against an enormous taxation, but to develop its incredible wealth in a ratio never before known in this or any other community, or in any age of the world, then, we say, let us not destroy it, and go back to the worst and most precarious system of currency ever known, except that of the celebrated John Law or of the French assignats.

The Object of a Paper Currency Considered.

But we purpose to demonstrate, by scientific reasoning or deduction, that the issuing of that description of currency, which takes the place of money, and which we shall refer to occasionally as paper money, in contradistinction to money, or specie, as well as to those other kinds of paper currency which, while they serve to circulate commodities, are not received or used as money, should be confined exclusively to the nation. In order the more exactly to reach the conclusion we are aiming at, we must briefly state the objects attained or subserved by the substitution of a paper for a purely metallic currency.

The object and purpose of money, in whatever form, is to circulate commodities—not, as some assert, to "facilitate exchanges." It in fact abolishes exchanges by rendering them unnecessary. Before the invention of money the commerce of the world must have been carried on by the rude process of barter or by exchanging one kind of produce for another. Gold and silver having been selected as a common measure of values, because of their scarcity and great value as commodities, at once abolished the practice of exchanges of commodities, both in domestic and foreign trade. When writers assert that "money is the medium for effecting the exchange of commodities," they simply mean, that being the measure of values, the owner of it may procure such as he desires without the necessity of keeping on hand one kind of merchandise to be exchanged for another. The object and purpose of money is, then, to promote or facilitate the commercial transactions between individuals and countries, by doing away with the system of barter or the exchange of one specific description of merchandise or product of labor for another. But to do this it was necessary, until the invention of paper currency, payable in money on demand, or at a specific date, came into vogue, to transfer the precious metals in the shape of bullion or coin from the purchaser to the seller. In a small community there might not be much inconvenience in this latter method. But it will be obvious to every man of reflection that in large communities and wide-spread transactions great inconvenience and risk would ensue. Hence it will be equally obvious that the notes of a solvent bank, or a government, convertible into gold on demand, must tend greatly to promote the ends of commerce, and in the same degree stimulate industry. We desire to fix these universally accepted principles on the minds of readers, because they form the groundwork of the great question as to what kind of currency we shall henceforth have in this country.

The Various Kinds of Currency Used in Commèrce.

We have a few more general principles to elucidate before we can reach the main question coming up for discussion in Congress. We have to state the fact that there are several kinds of currency in continual use in commercial countries. First, there is gold and silver, or money proper; secondly, the demand notes of solvent banks and governments, which are divided into two descriptions, governed partly by the same laws—namely, redeemable according to the terms of the promises, and irredeemable. Both kinds are usually received and pass as money, and may properly enough be called "paper money." And, thirdly, all other kinds of commercial paper, such as checks on bankers, time notes and bills of exchange used in circulating commodities. These constitute the currency of civilized nations. Securities that are not commonly used in circulating commodities, such as the bonds of governments, states, municipalities and corporations, must be excluded, as not possessing the requisites of currency, which is money, or its representative or equivalent in the markets of the world. We have now narrowed the subject down to one of close reasoning and demonstration, at which we shall endeavor to arrive.

The Power of the State or Nation to Issue Paper Money Examined.

(From The New York Herald, 16th Dec., 1869.)

We propose to consider the arguments in favor of maintaining our national currency and of making it for all time the only "paper money" of the nation. We have already shown that there are no better reasons in favor of making the national bank currency the only paper money than the circumstance of its accidental origin, and the prescription of time, which may be pleaded in favor of most of the "time honored" vices and abuses of society. The accident of our civil war has, however, given us a circulating medium which, we propose to demonstrate, meets all the essential objects, uses and advantages of a paper currency, while it is free from all the evils which have been found to attend that of bank notes.

We start with the first and universally recognized principle, that the duty of coining money and of regulating the value thereof is properly and rightly lodged in the sovereign power of the State. This is a proposition that no one is likely to dispute. It is one of the highest and most important functions of government, which it would be dangerous to entrust to any individual or corporation who might desire to possess the privilege. Now the same reasons which support the theory and practice of lodging this power solely in the executive of the State, apply with equal force to the principles involved in the issue and management of paper money, convertible into gold. Although our paper is at present irredeemable at par on demand, by reason of its superabundance, there are but few men of influence in the country who do not take the ground that we must, in one way or another, get back to a specie basis, or to a resumption of specie payments. We therefore treat the subject in reference to such a condition of things, and take the ground that the issuing of that description of currency, which we have designated in former articles as "paper money," of right belongs to the sovereign power of the nation or State. Money, of whatever kind, concerns the whole people, and the experience of two centuries has shown that its issue in any form cannot be entrusted with advantage to private corporations or individuals. The allegation that the issue and management of a national currency opens the door for fraud or party abuse, applies with exactly the same force to the coinage and management of gold and silver currency. When our currency shall become convertible on demand into coin, there can be no shadow or pretense for urging such a weak argument We therefore claim it as a first principle, and as the natural right of the people to have and possess the sole and exclusive power to issue, through their national government, both the gold and silver money and the paper money founded thereon, for the purpose of economizing the former and stimulating industry and commerce. The reasons in support of this claim or right are, first, because no corporation or individual can offer the same security as the State, which represents the whole property of the nation; secondly, because the important advantages resulting from the issue and circulation of paper money should enure to the whole people, and not to those who already possess a large amount of accumulated capital.*

The Question of Security Considered.

Let us briefly consider the first proposition—security. Public confidence in the ability of the promisor constitutes the first element to the success of a paper circulation, and this is founded on the security guaranteed by the issuer. If the government offers the highest order of security, then it is manifest that a government currency will command this first element necessary to maintain a paper circulation. If, on the other hand, 1,600 or 1,700 national banks, which Senator Sumner and others propose to increase indefinitely, possess individually and collectively a higher order of security, then their notes should take precedence over the national notes in this respect. But the experience of this country, ever since the issue

*This article was written before the writer had his attention directed to Mr. Chase's report to Congress, advocating a national currency, hereafter quoted.

of our greenback currency, has been most unequivocally manifested from Maine to the Gulf of Mexico and from Ocean to Ocean. No legislation can alter this circumstance, because it is founded on a positive principle or law of nature, which is higher than the laws of Congress or of Parliaments. The national bank currency is better and safer than the old and fraudulent system which it superseded, because it derives a certain amount of security from the government bonds deposited with the Comptroller of the Currency. But these bonds, being securities of long date, are held generally as investments, and are subject to wide ranges of fluctuation in their market value in times of monetary panics, and stockholders form only a very small portion of the community. On the other hand, the government represents the resources of the whole nation.

Public Confidence Founded on Natural Laws.

Public confidence is the result of certain qualities, such as resources, good faith and good management. It is obvious that the guaranty of the nation for these essential elements of credit must be superior to that of any bank or any number of banks. We assert that this is a principle or law of nature, which, like all other moral laws that relate to society, is the result of the constitution of the human mind, which accepts the proposition that the whole is greater than a part without dispute. Then, on the ground of greater security and as commanding a higher order of confidence and credit, the national currency should be made the only "paper money" of the country.

The Right of the People to Possess the Advantages of a National Currency Founded on the Principles of Natural Justice.

The next proposition, that the whole people should possess the whole benefit arising from a paper circulation, is one founded, equally with the first, on principles of natural justice. If, as we all know, there is a great advantage accruing to those on whom the State (wrongfully, as we contend) confers the privilege of issuing paper money, then that advantage enures of right to all the members of society. When Senator Sumner and his adherents propose to grant to an indefinite number of private corporations advantages worth forty millions a year they simply outrage the rights of the people. They propose to give away rights founded on well defined laws of nature, and tax the community for the advantage of the few. The proposal to retire our greenback currency and to substitute in its place an equal amount of bank paper, belongs to the old and oppressive system of legislation which prevailed a century ago in most European countries. It is a palpable and manifest design to increase and perpetuate an unjust monopoly. The cry for "free banking" with which the proposition is accompanied is simply a device to cheat the public out of its rights. The parties who raise this cry do not mean any such thing. They simply contemplate an increase in the number of national banks and of the bank currency to the extent of the suppressed greenback currency. We are in favor of free banking, but not of the "free" issue of an indefinite amount of bank currency. Let the already exisiting $300,000,000 of national bank notes be suppressed and their place filled by an equal amount of national notes. Then let everybody and every corporation possessing funds have a perfect freedom and equality in banking, precisely as everybody has the right to trade or follow the business of a merchant. This is the only true method of establishing "free banking." It is the system partially existing in England, where most of the joint stock banks and all the private bankers bank on Bank of England notes and specie.

How the National Currency, Paper and Gold, must be Managed.

(From The New York Herald, 14th Jan., 1870.)

Having shown that the reasons in favor of making the government the sole issuer and regulator of the coin or metallic currency apply with exactly the same force to the issuing and regulating of that portion of the paper currency known as "paper money," in consequence of its adaptation to all the essential purposes of money, we propose to point out the necessity of making provision for its proper "regulation." Great confusion of ideas has arisen in considering this subject, by reason of the clamor raised by those who favor the retiring of our national notes and substituting in their stead those of an indefinite number of national banks. This has grown out of the simple unsupported assertion that "it is no part of the duty of government to do a banking business."

PRINCIPLES OF BANKING NOT INVOLVED IN SUCH MANAGEMENT.

Now, it is not pretended by the advocates of a national paper currency that the government shall turn banker any further than to "regulate the value" of such currency, as provided by the constitution in reference to the national coinage. It is a fundamental error to suppose that the issuing of demand notes to be used as currency forms a part of the necessary business of banks and bankers. The injurious effects resulting from an indiscriminate issue of bank notes led to the separation of the issue from the banking department of the Bank of England and the suppression of the privilege in respect to all future banks and bankers. The proper business of bankers has nothing to do with the issuing of "paper money," or demand notes to be used as money, any more than with the metallic coinage. As understood and defined by the best authorities the business of banking is to trade or deal in money, bills of exchange, the promissory notes of merchants, manufacturers and all others engaged in business pursuits, to make advances on all such securities and on merchantable commodities secured by bills of lading and warehouse receipts. Paper currency is quite a modern invention. The business of banking is as old at least as the days of Moses.

Though it may not be admissible for governments to enter into commercial transactions or into business competition with the public, it does not follow that it ought not to do whatever the principles involved in providing the nation with an adequate supply of paper money clearly indicate as needful to be done. If the principle be once established that the government is the proper agent for providing all kinds of money constituting the circulating medium, and has power to "regulate the value thereof," it clearly follows that it ought to provide the necessary machinery for its management. This power in respect to the metallic currency is imposed on the government by the organic law, and when we have once widened the intent of such law to the issuing of paper money, it becomes of paramount importance to establish a system for its administration.

The Excessive Issue of Paper Money a Serious Mistake.

We have now arrived at the grand problem demanding solution. Had the framers of our legal tender act understood the principles which govern a paper currency, or, indeed, any other kind of currency, the nation would have escaped very much of the injury it has sustained from a redundant circulation, the evils of which are not yet ended, and will only cease by an appreciation to a specie basis. It was a complete misconception of first principles and in direct violation of sound policy, deducible from all past experience, to issue so large an amount of inconvertible paper in so short a period. To add $500,000,000 to the ordinary amount of bank circulation, every man having the least knowledge of banking and currency foresaw would produce a complete unsettling of values and derangement of our monetary and commercial affairs. Even though the suspension of specie payments had been averted by some miraculous circumstance, such an amount issued, in one or two years, must have been productive of mischief by being in excess of the legitimate demands of commerce.

These considerations serve to point out the necessity of having a department of the government created to manage the whole business of coining money and issuing and managing the paper currency. There are many reasons why this department should not be connected with the Treasury. The management of the national finances and the provision of the national money, or circulating medium, are totally different in their details as well as principles. Until they are sparated there can never be a sound and scientifically established system of currency in this or any other country. The temptation to issue notes in excess of the requirements of commerce ought, for the reasons already stated and for others equally obvious, not to be left in the way of a minister of finance, who is too apt to consult only his immediate necessities. Had this provision been clearly settled by the Constitution we should not have witnessed another exemplification of the folly of attempting to create national resources by an overissue, or, more correctly speaking, an excessive issue, of irredeemable promises, and our debt would not have reached much above one-half its present volume.

Reasons why the Banks Should not Issue Circulating Notes.

Still more cogent are the reasons against the banks being endowed with the prerogative of providing any portion of the circulating medium. We have conceded that it does not belong to the government to supply loanable capital to the community or to trade in money, except in certain emergencies, and for a strictly temporary and legitimate purpose, which will be hereafter referred to. But it would be much more defensible for it to do so, than it is to permit the continuance of a practice at variance with the natural rights and interests of the people. The use made of this vast power by the banks exemplifies the utter defencelessness of the principle involved. It is an undeniable fact that the banks use this great national gift, amounting in the aggregate to $300,000,000, to earn the largest possible dividends for their stockholders.

This is a question we have a right to go behind. We have a right to consider the uses made of this vast free gift, which ought to enure to the advantage of industry at large. In order to earn the largest possible dividends, it is a notorious fact that the bulk of the banking currency is used to aid great speculators in a widely extended system of stock and other equally pernicious gambling in the products of labor. Thus the bulk of our loanable capital has become a monopoly in the hands of a limited number of great capitalists, and the effect is to make the rich richer and the poor poorer. Though we may not be able to prevent this abuse of capital, it is nevertheless a powerful reason against the continuation of so large a State gift to such unworthy recipients.

Let this question be fairly met. Let Mr. Sumner, the great champion of a bank in preference to a national currency, answer it—is it right, or justifiable, on any national grounds, for the government to continue what seems so monstrous a wrong on the community? The privilege of issuing $300,000,000 of currency cannot be worth less than $30,000,000 a year. The prerogative of providing the circulating medium and of being the sole judge of its sufficiency cannot be safely trusted in the hands of individuals or corporations. It belongs of right to the nation, and the nation alone should provide for its emission and control in the way we have pointed out, or in some other equally sound and reliable. General Garfield, the able and accomplished chairman of the House Committee on Banks and Currency, has candidly acknowledged his change of views on this most important question. He supports our theory, and so will every logical mind that examines the subject by the light of experience and the aid of science.

A Board of Control Recommended.

What is needed, then, is a department to prepare and regulate our money, which is not only "the sinews of war," but the very life-blood of the nation. This department may properly be called the Board of Control. It should be composed of at least five commissioners, one of whom might be a cabinet minister and the presiding officer. The others, like the judges of the Supreme Court, should be selected for their peculiar qualifications for the duties to be discharged. They should be paid in proportion to the high responsibility of their positions and the ability indispensible to the efficient exercise of their official functions. Like the judges, they should be made, as far as possible, independent of political influence, and be removable only for cause shown and by impeachment. The position of the presiding officer would be analogous to that of the Master of the Mint in England, and he would be the medium of communication with the other branches of the government. We shall not enter into the details of the proposed measure, which would require much careful consideration to prepare. These details would have to be framed in reference to the duties the commissioners would have to perform. The experience of the Managers of the Mint and of the Currency Bureau would no doubt be valuable. But the Board of Control should have very extensive discretionary powers. We also propose to make the Board of Control the depository of all the funds of the government at present received and disbursed through and by the Secretary of the Treasury. This would be necessary in order to concentrate the whole financial power of the government in aid of the system which is to be thus made permanent. It would take the place held by the Bank of England in respect to the British government. The board would, therefore, have to establish agencies wherever it has been found necessary to do so by the Treasury. It would, in fact, occupy the ground at present in possession of that department, and the Secretary of the Treasury would deposit all the funds of the nation in the agencies in question and draw his requisitions for the same when needed.

The Board to Regulate the Volume of Currency According to Scientific Principles and Experience.

The board should be the sole judge of the amount of paper money or demand notes necessary to be issued and kept in circulation. On this point hinges the grand feature of the proposed reform—we might almost call it a revolution—in the management of our currency. A volume might be written to demonstrate by past experience the beneficent results which would follow the establishment of a well regulated system of money or circulating medium. We reserve for another occasion the elucidation of the principles which would guide the Board of Control in the exercise of its high functions.

(The following articles have not before been published.)

The Testimony of Chief-Justice Chase in Favor of a National Currency.

Mr. Chase, when Secretary of the Treasury, in his report to Congress in December, 1861, suggests the following cogent reasons in favor of a national currency. "To enable the Government to obtain the necessary means for prosecuting the war, without unnecessary cost, is a problem that must engage the most careful attention of the legislature." He then goes on to say, "the circulation of the banks of the United States on the first day of January, 1861, was computed to be $202,000,767. Of this circulation $150,000,000, in round numbers, was in the States now loyal, including Western Virginia, and $50,000,000 in the rebellious States. THE WHOLE OF THIS CIRCULATION CONSTITUTES A LOAN WITHOUT INTEREST FROM THE PEOPLE TO THE BANKS, COSTING THEM NOTHING, except the expense of issue and redemption, and the interest on the specie kept on hand for the latter purpose; and it deserves consideration whether sound policy does not require that the advantages of this loan be transferred, in part at least, from the banks, representing only the interests of the stockholders, to the Government representing the aggregate interest of the whole people."

The Secretary next questions the right of States to confer on banks the power to issue a circulating medium, and then proceeds to say, "*however this may be, it is too clear to be reasonably disputed that Congress, under its constitutional powers to lay taxes, to regulate commerce and to regulate the value of coin, possesses ample authority to control the credit circulation which enters so largely into the transactions of commerce and affects in so many ways the value of coin. In the judgment of the Secretary, the time has arrived when Congress should exercise this authority.*"

In the face of such arguments, with what consistency could Mr. Chase subsequently *demand* the passage of a National Bank Bill for $300,000,000, thus making the enormous gift, or, as he himself termed it, "loan without interest," of $150,000,000 to those who were invited to form new banks under that act? It is true, the proprietors of these additional banks were obliged to purchase $165,000,000 of Government securities, to be lodged with the Comptroller, before they could avail themselves of this great benefaction. But it will be seen that the Secretary, as the authorized agent of Congress, supplied the purchasers with ninety per cent. of the purchase money, in the shape of national bank notes. The net result, then, was $15,000,000 to the Government, when it might, and of right ought to have had the benefit of the whole $165,000,000.

If the Secretary had granted this loan without interest to the nation, instead of to the bondholders, to enable them to establish banks for their own profit, it would have saved the necessity of borrowing $150,000,000, and compelling the nation to pay interest therefor. If we compute compound interest, which we have a right to do, on this sum, our debt, according to Mr. Chase's own showing, would now be $212,500,000 less than it is, and Mr. Boutwell could reduce taxes to the amount of $12,750,000 a year, or have that sum to add to the sinking fund for the current year more than he has, and this would go on increasing each year at compound interest. So much for Mr. Chase's financiering.

There was at least a fair ground for making such a concession to the State banks, whose capital amounted to $150,000,000, for the abandonment of franchises and benefactions conferred on them by

States. But as the whole $300,000,000 of the people's money, credit or capital, call it by what name you please, so generously bestowed by Congress on the wealthy classes, making them so much richer and the laboring classes so much poorer, has become a vested and legal right, according to the laws of Congress, the present bank proprietors should perhaps be indemnified if the "loan without interest" should be withdrawn in order to give to the country a uniform national currency. On this point we have nothing further to say. We are discussing principles. If they are true and well established, it remains for Congress to remove all difficulties and give them effect. The banks themselves should be the first to recognize the desirability of establishing a permanent and scientific circulating medium, and would no doubt meet the Government half way.

Free Banking.

Under such a system of currency, free banking becomes a necessity. There is no more justification in limiting the right to organize joint stock banks to some 1,600 institutions, or, to speak more correctly, to limit the gross amount of capital to be allotted to any number of such institutions, than there is to limit the number of traders and manufacturers, and the amount of capital they shall employ in their respective pursuits. The business of banking consists in trading in money, bills of exchange, &c. All who choose to form themselves into associations are entitled as a natural, inherent right to the privilege of doing so, to the extent of their means, just as merchants, manufacturers and others are authorized to do under general laws. Nor have bankers or banking companies any greater claim on the public at large for Government benefactions, or "loans without interest," than other trading and manufacturing corporations.

What the Cry for Free Banking at present Means.

The moment we divest our minds of the unfounded idea that banks are the proper sources for supplying the circulating medium —the moment we concede that right and that duty to the nation, the monstrous absurdity of our present system of banking becomes apparent. At present the cry for free banking means the right to convert the whole national debt into a basis for the issue, by the Comptroller, of "loans without interest," in the shape of national bank notes. It is simply a proposition to enable the holders of national securities to own these desirable investments, draw the interest on the same, and, at the same time, get 90 per cent. of their par value in money as a bonus. Why should not the owner of a house or farm have the same right accorded to him? This is just what that eminent Scotch financier of 150 years ago, John Law, proposed. It is in fact a proposition involving the monstrous absurdity that a man may own his property and at the same time possess the value or price of it in money.

The New Theory of Free Banking.

When we have only a national currency, redeemable at par in specie, it will at once be seen that no possible evil can arise from perfect freedom in banking. The nation's money being under the regulation of an intelligent Board of Experts or Control, such as we have suggested, would always be kept up to a volume adequate to the growing business of the country, and any body of individuals desiring to organize as a banking corporation should be allowed every facility for so doing. The power of granting franchises might be left with such board, or with any other authorized official.

The Fallacy of "An Equitable Distribution of the Currency."

There are several bills now in Congress intended to provide for a more equal distribution of the currency, the real object, however, of nearly every one being to enable a number of bondholders and speculators to get their hands into the national treasury. They all aim to retire a part or the whole of the national notes, and to substitute in their places bank notes, predicated on national securities. The bill which seems most likely to become law, unless the President interposes his veto power, is that which has passed the Senate, and is now before the House Committee on Banking and Currency, of which General Garfield is chairman. The object of that bill is professedly to "equalize the distribution of the circulating notes." It proposes to retire $45,000,000 of three per cent. temporary loan certificates, and to issue to certain Southern and Western States as a "loan without interest" an equal amount of money in the shape of national bank notes.

Nothing can be more flimsy than the reasons urged for this additional act of plunder. These three per cents. serve, to some extent, the purposes of currency, and in order to retire them the Secretary must borrow at a higher rate of interest and thus add to the debt, or he must use his surplus revenue if he has any for that purpose. National bank notes, by reason of their being secured by government bonds, possess the quality of uniformity of value in every section of the country. Now, it is a law of currency, or money possessing this quality, to continually flow to the great oceans or centres of commerce (just as water finds its way through innumerable rivulets and streams to the oceans and lakes), whence it is carried back to purchase and transport to market the varied products of labor. Only such an amount is retained as is necessary for local requirements. The laws of nature, which keep up a perpetual circulation of the waters of the earth, admirably illustrate the laws of currency.

Then what a transparent humbug it is for Congress to put forward such a pretext, for what every man who votes for the measure knows to be a gross fraud on the rights of the people. It is said that many of the prominent members who support this measure do so to meet the demands of a powerful lobby and satisfy clamorous constituents.

No explanation or apology can change the plain, unvarnished facts and fallacies involved in this and all similar proposals to increase the bank circulation at the public expense. To accept of Senator Sumner's bill would be to increase the national debt $200,000,000 and to present the avails to the bondholders.

Who will profit by the Proposed Redistribution?

We are assured, by well informed persons, that a considerable number of Senators and members of the House who favor these projects are entirely reckless of consequences; that nearly all such have friends and partisans who are anxious for a measure which promises to open a vast field of speculation and wealth to a few at the expense of the country. It is asserted that there are now many Southern and Western men in this city engaging Government bonds on which to organize Southern and Western national banks, under the Senate currency bill. The process is an easy one, and when it is understood the complete deception of "redistribution" will be perceived. We will suppose it to be sought to establish a national bank with a paid up capital and circulation of $1,000,000. The new organization will have to provide bonds of the par value of, say, $1,100,000, the notes to be issued thereon being 90 per cent. The only capital, therefore, required to complete a legal organization would be the margin of $100,000 and the premium on the bonds, which may be called 10 per cent. (It may be nothing when gold falls to par.) This, added to the $100,000, makes $200,000. The remaining purchase money, amounting to $1,000,000, the Government will generously advance, in the shape of a "perpetual loan, without interest"—for these very "circulating notes" may be used to pay the whole of this $1,000,000—towards the bonds which are to be made security for the notes. This, of course, will not be done in quite so direct a manner as we have stated it. The form of discounting a number of pieces of commercial paper, and perhaps a number of other forms known to modern masters of finance, will probably be complied with, in order "to cover up the tracks" of the operators. But the net result will be a full-blown national bank, located, we will say, in some remote Western or Southern city. It will thus be seen that the "apportionment" of the $1,000,000 for that particular locality first serves the purpose of a grand stock or bond operation in Wall or Broad Street.

But, it will be asked, where is the capital for "banking" to come from? Oh, that is the easiest thing in the world. The managers will, of course, take the best building in the far off city, and make a display of a few thousand dollars of their bran-new notes, and will receive deposits and commence selling bills on New York. If they are smart, this will soon furnish funds for the discount of prime commercial paper, and supply the requisite amount of greenbacks for the redemption of any stray notes that may find their way from New York, where they are soon mixed up, promiscuously, in and with the great ocean of currency, national and bank. Will President Grant investigate this question, in the interest of labor and honest industry, before putting his signature to any such measure? So much for the cry for "redistribution," raised to humbug the public.

TESTIMONY OF HON. MR. SPAULDING.

It is, perhaps, not saying too much to assert that the country owes it more to the HON. ELBRIDGE G. SPAULDING, of Buffalo, than to any other man, that it has enjoyed the vast advantages of sound national currency during the last eight years. It is extremely doubtful whether the war could have been successfully prosecuted but for this currency. Indeed, it is almost demonstrable that it would have terminated ingloriously, before the end of the second or middle of the third year, but for Mr. Spaulding's determined and successful efforts to establish our national currency. It was, beyond question, the motive-power that set our armies and navies in active motion, and at the same time stimulated productive labor everywhere to provide the means necessary to the occasion. Mr. Spaulding has lately published a valuable financial history of the war, in which he modestly takes less credit to himself than he is entitled to for the part he took in carrying through Congress the first and subsequent measures authorizing the issue of "treasury notes, payable on demand." Mr. Chase only "suggested" such an issue, but preferred and recommended what he, himself, designated the raising of money by granting "loans without interest" to a vast number of national banks, who were to use these loans to purchase interest-bearing bonds of the United States. Mr. Spaulding, as chairman of the sub-committee of Ways and Means, "recommended," and by a convincing and powerful speech, carried the measure that gave us the first and subsequent issues of greenbacks, which may properly be called the PEOPLE'S MONEY, in contradistinction to the BANKS' MONEY.

While making this just concession to Mr. Spaulding, we might, perhaps, be able to demonstrate that a great error was committed in not suppressing the entire bank circulation, making adequate compensation for it by payment of damages in treasury notes, and then maintaining specie payments. The Government had the power, through its revenue channels, of controlling all the gold in the country, at that time amounting, according to the estimate of Secretary Chase, to $275,000,000. On such a basis, or even on half that sum, the nation, with all its vast resources, could have maintained specie payments on a circulation of $500,000,000, and that amount would have been ample for all the fiscal purposes of the war.

The War should have been Fought on a Specie Basis.

The idea of selling the government securities below par was a bugbear at which Mr. Spaulding and others became frightened, and they fell into the error of issuing too large a volume of circulating medium, which finally reduced the proceeds of loans to only fifty cents on the dollar of gold. With the enormous increase of commercial and industrial transactions, caused by the war and by the extraordinary development of our railway system just prior thereto, $500,000,000 was not too large a volume of currency, and would now be too small, even on a specie basis. No one will dispute the assertion that the war might have been prosecuted on a greatly reduced expenditure if we had maintained specie payments, even if our bonds had to be sold at ten, twenty, or even thirty discount.

But we have not space to enter into an elaborate argument on this particular point. We simply desire to give Mr. Spaulding the credit he is entitled to as the real father of the national currency. He still adheres to the principle that it ought to be maintained as a permanent institution, as we understand from a letter received from him, in which he says he has not changed his views as expressed in his speech at the meeting last year of the National Bank Association, wherein he proclaims his strong predilection for the greenback currency. Mr. S., from his extensive scientific and practical knowledge of banking and currency, and as a practical legislator, is just the man to be placed at the head of the proposed Board of Control.

The Testimony of the late Hon. Thaddeus Stevens.

At the close of the debate in the House on the first legal tender national currency bill, when Mr. Stevens submitted a substitute for Mr. Spaulding's bill, then under consideration, the former gentleman, in his usual vigorous, terse and forcible manner, remarked, "The national bank scheme recommended by the Secretary (Chase) might, in ordinary times, be very useful; but while the banks are under suspension it was not easy to see how it would relieve the government. *They would have the circulation without interest, and at the same time would draw interest on the bonds*, and afford no immediate relief. He thought the government should have the benefit of the circulation of the legal tender notes."

These and other equally cogent and patriotic arguments urged by Mr. Stevens in support of this great measure were evidently the result of a plain, unprejudiced and common sense view of the object, uses and principles of a paper currency, rather than of any deep knowledge of the science of money; for he, like most who spoke on the bill, did not exhibit evidence of a careful study of this complicated subject. Although Mr. Stevens' substitute was adopted, it was so like Mr. Spaulding's bill as to almost amount to a distinction without a difference. The only material change made consisted in increasing the issue of greenbacks from $100,000,000 to $150,000,000, and the retirement of $50,000,000 of treasury notes previously issued by authority of Congress. Mr. Stevens, to put the matter more clearly before Congress, observes: "If the $150,000,000 were constantly afloat it would be a loan to the government without interest to that amount, $9,000,000 a year." He might still further have pointed his argument by adding that the "scheme recommended by the Secretary" (Chase) would just reverse the case, and give to the banks (which he, the Secretary, favored) that amount.

If the President and Secretary Boutwell take these fathers of the national currency as models for their guidance, we may yet be spared the addition of $400,000,000 to our debt and over $20,000,000 a year to the national burdens proposed by such men as Senators Sumner, Sherman and others, who wish to fund our greenback currency and grant an equal amount of money, without interest, to the bondholders for the organization of national banks—their main argument being, as we have before stated, that the former, as "a war measure," ought to be abolished in times of peace. In other words, the Union being no longer in danger, the nation can afford to make this enormous gift to the wealthy classes, and raise the means to do it by taxing the labor of the people—for all taxes come primarily from labor. But, as if to make the proposition more aggravating and conspicuous, they propose to exempt these bondholders altogether from taxation. Can these gentlemen hope that such a proposition, if consummated, will go unchallenged by the country?

When the $150,000,000 bill passed the Senate many Senators, but more especially Messrs. Fessenden and Sumner, voted for it, as it were, under protest, that it was to be regarded only in the light of a financial expedient of the war. The former gentleman said, "*it has been defended simply and solely upon the ground that it is to be a single measure, standing by itself, and not to be repeated.*"

Mr. Sumner was equally pronounced in his judgment, and said, "*we must all set our faces against any proposition like the present, except as a temporary expedient, rendered necessary by the exigency of the hour.*" Mr. Sumner still adheres to this view, but neither then nor now has offered a single reason against the principles involved in the question of conceding to the government the sole duty and right to supply our paper money—just as it is its unquestioned duty and right to supply the coin or metallic money. If, indeed, our fathers had been stupid enough to have so framed the Constitution as to have prohibited the issue by government of paper money, statesmen should at once set to work to amend it. Will Mr. Sumner, as the most prominent, able and emphatic supporter of a bank currency (to be "loaned to the banks without interest"), meet the case fairly and squarely as it has been presented in these pages? Let him tell us wherein the bank currency predicated on public securities is safer or better than one secured on the resources of the whole people, through the action and under the control and management of government. Is there any reason arising out of the nature of things, or any argument deducible from natural reason, or from practical experience, why that which he supported in 1862, on the grounds of expediency only, is not the best for all time? We have endeavored to demonstrate our position by close reasoning and by appealing to the results of eight years' experience, and we proclaim our conviction that the judgment of the country, and of men of scientific culture on this question, is in favor of the national currency.

Mr. Chase's Want of Consistency.

We cannot close our remarks on the origin of our national currency without directing attention to the circumstance of the

Secretary of the Treasury (Mr. Chase) "recommending" a financial policy entirely opposed to the principles he so clearly demonstrated as being sound and correct. That which he proved to be best by unanswerable arguments he faintly "suggested," whilst the scheme he recommended was exactly that which he overthrew by the most powerful of reasons. We suppose this apparent inconsistency of the Secretary must be set down to the account of the strong opposing influences of the committee of bankers he had summoned to his aid. Had he studied the history of British finance he would most likely have discovered that such counselors always have a strong *penchant* for getting into the public purse—a liking for loans from the nation to themselves, "without interest."

Prospect of Resumption.

We have expressed profound regret that a determined effort had not been made by Congress when the $150,000,000 currency bill was passed to get back to a specie basis. Had Congress possessed the knowledge now acquired of the ability of the government to control the gold market, there can hardly be a doubt that the attempt we refer to would have been made. Had it been made, and followed up by the vigorous financial policy of President Grant, its success could not have been doubtful. But this knowledge was slow of attainment. Indeed, its full force only became apparent on the 24th of September last, when Mr. Boutwell sent his memorable order to New York, "Sell four millions of gold."

But it is aside from the object of these articles to criticise the policy that led to the issue of so large an amount as $400,000,000 of national and over $150,000,000 of bank currency, in addition to the $150,000,000 required to take the place of the then outstanding State banks' currency. We have considered things as we have them, looking for a time not very far distant, when, by the laws of money, our currency, national and bank, will be appreciated to a par with specie by the increase in our industry and commerce. Those who have formed their opinions on the question of the amount needed to circulate our commodities on the ante-war standard, are ignorant of the principles of currency. Two years ago the writer expressed his reasons, through leading journals, for believing that the extraordinary development in all branches of industry and wealth, would cause our too large volume of currency to steadily appreciate towards a specie value. When Congress met, in December, 1868, Senator Morton and many other members of both houses made elaborate speeches to demonstrate that no such phenomena would ever present itself. Mr. Morton declared that an irredeemable paper currency would never appreciate to par without contraction, unless the government borrowed a fabulous amount of gold and solemnly fixed a day when it would resume. Another class of philosophers took issue on these and other equally crude notions by declaring that "the way to resume was to resume." That is, the government was to sell all its gold at par, when the laws of nature had fixed its market value at about 133.

What the government should then have done was to have offered gold to all comers at its market value, which might, for the purpose, have been determined on monthly or quarterly averages. This would have stopped the injurious fluctuations caused by the gold gamblers. There would then have been no necessity for the government's coming to the relief of the bears on the notable 24th of September. But the event of that day has been of great value to the country and to the science of money. It has shown how completely the government is master of the situation, and demonstrated what the writer was among the first to contend for, namely, that the currency would in a few years come to par without the distressing ordeal of contraction. He then claimed that all that was needed was to let it alone, and "hedge" against the conspiracies of the "bulls" and the "bears." The distinction between selling gold at the value fixed by the law of supply and demand and selling it at par, must be obvious to every one. Under such a policy the government would never have been called on to sell of its steadily increasing supply, as the price in the open market would always have been a fraction lower, as it was in England during the bank suspension.

Though gold has fallen to 113, or twenty per cent. since the autumn of 1868, when Senator Morton declared the currency would *never* appreciate to par, the Treasury has taken no steps to steady its price and permit the paper money to be raised by easy stages to a specie value. If it should now be carried to par by a panic it would be difficult to resume, because the very act would suddenly inflate the volume of paper money $44,000,000—the amount of gold certificates afloat, which would at once circulate as currency. If such an event as we refer to should happen, the only way for government to resume and *maintain* specie payments, would be to fund the gold certificates promptly and suppress the fractional currency. The latter would be no longer needed, as all our silver would at once come out, even before par was reached, as well as gold dollars. Mr. Hincks, the remarkable Canadian financier, who has ordered that our silver shall be *current* in the Dominion at 20 discount, will have his anxieties set at rest. It will come back in far less time than it took to find its way there, and leave our neighbors in distress for want of change.

It is not desirable that the government should force on specie payments too rapidly. But better that than the passage of *any of the measures* now before Congress for funding the debt in the interest of the national banks or for inflating the currency. From these and all other such crude and premature measures, the nation may pray, "Good Lord, deliver us!" The time for passing a funding bill has not arrived, and the currency will take care of itself if Secretary Boutwell does not throw away too much of his ammunition in skirmishing with the gold gamblers. Let him ask for and obtain power to sell gold to all comers at the market value, which an average of the last month would fix somewhere between its present price of 113 and 120. This would at once relieve the country from all anxiety about combinations to raise the market, and the gold-room would soon become a very tame place. The recent heavy fall in gold is due to two causes: First, the rapid appreciation of the public credit, caused by the excellent administration of the national finances by President Grant and Secretary Boutwell; and, secondly, to the death blow dealt to that most unscrupulous clique, of which Gould and Fisk were the head and front, by the order to "sell four millions" on the 24th September. But little of the phenomena can be charged to the account of the natural law of supply and demand.

The popular view of this question, as between the national currency and the bank currency, as is often the case, coincides with the strict deductions of science and with the clear teachings of history. Let the President and his earnest Finance Minister devote themselves to the public interest, and the nation will certainly sustain their policy in opposition to that thus far developed by Congress in favor of the monopoly of capital. If the matter cannot be otherwise settled at present, let there be a truce, and let the two kinds of currency continue to circulate until the finances admit of buying up the bank circulation, dollar for dollar, and thus forever set at rest a matter of the highest importance to the nation. A sound and uniform currency, under able and experienced management, will do more to add stability to our institutions and promote the interests of labor than any other consideration or measure now engaging the attention of Congress. If all legislation on financial matters can be postponed, even for a single year, members will be better informed, and will come back to the consideration of the various subjects better qualified to deal with them.

In conclusion, we venture to predict, that if Congress will only permit the President and his able Secretary of the Treasury to pursue the policy they have adopted for strengthening the public credit, for two years longer, a bill may then be passed to fund all the interest-bearing debt in one class of bonds, or national stock, bearing not to exceed four per cent. interest.

The income tax, in some modified form, should be renewed. It is the most equitable method of raising revenue that can be devised, and it is the *most popular, notwithstanding the cry raised by certain journals* in the interest of the rich, who ought to contribute, out of the accumulations of labor, too often seized by grasping avarice from the sons and daughters of toil. Being both just and popular, let this tax be renewed—at any rate until all our debt can be funded at four per cent.