

these States has received of the bounty of the Government in the form of land millions, and millions and millions of acres more than she is entitled to if every particle of this bounty land and scrip land had been located according to her own will; and can they claim that the policy which carried the soldier into their territory is a policy which deprives them of all advantages of early settlement and of the better form of population?

The State would prefer the policy to be pursued which would locate the soldier within its limits rather than any other emigrant whatever, and that is what has been done wherever these warrants have been actually located. To be sure, in some instances speculators got hold of them, but I am talking about the general drift of the policy. The effect has been to put the soldier within the limits of the States which come now and ask for this 5 per cent.

The grants for homesteads, the grants for railroads, given for the benefit of the States, as well as of the nation at large, have been immense in area; and under all these circumstances, when those States have grown rich and large and plethoric, and can from the heights of their prosperity look down upon the comparatively meager hopes and realizations of the original thirteen, how they can come here and make up their faces and ask of us this little trivial contribution is entirely beyond my comprehension. Here we are as a nation to-day with a bill pending in both Houses of Congress offering to these States, as far as education is concerned, a much larger proportion than this amount.

We offer to Alabama \$1,000,000 in one bill, \$750,000 in another; Mississippi in the same proportion; Louisiana, Arkansas, and so all the way around through every one of these States which come here clamoring for 5 per cent. upon the public lands. We are by bills to-day offering more money out of the national Treasury for the benefit of their schools, notwithstanding the immense school funds which several of them already have, than they will get if they collect their proportion of this 5 per cent.

The State of Iowa, which located about 14,000,000 acres under these land warrants, will recover only \$800,000 or \$1,000,000 under the provisions of this bill. I should be a little ashamed to come here and ask for that. My friend, the Senator from Iowa, shakes his head. Then, if that does not shame him, I will spend a few nights in reflection on the subject; but I very much doubt whether I shall ever be able to perceive what will.

The bill ought not to be passed. If I have said enough to attract attention to it I am satisfied. I believe it should be killed.

Mr. GARLAND. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business. After seventeen minutes spent in executive session the doors were reopened, and (at four o'clock and thirty minutes p. m.) the Senate adjourned.

## HOUSE OF REPRESENTATIVES.

TUESDAY, May 16, 1882.

The House met at eleven o'clock a. m. Prayer by the Chaplain, Rev. F. D. POWER, D. D.

The Journal of yesterday's proceedings was read and approved.

### PENSIONS TO WIDOWS AND CHILDREN.

Mr. PRESCOTT, by unanimous consent, introduced a bill (H. R. No. 6229) to amend section 4706 of the Revised Statutes of the United States as to payments of pensions to widows and children; which was read a first and second time, referred to the Committee on Invalid Pensions, and ordered to be printed.

### WILLIAM WHEELER HUBBELL.

Mr. WARD, by unanimous consent, introduced a bill (H. R. No. 6230) to determine the rights of William Wheeler Hubbell and the United States, respectively, therein stated; which was read a first and second time, referred to the Committee on Patents, and ordered to be printed.

### WILLIAM YAHN.

Mr. DUNNELL, by unanimous consent, introduced a bill (H. R. No. 6231) to reate the pension of William Yahn; which was read a first and second time, referred to the Committee on Invalid Pensions, and ordered to be printed.

### A. J. HUNT.

Mr. DUNNELL also, by unanimous consent, introduced a bill (H. R. No. 6232) granting a pension to A. J. Hunt; which was read a first and second time, referred to the Committee on Invalid Pensions, and ordered to be printed.

### I. N. WALDEN.

Mr. DUNNELL also, by unanimous consent, introduced a bill (H. R. No. 6233) granting an increase of pension to I. N. Walden; which was read a first and second time, referred to the Committee on Invalid Pensions, and ordered to be printed.

### JEROME DANE.

Mr. DUNNELL also, by unanimous consent, introduced a bill (H. R. No. 6234) to reate the pension of Jerome Dane; which was read a first and second time, referred to the Committee on Invalid Pensions, and ordered to be printed.

### LEGALITY OF CERTAIN ACTS OF UNITED STATES OFFICERS.

Mr. TAYLOR, by unanimous consent, from the Committee on the Judiciary, reported, as a substitute for House bill No. 3013, a bill (H. R. No. 6235) to confirm and declare legal the acts of certain officers of the United States; which was read a first and second time, referred to the House Calendar, and, with the accompanying report, ordered to be printed.

### LIABILITY OF ACCESSORIES AFTER THE FACT.

Mr. TAYLOR also, from the same committee, by unanimous consent, reported back the bill (H. R. No. 1683) supplementary to and amendatory of sections 5533, 5534, and 5535 of the Revised Statutes, for the trial and punishment of an accessory after the fact when the principal escapes, with an amendment; which was referred to the House Calendar, and, with the accompanying report, ordered to be printed.

### BRIBERY OF WITNESSES.

Mr. TAYLOR also, by unanimous consent, from the same committee, reported back the bill (H. R. No. 1684) to punish the bribery of and the acceptance of a bribe by a witness; which was referred to the House Calendar, and the accompanying report ordered to be printed.

### BRIBERY OF JURORS.

Mr. TAYLOR also, by unanimous consent, from the same committee, reported back the bill (H. R. No. 1685) to punish the bribery of and the acceptance of a bribe by a juror, with amendments; which was referred to the House Calendar, and, with the accompanying report, ordered to be printed.

### AMENDMENT OF REVISED STATUTES.

Mr. TAYLOR also, by unanimous consent, from the same committee, reported back the bill (H. R. No. 1686) to amend and correct section 5390 of the Revised Statutes; which was referred to the House Calendar, and the accompanying report ordered to be printed.

### TITLE TO CERTAIN LANDS, WASHINGTON, DISTRICT OF COLUMBIA.

Mr. URNER, by unanimous consent, from the Committee on the District of Columbia, reported back the bill (H. R. No. 2402) to quiet the title to certain lands in Washington, District of Columbia; which was referred to the House Calendar, and the accompanying report ordered to be printed.

### SUPPRESSION OF GAMING, DISTRICT OF COLUMBIA.

Mr. URNER also, by unanimous consent, from the same committee, reported back the bill (H. R. No. 1294) more effectually to suppress gaming in the District of Columbia; which was referred to the House Calendar, and the accompanying report ordered to be printed.

### REVISED STATUTES, DISTRICT OF COLUMBIA.

Mr. URNER also, by unanimous consent, introduced a bill (H. R. No. 6236) to amend certain sections of the Revised Statutes relating to the District of Columbia; which was read a first and second time, referred to the Committee on the District of Columbia, and ordered to be printed.

### ROBERT GORTHY AND CALVIN GREEN.

Mr. SPAULDING. I ask unanimous consent to discharge the Committee of the Whole on the Private Calendar from the further consideration of the bill H. R. No. 804, and ask that it be put upon its passage.

The SPEAKER. The bill will be read, after which objection will be asked for.

The bill was read. It is as follows:

*Be it enacted, etc.*, That the Solicitor of the Treasury be authorized and directed to convey, by proper deeds of conveyance, to Robert Gorthy, of Victor, Clinton County, in the State of Michigan, all the interest of the United States in and to the northwest quarter of the northwest quarter and the east half of the northwest quarter of section 17, in township 6 north, of range 1 west, Michigan; and to Calvin Green, of the same place, all the interest of the United States in and to the southwest quarter of the northwest quarter of section 17, and the northeast quarter of the southeast quarter of section 18, in township 6 north, of range 1 west, Michigan: *Provided*, That the said Gorthy and Calvin Green pay all the costs of the proceedings in court on the bond of Benjamin Ballard, on which they were sureties.

Mr. McMILLIN. Let the report be read.

The SPEAKER. The Clerk will read the report.

The Clerk read as follows:

The Committee on the Judiciary, to whom was referred the bill (H. R. No. 804) for the relief of Robert Gorthy and Calvin Green, submit the following report:

Prior to the 16th day of March, 1868, Benjamin F. Ballard was arrested on a warrant issued out of the United States court for the eastern district of Michigan for having obstructed a United States marshal in the service of process, and was on said date brought before the United States commissioner for said district and entered into recognizance, with Robert Gorthy and Calvin Green as sureties, to appear to answer an indictment of said court upon said charge on the 2d day of June following, in the sum of \$500. He did not appear on said date, nor, as far as appears from the papers, at any time thereafter. Suit was brought on the recognizance on the 19th day of June in the same year, and judgment was rendered in favor of the United States against Gorthy and Green for the penal sum of said bond and costs. Execution was issued; the lands described in said bill were levied upon and sold by the United States marshal for the sum of \$685.65.

This judgment was by default, and should never have been entered. It appears from the certificate of the clerk of said court on file in this case that no indictment was filed against said Ballord at the June term of said court or any other term for the offense charged, to wit, for the offense of resisting an officer; that no such indictment is now on file in said court, and never has been; further, that after diligent search he was not able to find any record of the forfeiture of any such recognizance for the appearance of said Ballord, both of which were material to maintain the suit; and we cannot account for the proceedings in said suit, except upon the supposition that some clerk or person not cognizant of the requirements of law instituted it. Subsequently a motion was made to vacate the judgment, which was denied by the court, and we can do no better than to cite as a part of this report a portion of the record and the judge's opinion on denying said motion:

"This was an action of debt conditioned for the appearance of Ballord at the June term of 1868 to answer to any indictment which might be exhibited and filed in this court by the grand jury against him for obstructing a deputy marshal in attempting to serve a criminal process. The affidavits in support of the motion show that no indictment against Ballord was ever found, that the recognizance was never forfeited, and that no steps were ever taken whereby a right of action accrued to the United States. The minutes of the grand jury do not even show that the case was presented to or considered by them. The suit, however, was commenced during the June term of 1868. The default of the defendants entered for want of a plea. Judgment taken January 5, 1869, and execution levied upon the lands of defendant Gorthy. The defendant denies that the summons was ever served on him, and avers it was not till about the time when the execution was levied upon his land that he knew judgment had been obtained; that he then employed Mr. Strickland, of Saint John's, an attorney, to look after his interests. Strickland advised him that he could get his land released from the levy, but afterward said he could do nothing except to ask Congress for relief.

"Brown, Judge:  
"I regret my inability to set aside this judgment, for it seems the action should never have been commenced. If I was satisfied that the summons was never served upon the defendant, I might treat the judgment as void, under the case of *Thompson vs. Whitman*, (18 Wallace, 457,) but it is asking too much for me to believe the unsupported affidavit of the defendant himself, made more than ten years after the summons is said to have been served, as against the return of the officer made at the time that he did actually serve it."

This bill was reported favorably in and passed the Senate during the Forty-sixth Congress, but failed to be reached in the House. On application from Senator Thurman, chairman of the Judiciary Committee of the Senate, the Solicitor of the Treasury made a report to the Attorney-General, which, after reciting the facts in the case, closed as follows:

"In December, 1878, a motion was made by one of the defendants in the United States district court to set aside the judgment, on the ground that he was not served with process. Although the judge refused the motion because he was not satisfied the defendant had not been served, yet he regretted his inability to do so, because, in his judgment, the action on the recognizance should not have been commenced. From all the facts I am satisfied that this is a proper case for Congressional relief."

In the letter of the Attorney-General, dated January 31, 1880, to Senator Thurman, transmitting the said report of the Solicitor of the Treasury, he used the following language: "I concur in the view expressed by him in the last paragraph of his letter."

Gorthy and Green were at the time of the levy and sale and still are living on these lands, and have made valuable improvements thereon. They are honest, hard-working men, and these lands constitute their homes and their entire property. We think that the United States never had any cause of action against them, and it is unjust now to attempt to enforce the proceedings. As, however, the Solicitor of the Treasury in said report suggests that the taking of the title to this land by the Government operates to extinguish the debt, and therefore it would be proper that Gorthy and Green be required to pay all costs of court, we have concluded to recommend the bill to the House granting the relief sought, with the proviso that they pay said costs, and that it do pass.

Mr. McMILLIN. I think the report is entirely satisfactory, and I shall not object to the bill.

The bill was ordered to be engrossed and read a third time; and being engrossed, it was accordingly read the third time, and passed.

Mr. SPAULDING moved to reconsider the vote by which the bill was passed; and also moved that the motion to reconsider be laid on the table.

The latter motion was agreed to.

#### ORDER OF BUSINESS.

Mr. ROBESON. I call for the regular order.

The SPEAKER. The regular order is the morning hour for the call of committees for reports.

Mr. CRAPO. I move to dispense with the morning hour.

The question being taken, there were—ayes 74, noes 30.

So (two-thirds having voted in the affirmative) the morning hour was dispensed with.

#### CONTESTED ELECTION—COOK VS. CUTTS.

The SPEAKER, by unanimous consent, laid before the House additional testimony in the case of *John C. Cook vs. Madison E. Cutts*, from the sixth district of Iowa; which was referred to the Committee on Elections.

#### CLAIMS ALLOWED.

The SPEAKER also laid before the House a letter from the Secretary of the Treasury, transmitting a supplementary list of certain claims allowed by the accounting officers of the Treasury since January 14, 1882; which was referred to the Committee on Appropriations, and ordered to be printed.

#### FRED HENNINGER.

The SPEAKER also laid before the House a letter from the Secretary of the Treasury relative to the appropriation made to Fred Henninger, on page 16 of private act No. 9, approved May 1, 1882; which was referred to the Committee on War Claims.

#### LEAVE OF ABSENCE.

By unanimous consent, indefinite leave of absence was granted to Mr. McLANE from the 13th instant, on account of sickness.

#### EXTENSION OF NATIONAL-BANK CHARTERS.

Mr. CRAPO. I call for the regular order.

The SPEAKER. The regular order is the further consideration of the special order, the bill (H. R. No. 4167) to enable national banking associations to extend their corporate existence. The gentleman from New York [Mr. FLOWER] is entitled to the floor, and has forty-five minutes of his hour remaining.

Mr. FLOWER. I yield the remainder of my time to my colleague, [Mr. HEWITT.]

Mr. HEWITT, of New York. I must ask the indulgence of the House for the condition in which I find my voice this morning. I shall not attempt to talk in any higher than a conversational tone, which I am aware cannot be heard on the other side of the House; and I regret it, for I give notice now that I shall have occasion in the course of my remarks to refer to my old friend from Pennsylvania, [Mr. KEILEY,] and also to the distinguished gentleman from Iowa, [Mr. KASSON.]

When John Quincy Adams, after having served as President of the United States, was returned to this House, where he crowned with honor a career of political service which has placed him in the front rank of American statesmen, he made an entry in his diary to the following effect: "I have sold my stock in the Bank of the United States lest it might be supposed that my action in the House might be influenced by the ownership of bank property." With this illustrious example before me, I think it not improper to say that I am the owner of no stock in any national bank; that I have never been the owner of such stock, except about a thousand dollars' worth which I once held in trust for a ward. It was not a personal interest. I have never borrowed a dollar from a national bank, and have only used them for the deposit of money and the collection of exchanges.

I am therefore probably as free from any complication with and any obligation to national banks, not only as any man on this floor but as any man in this country. What I shall say, therefore, will not be in the interest of banks. It will be as the representative of a district in which I think there is not located a single national bank. For, although I represent a very large district in the city of New York, it happens to be in that part of the city where people do not operate banks, but where they work with their hands. It is in the interest of those who work with their hands and those that give employment to those who so work that I propose to speak today. I suppose there is no man at this day who claims or believes that the country can get along without banks. They are one of the tools of commerce, one of the machines by which the business of the country is carried on. They are the growth of experience, and they have assumed their present shape and form as the result of an experience which has finally culminated in giving to this country by the universal consent of economists and writers upon financial subjects the best banking system that the world has ever seen. I do not think it is perfect. I do not say that at some other time we may not devise a better system; but it is the best yet devised by the ingenuity of man.

As we are to have banks, the only question is whether they shall be national banks or State banks. We have tried the State banks. They were a failure. I think there is no one who can go back as far as I can in the history of finance in this country, and no one of the younger generation who has studied the history of the past, who would consent on any terms whatever to go back to the State banking system even when the most perfect, as in the State of New York, where we had the safety-fund system, which provided absolute security for the circulation.

Now, if we would not go back to the State banks and must have banks, we are driven to the conclusion they must be national banks. In regard to these national banks I think there is no controversy at this day except on one point. Even my friend from Missouri [Mr. BLAND] in the substitute he has offered recognizes the propriety of their continuance as banks of discount and deposit. I think that my other friend from Missouri [Judge BUCKNER] who so long served at the head of the Committee on Banking and Currency makes no criticism on these institutions as banks of discount and deposit. It is only, therefore, on the question of circulation that there is any criticism to be made upon the banks. Now, the circulating medium is in finance what the life-blood is to the human body. We must keep it in the best possible condition or disease is sure to occur and ruin and death, industrial death, to follow.

The system which we have is a national one. All circulating notes are now issued by the direct action of the Government, whether they be its own notes or the notes apportioned to national banks on certain conditions. The currency is entirely supplied by the Government. It is at par everywhere, and no doubt exists in the mind of any human being, when he gets one of these bills, whether it be a Government note or a national-bank note, that he can get for it in coin one hundred cents on the dollar.

The basis is an issue of Government legal-tender notes. That basis, of \$346,000,000 in round numbers, corresponds to what is known in the Bank of England as "the rest." There it is £15,000,000, or about \$75,000,000, while here it is \$346,000,000. The disparity is great, but nevertheless, in view of the great extent of this country, in view of the fact that paper money is much more extensively employed in this country than it is in England or in continental Europe, it seems in practice that the amount of \$346,000,000 is a

perfectly safe amount, which we may count upon as staying in circulation, even in the most disastrous times or adverse condition of business, provided a proper redemption fund is maintained in coin.

I think that this fact might be made a certainty, if the whole \$346,000,000 of Government notes were issued in bills of small denominations, and the banks restricted to the issue of bills of the denominations of \$10 and over. The reason is obvious. Small bills are rarely returned for redemption. And the amount of these small bills, now about \$200,000,000, I am satisfied might be increased to \$346,000,000, and they would rarely under any circumstances whatever be presented to the Treasury for redemption. Let me be understood. I recognize facts as I find them. I would never by vote or act authorize or contribute to the issue of these legal-tender notes. I should be very glad if they could be retired. I do not think that this Government was created for the purpose of supplying circulation; on the contrary, I think the fathers and founders of the Constitution intended to prohibit the exercise of any such power.

I agree with Hamilton, whose superior as a financier has never lived, when he says, "to emit an unfounded paper as the sign of value ought not to continue a formal part of the Constitution," (referring to the new Constitution as contrasted with the articles of confederation,) "nor ever hereafter to be employed; being in its nature pregnant with abuses, and liable to be made the engine of imposition and fraud; holding out temptations equally pernicious to the integrity of government, and to the morals of the people." (Hamilton's works, II, 271.)

But we have Government paper money, and it now works well in practice. I know that principle is a good thing, but when you have a condition of things which works well it is dangerous to disturb it. And as I would by no act of mine have contributed to the issue of these legal-tender notes, so now, in view of the present condition of the country, and its adaptation to this system, by no act of mine will I contribute, as at present advised, to their immediate retirement.

I am willing, no matter what the coming decision of the Supreme Court may be as to the legal-tender clause, that the \$346,000,000 of Government notes now outstanding shall remain as a currency for the country until some better and more economical system shall be devised by the experience, not of Congress, but of men engaged in business.

How is the balance of the circulating medium provided? I assume that the \$346,000,000 of Government notes will never come in for redemption. The balance is now provided by the national banks. The amount fluctuates from day to day. I do not mean the amount which has been delivered by the Government to the banks, but the amount which the public receives and takes from the banks, over and above what the banks themselves hold as a part of their reserve, or as their daily balances.

Now, somebody must provide for the redemption of these notes, and for their issue in accordance with the demands of business. Any banking system to be good, or, I should rather say, any circulating medium to be good, must have two elements. First, it must be surely redeemable in coin on demand; and, secondly, it must be issued daily in amounts sufficient to meet the legitimate requirements of business. That is precisely the condition we have now. The banks are ready, with adequate security, to wit, the security of the Government debt, to redeem every note that is presented. And, secondly, they are in condition, either out of the reserves which they have on hand, or out of the new bills which they can get for the deposit of additional Government bonds, to provide for whatever amount of currency the requirements of business may make necessary. And it is not conceivable that so far as business is concerned there should be a better state of things than this.

But I am met by the statement that this circulation is a source of profit; that the creation of circulation is a sovereign right, and that the profit belongs to the State, to the Government, to the people. Therefore if there be any profit in this circulation it ought to be taken by the Government, and the banks are not entitled to any of it.

Now, if the Government assumes this duty, if it has any such right, which I deny, if it assumes to itself this duty it must also assume the duty of redemption and of the expansion and contraction of the currency to meet the fluctuating demands of business. Now, I think I speak only the lesson of history when I say that redemption depending upon Congressional action would be a delusion and a snare.

I think I may go further and say that not only would there be no certainty of redemption but it is absolutely certain that there would come a time when in the absence of Congressional action, or by Congressional action, redemption would be made impossible. Therefore the first element of a sound circulation is absent, that is, if made dependent upon action of Congress.

Secondly, it would be impossible for Congress by any earthly contrivance to meet the demands which are made daily for a change in the amounts of the currency. We are not always in session; and when we are in session gentlemen about me know how exceedingly difficult it is to secure action upon any question, and much more upon questions so much in doubt and controversy as the currency question is. Therefore there could be no automatic action of expansion and contraction in the currency (which is the fundamental element in a good circulating medium) by the legislation of this body.

I shall be told that it would be possible to relieve Congress of this duty, and transfer it to a board who should decide from day to day, and from week to week, how the currency should be issued, and the methods by which it should be got into circulation. My answer to that is, that we have had during the refunding operations and since the war an experience of the dangers of confiding power over the currency to public officers, however capable and however honest. The fact is that to put the control of the currency into individual hands, is to put the whole property of the country at the mercy of the men who control the currency. The power is too great not only for human knowledge but for human character. It is impossible to find any one man, or any half dozen men who can comprehend the wants and business interests of a country like ours; and it is impossible to find men who can separate themselves absolutely from the interests which they themselves may hold, or which may be represented by their friends.

I have no personal knowledge of the alleged scandals in regard to refunding; I do not propose here to make any charges; but this I say, it is notorious that in the refunding operation particular banks, representing particular individuals, had practically a monopoly of that vast transaction, and that one bank in my own State cleared its capital stock (which, if I am correctly informed, is \$300,000) five times over in the course of the refunding operations in two years.

A MEMBER. Five hundred thousand dollars.

Mr. HEWITT, of New York. Well, if the capital stock was \$500,000, it cleared that stock three times over; but if I should say five times I would be still within safe bounds as to their profits on the whole refunding transactions. That may have been all legitimate. The refunding operation was the grandest financial operation that has ever been made in the history of man.

But, sir, for one, I do not want what little I have laboriously gotten together to be placed at the mercy of any man. I should like to be able to manage my own property, and to keep or give in my own way what I have accumulated. I do not want a *deus ex machina* to administer the business of this country. There could be but one result of such a system, utter and absolute ruin. I therefore dismiss as impracticable, the idea that any board composed of men can undertake this task which is beyond the reach of human capacity.

Having thus disposed of the proposition that Congress can regulate the currency or that any officials appointed by Congress can do it, I come back to the fact that currency we must have, and that this currency will not be issued unless it be made profitable to the parties who issue it. I shall come in a few moments to the question of profits; but I say here that banks are not benevolent institutions. They are not governmental agencies except in a very narrow sense. They are organizations of men with capital for the purpose of carrying on a business which is not only lawful, but absolutely necessary to the community. They are not going to conduct this business without profit; it ought not to be asked of them. But if the profits should ever become excessive, the taxing power resides in Congress. There is no difficulty at all in regulating the business and taking to the Government as we now do such portions of these profits as Congress may think belong legitimately to the Treasury.

But more than that; when a business is free, and when there is no monopoly at all, excessive profits cannot long endure. Only show me that a bank is able to make more than I can make in my iron business, and if I can get rid of some prejudices that I have against banks—which are the result of my early training, and which I regret—I should take my capital out of the iron business and put it in banks. There is no possibility that the profits of these institutions can for any considerable period of time, except in very abnormal circumstances, exceed those of legitimate business in other directions. The fact is that these banks, while they have been highly profitable at times, made their money very largely out of the refunding operation. That operation is done and ended; it will not be renewed in our day. On the contrary we should pay off the existing national debt, and never as I hope in our time have occasion to create another.

So that on the question of what the profits of these banks may be, it seems to me it must be conceded that as we must have agencies, and the banks are acceptable agencies to the business of the country, and as we can regulate their profits by law, and as they are still better regulated by free competition, nobody who is willing to get rid of his prejudices can make any fair criticism against the continuance of the national banking system.

Mr. TOWNSHEND, of Illinois. Will it interrupt my friend—

Mr. HEWITT, of New York. I am afraid it will interrupt me. I would be very willing to answer the gentleman—

Mr. TOWNSHEND, of Illinois. Then I will not disturb the gentleman.

Mr. HEWITT, of New York. I am always glad to answer any question, and particularly a question of the gentleman from Illinois. But I am suffering this morning, unhappily, in a way that makes it very desirable to me that I should reserve what strength I can for what I have to say. At the close of my remarks I will gladly answer any question of the gentleman.

Now, we have been told that, while the circulation of the national banks is at present adequately secured, there will very shortly come a time when Government bonds will be retired, and there will be no such security for this circulation.

What, then, are we to do in regard to the circulation of the coun-

try? There my friend from Missouri comes in and says give us Treasury notes in lieu of it. I have shown you, I think, conclusively that Treasury notes would not answer the valid purposes of money.

I have been asked on my side of the House to make some suggestions as to what course might be taken to provide a currency for this country that would be redeemable on demand and automatic in its issue. And let me say here that I want to confirm the statements of my colleague from New York, [Mr. FLOWER.] Before I make any suggestion as to how the circulation may be provided I want to confirm his statement. Something must be done with reference to this subject at once. The banks that will close up their business unless they take out new charters under the operation of existing law will in the present year withdraw a very considerable amount of money; \$13,000,000 I think is the amount. But the called bonds of \$42,000,000 will compel the withdrawal of a very much larger amount of the circulating medium, and in my judgment that withdrawal will take place unless this Congress takes immediate action.

The reason is that owing to the low rate of money all over the world it will not pay the banks to purchase such Government bonds as they can buy to replace the called bonds, and the result is they will take their money and retire the circulation.

A remedy was suggested by my colleague, which is the prompt passage of a refunding bill, so that these bonds may be replaced by the new 3 per cent. bonds which will be created by that refunding bill.

And I want to say to gentlemen on the other side of the House that the responsibility, the onus, in this business is on them. This side of the House in the last Congress, of which I had not the honor to be a member, did pass a refunding bill, which was vetoed.

The veto was a Republican measure. I do not propose to discuss it; I only want these gentlemen to remember when this trouble comes, as come it will unless they act, that the responsibility is with them and not with us. And if I wanted a party advantage at the expense of the welfare of the country I would say to them do nothing, and I would hold my tongue on this floor. But I want no party advantages at the expense of the welfare and prosperity of this country. If they fail to make it possible for the banks to replace the bonds which will be withdrawn, followed by a withdrawal of circulation, then there will be a tide of indignation sweeping over this country which will carry their majority away, and put some other party in power which is ready to meet the necessities of the adverse condition in which the country will find itself. But such advantages are not those which patriots or statesmen seek to gain.

Let me remind gentlemen of the House of what happened by the withdrawal of so small an amount as eighteen millions. When the refunding bill was passed the banks hastened, not by conspiracy or combination, as far as I know or believe, but hastened into a panic (which showed that bank officers are not wiser than other men) to get their bonds, and retire their circulation. That withdrawal of \$18,000,000 brought this country to the very verge of bankruptcy and came near bringing on a panic as disastrous as that of 1857 or 1873.

Now, if \$18,000,000 would create such a result, what is going to be the result of \$42,000,000 plus \$13,000,000 which we are in danger of seeing withdrawn in case no action looking to the refunding of the 3½ per cent. bonds is taken?

Therefore, without reference to party, let me urge both sides of the House to adopt some measure to prevent so great a calamity.

In the mean time what can we do? We can pass the bill under consideration allowing bank charters to be extended, with proper amendments. I quite agree in the amendment of my friend from Pennsylvania, [Mr. RANDALL,] not because I would have originally approved it, but because the experience to which I have referred shows it is necessary. Originally I would have said that any restriction on the free action of banks is unhealthy and dangerous, but when I find the banks themselves running like a pack of sheep into a panic, then I say let us by way of precaution, make it impossible for them to retire their circulation, without adequate notice to the public. And for that reason I trust my friend the chairman of the committee, whom I see sitting on my left, will accept the amendment offered by the gentleman from Pennsylvania as a necessary safeguard against the danger of sudden contraction.

Now, by extending these charters we actually give no new rights to the banks. They may reorganize and are organizing all the time under the bank act, taking out new charters for twenty years. I would prefer to allow them to run on; first, to avoid the expense of reorganization, and secondly, to avoid the inconvenience of winding up their affairs and starting again; but more particularly to avoid the distribution of \$128,000,000 of surplus profits which they hold on hand and which is the basis of business in this country to the extent at least of \$1,000,000,000 per annum.

I will undertake to say that the withdrawal of \$128,000,000 of bank capital would decrease the volume of business at least \$1,000,000,000. I think it would be a fair estimate to say that \$1 of bank capital loaned out produces in a year \$10 of business; and even that, I think, would be a very small estimate.

Now, this renewal does not give any new privileges to the banks. We allow them to do what they have now a right to do in another form; but we gain the immense advantage of compelling them to retain the \$128,000,000, which is not only the basis of business but an absolute guarantee to the people of their strength and solvency.

That fund has been built up under the system of transferring at the expiration of every six months a portion of the profits of the banks to this reserve fund; and that fund will necessarily be distributed if you compel these banks to wind up and go into liquidation. It will be impossible not to produce disastrous results from such an operation.

Facilis descensus Averni,  
Sed revocare gradum, superasque evadere ad auras.  
Hic labor, hoc opus est.

It will be ten years before you can bring back the banking system to the condition of absolute protection to the bill-holders and depositors which it now has.

Now, having said this much, in view of the fact that the passage of the funding bill giving a couple of hundred millions of 3 per cent. bonds, which will not be redeemed until the \$300,000,000 not so funded are taken out of the way, will give the needed time for preparation, I will make some suggestions as to what kind of a currency might be substituted when the stock of Government bonds shall be sensibly diminished. I make this suggestion for the benefit of my friends on the other side, who are now in the majority here, and also for the benefit of my friends on this side, who will be in a majority in the next Congress, when we shall have to dispose of the question.

Mr. BUCKNER. Would it disturb my friend to ask him a question?

Mr. HEWITT, of New York. I must request my friend not to interrupt me. I am making my speech absolutely without a note, and I am trying to keep the thread of the argument in my mind.

What would I propose? I propose that the national banking system under the law as it now stands shall not be changed in any respect whatever except one.

That relates to the circulation and to the security for the circulation. I would keep the supervision and the issuing of the money in the hands of the Government through the agency of the banks. I would provide for the reserve fund and for the redemption fund, and for the accumulation of the surplus profits. I would do all that as is done at present under the law, but I would no longer compel the banks to deposit Government bonds for the amount of the circulation issued to them.

What security would I substitute? First, the amount of notes that I would deliver to a bank would be 90 per cent. of its capital, and I would still continue to require that \$50,000 of the capital of each of the national banks should be invested in Government bonds, and this for reasons which will be obvious to every gentleman present. There are no less than two thousand national banks. I believe the total number is about twenty-three hundred, but in round numbers we will say there are two thousand of them; and \$50,000 of the capital of each invested in this manner would make a fund of \$100,000,000 of Government bonds owned by the banks. There will be always in our day bonds enough to enable the banks to comply with this requirement. The Government has no longer any motive to make a market for its bonds. Formerly it had, and for that reason the lawmakers, in framing that portion of the law requiring the bonds to be held by the banks, intended to coerce the banks into buying the bonds. But the work of refunding is practically done. The Government has no further interest in the matter as far as making a market for its bonds is concerned. The method which I would suggest would require only one hundred millions of bonds to be held by the banks, and hereafter the Government credit can take care of itself, and needs no artificial support.

I would deliver to banks 90 per cent. in circulating notes on the amount of their capital. I would make the notes of the bank a first lien on the assets of the bank. Secondly, I would make the stockholders, as they now are, personally liable for 100 per cent. in addition to the capital of the bank, and make the notes of the bank a first lien upon this amount. Now, I have at least under this arrangement 200 per cent. behind the notes. Thirdly, I would compel the banks to put a redemption fund of 10 per cent. in coin into the hands of the Treasurer of the United States. Taking the present capital of the banks, \$360,000,000, that would put \$36,000,000 of coin as a redemption fund in the hands of the Treasurer. Lastly, I would make the banks as a whole guarantee the circulation of each individual bank. I would make the whole \$360,000,000 of bank capital, with the right to call \$360,000,000 more if necessary, a guarantee for the redemption of the notes.

Now, let us see what will happen. A bank breaks; its note is redeemable at the Treasury of the United States in coin without a moment's delay. There is the fund for it—\$36,000,000. It is not conceivable that under any circumstances whatever you could have a demand for more than \$2,000,000 or \$3,000,000 at any one time; but there is \$36,000,000 ready to protect the notes of any broken bank. Next, I would recoup the amount paid out for redemption of these notes by immediate assessment on the banks and require them to make it good; and when the bank is wound up and the lien for circulation is collected I would refund the money to the banks for the assessment they might have paid.

I submit to this House, I submit to these experienced gentlemen who are in the banking business—for I am not and have not been, and am not even a director of a bank—I submit to these gentlemen, and I see one of them before me [Mr. SMITH, of Illinois] whose speech I read with great satisfaction the other day—I submit whether it is conceivable that a circulation secured in that way would be

irredeemable, or that there would be a particle of doubt about it from one end of the land to the other. But while it is so absolutely secure as to be bomb-proof and fire-proof it imposes no harder condition on the banks than does the present law, which requires the stockholders to be personally liable for an amount equal to the capital stock held by each.

This is a crude suggestion. I do not submit it here in the form of a bill nor in any very elaborate shape, because it is not part of my business here to do so. I am so placed in this House, that I have no connection whatever with any committee which concerns itself with the finance, or the commerce, or the revenue of the country. In submitting this suggestion, however, I would say it is not one which has been made without much reflection and some careful study. I am prepared to stake whatever reputation I may have for business capacity on the suggestion as one which is feasible, one which is easily executed, and one which will give security and stability not only to the currency but to the business of the country.

It has been objected by many of my friends that the profits of these banks are exceptional, and that something ought to be done to regulate the profits. I do not propose to spend much time in showing, as has been done by other gentlemen, what the profits of these banks are. But in the report of the Comptroller I find, on page 61, a statement of the profits of these banks from 1869 to 1881, and another table in which the profits of the last three years are tabulated. It turns out that the earnings of capital and surplus in 1879 were 5.5 per cent.; that in 1880 they were 7.9 per cent.; and in 1881, which was a year of extraordinary prosperity in this country, with very large banking transactions unparalleled in the history of the country, they made 9.2 per cent. That does not strike me, who have been in business a great many years, as an unreasonable rate of profit.

Mr. BLAND. If the gentleman will allow me I would ask him—

Mr. HEWITT, of New York. I must decline to be interrupted by my friends, and I am willing to yield to interruptions by my opponents on the other side of the House.

Mr. BLAND. I wish to ask the gentleman—

The SPEAKER *pro tempore*. (Mr. UPDEGRAFF, of Iowa.) Does the gentleman from New York yield?

Mr. HEWITT, of New York. I do not.

Mr. BLAND. I only wished to ask the gentleman whether he had taken into account the profits these banks made under Sherman's refunding operations.

Mr. HEWITT, of New York. As the question has been put I will answer it by saying I have referred to the profits of refunding already fully and amply, and stated what they were, and that is enough. I have concealed nothing. I am not the advocate of the banks here.

Mr. BLAND. Mr. Speaker—

Mr. HEWITT, of New York. I do not yield.

Mr. BLAND. Then do not answer the question at all.

Mr. HEWITT, of New York. And I would say to the gentleman from Missouri that I would prefer that he should not ask questions which break up the continuity of my remarks. The gentleman can have his chance to reply.

I say that these profits are not to my mind unreasonable. They are the profits, however, of institutions which are protected by the legislation of the country. And it may be said, therefore, that they are exceptional from that point of view.

I propose now to compare these profits with those of other institutions which are protected by the legislation of the country; and I propose to take a single case as being much more easy to comprehend; and in order that the issue may be the better defined in the minds of gentlemen who are good enough to listen to me, I refer to the profits of those persons who are so fortunate as to be engaged in the manufacture of Bessemer steel rails, which is protected by a duty of \$28 per ton on every ton of foreign steel rails which is brought into this country. I propose to show exactly what at least one of these Bessemer steel concerns has been able to make. There has been some controversy in this House on that subject. I did not introduce it. It was introduced in the remarks of my friend from Kentucky, [Mr. CARLISLE,] who said he had figured up that the profits had been 67 per cent. in a single year. That was followed by the gentleman from Minnesota, [Mr. DUNNELL,] who repeated the same figures, which I suppose he took from the statement of the gentleman from Kentucky. At that point, having some knowledge of this subject, I ventured a remark that I knew that dividends had been made to the extent of 50 per cent. in a year and that the profits had exceeded 67 per cent.; yes, that the undivided profits after paying this dividend exceeded 100 per cent. But my statement was promptly and absolutely denied by the gentleman from Pennsylvania, [Mr. KELLEY.]

Now, as an illustration of what can be made by business other than banking, and in comparison with it, I propose to give the facts in regard to which there shall be no controversy, because they are all matters of judicial decision, upon sworn testimony, which I have been able to procure. I see the Speaker with the hammer in his hand.

The SPEAKER *pro tempore*. The time of the gentleman has expired.

Mr. HEWITT, of New York. I had no idea I had taken up so much time.

Mr. TOWNSHEND, of Illinois. I move that the gentleman be allowed to extend his remarks, at least until he gets through with this comparison.

Mr. HARDENBERGH. I am willing to yield to the gentleman twenty minutes of my time.

Mr. KELLEY. If the time of the gentleman is extended, I shall desire some time in response to him.

The SPEAKER *pro tempore*. How much shall the time of the gentleman be extended?

Mr. TOWNSHEND, of Illinois. Without limit.

The SPEAKER *pro tempore*. The Chair hears no objection.

Mr. HEWITT, of New York. I thank the House, and I will not take up much more time. I have procured from the auditor's office of the State of Pennsylvania, and I hold the official document in my hand, a statement of the dividends paid by the Pennsylvania Steel Company, which I regard as the most reputable, not more reputable than the others, but at the very head of this business.

*Pennsylvania Steel Company.*

Date.	Capital stock.	Cash dividends.
		<i>Per cent.</i>
1874—October 7	\$1,830,200	*3
1875—April 5	1,931,900	3
October 15	1,933,900	†3
1876—April 15	1,996,400	3
October 16	1,996,700	3
1877—April 15	1,996,900	3
October 15	1,997,300	3
1878—April 15	1,997,500	3
October 15	1,997,500	3‡
1879—April 15	1,998,400	†4
October 15	1,998,800	5
1880—April 15	1,999,500	6
October 15	1,999,500	6
1881—January 26	1,999,500	5
April 14	1,999,500	6
June 16	1,999,800	5
October 15	2,000,000	6

\* And 5 per cent. stock.

† And 3 per cent. stock.

‡ Cash profit added to sinking fund, \$30,000.

NOTE.—Report for 1882 not made yet; not due until November.

In 1874 the dividends paid by that company were 3 per cent. in cash and 5 per cent. in the stock. Remember that that was immediately after the panic of 1873, when all business was in a great state of depression, and the iron business, in which I was concerned, was losing money. It is in the testimony before the Committee on Ways and Means that the steel men reported that their business was in a very unsatisfactory if not in a disastrous condition. The testimony I hold in my hand, and gentlemen who desire to examine it will find it is a document styled *Duty on Steel Rails*, printed in 1880 by the Committee on Ways and Means, and embracing testimony taken before that committee.

In 1874 the dividends paid by the Pennsylvania Steel Company were 8 per cent. In 1875 they were 3 per cent. cash, 3 per cent. cash and 3 per cent. stock, making 9 per cent. in all. In 1876 they were 3 per cent. in cash and 3 per cent. cash, making 6 per cent. in all. In 1877 they were 6 per cent. cash. In 1878 they were 3 ½ per cent. cash, showing that at that date the reserved profits were nearly exhausted. In 1879 they were 9 per cent. and, as it is termed, "cash profits added to the sinking fund," \$30,000, which, on a capital of about two millions of dollars, was 1 ½ per cent. more. In 1880 the dividends were 12 per cent., two of 6 per cent. each. In 1881 the quarterly dividends were 5 per cent., 6 per cent., 5 per cent., 6 per cent., making 22 per cent. in all, cash dividends.

Now, having made that dividend in 1881, what was the condition of the company? The evidence will be printed in full in the RECORD, and I will read it before I get through if any one shall dispute my statements. The company found itself with the sum of \$3,286,423.51 on hand on the 31st of August, 1881; its capital being \$2,000,000. The company had gone through an era of very bad times, in which it had made regular dividends and presumably divided all its profits. As a matter of fact, I think that the surplus in 1878, when the dividends fell to 3 ½ per cent. before the "boom" came, was very small. After making its dividend of 9 per cent. in 1879, when it carried a cash profit to the sinking fund of \$30,000, and I presume exhausting the reserve fund, and after making a dividend of 12 per cent. in 1880 and 22 per cent. in 1881, it found itself with the sum of \$3,286,423.51 undivided profits on hand.

Gentlemen will please to pause a moment and think how much \$3,286,423.51 is on a capital of \$2,000,000; a profit acquired in a single year, or at most in two years. Now, when they paid 22 per cent. dividend in 1881, they had paid all the dividends that they wanted to pay a State tax on. My friend from Pennsylvania [Mr. CURTIN] will tell you that the State of Pennsylvania imposes a tax on dividends, and the bigger the dividends of course the more the tax.

Now, this company having more than \$3,000,000 surplus, did not care to pay taxes on more than 22 per cent. dividends. So they de-

vised a plan to distribute this surplus in some other form than in the nominal shape of a dividend; and I will tell you how they sought to accomplish this difficult feat.

There were 20,000 shares of this stock; 6,000 belonging to the Pennsylvania Railroad Company. They proceeded to purchase from the Pennsylvania Railroad Company 5,000 shares of this stock and paid for it \$265 a share. Now, if you will take the trouble to add the capital of the company, \$2,000,000 to the surplus \$3,286,423.51, making together just the amount of the capital plus the surplus, and divide that by 20,000 shares, you will find that they paid for that stock the full value as shown by the books. It was worth a great deal more, but that is what they paid.

Now, having bought these 5,000 shares, they issued a confidential circular to their shareholders, saying that they had done this thing and would sell this stock which had cost and was worth \$265 a share, for \$100 a share. In other words, they paid out in the purchase of these 5,000 shares of stock, \$1,325,000, and they sold the stock to their shareholders for \$500,000. By that means they distributed \$825,000 of their surplus profits to their shareholders without calling it a dividend.

In other words, it was a sale by the Pennsylvania Railroad Company of its stock in the Pennsylvania Steel Company to the other shareholders of the Steel company for \$265 a share, for which the stockholders paid \$100 a share, and the Steel company paid out of its treasury \$165 a share and made it a free gift to its stockholders without calling it a dividend.

The public would never have had any knowledge of this operation if it had not happened that the estate of John Edgar Thompson held 1,000 of these shares of the steel company. Thompson had been the president of the Pennsylvania Railroad Company, and when he died he held 1,000 of these shares. The income of his estate was devised to his widow, and the question submitted to the court was whether this stock, costing \$100 a share but worth \$265 a share, should be added to the principal as a stock division, or be regarded as income and delivered to Mrs. Thompson.

The facts which I have stated are all recited by Judge Ashman in his opinion, which I hold in my hand, and which I shall print in full in the RECORD, and were all the result of sworn evidence, the accounting of the books. The judge decided that this purchase and sale of stock was merely a cover for a dividend; that it was a dividend of \$825,000, and that Mrs. Thompson was entitled to her share of it as such. Now, I will either have this read for the edification of my friend from Pennsylvania, [Mr. KELLEY,] or I will print it in the RECORD, as he may prefer.

After this was all done and they had divided 22 per cent. in cash, in addition to this dividend of \$165 a share, which of itself amounted to 55 per cent. on the unpurchased shares, making the dividend that year 77 per cent. instead of 67 per cent. as my friend from Kentucky [Mr. CARLISLE] figured it out, what do you suppose they had left undivided? After the purchase there remained of unexpended profits \$2,461,423.51, with six months' profits to be ascertained and added. Now, I suppose those six months' profits were not less than half a million dollars; but I do not know how much they were; and I will not state anything that I do not know; but the unexpended profits, after the magnificent dividend I have mentioned, were \$2,461,423.51—over 125 per cent. I will read what the auditing judge said:

The auditing judge is of opinion that the 344 shares are income to which the life tenant is entitled, upon payment of the par value of \$100 per share; and subject to such payment, they are awarded to her accordingly.

Now I am not going to be hard upon my friend from Pennsylvania, and the reason is this: he spoke of me very kindly at the outset of his remarks, and made some references to future political preferment which might be in store for me. I presume he really meant what he said; I do not suppose it was sarcasm; therefore I feel kindly toward him, and will impute his denial of my statements to what it unquestionably was—absolute ignorance of the facts.

If I were to make a misstatement in regard to the iron and steel business, thereby misleading the House, I would be culpable; it would be on my part an unpardonable offense, for I have been over thirty years in the iron and steel business, and I know or ought to know all about it. When I made that statement I knew what I was talking about absolutely, and when the gentleman from Pennsylvania contradicted me I knew that he did not know what he was talking about just as absolutely. [Laughter.] The truth is, these gentlemen who are in the habit of giving him facts and figures never confided to him these profits; he did not know the facts. They only come to him when they are in trouble, and never tell him anything of their prosperity. He is chief mourner in their afflictions, but is not allowed to partake of the "baked meats."

It was announced by the gentleman from Pennsylvania that I was to be "flayed alive" on this business.

Mr. KELLEY. Oh, no!

Mr. HEWITT, of New York. I saw it in the New York Tribune, on the morning when the "flaying alive" was to be done, that I was about to be "flayed alive;" and I observed when the gentleman from Pennsylvania came into the Hall that the high priest was decorated with flowers, not the victim, as used to be the practice in older and more idolatrous times. [Laughter.]

When the gentleman contradicted my assertions on the profits of

steel making I did not retaliate on him as I might have done with another question. He had said there was no anthracite coal in Wales, and that David Thomas had told him there was none. I produced David Thomas's letter, and published it in the RECORD in connection with the speech of the gentleman from Pennsylvania, [Mr. BRUMM,] that letter saying that Mr. Thomas had never told Judge KELLEY anything of the sort, and had never had any conversation with him on the subject of coal. The gentleman from Pennsylvania did not refer to that; but he picked up the handiest brick that was in his way, and flung it at the glass windows which he supposed I had somewhere concealed in my breast. When he flung the "Morey letter" at me, I could have flung David Thomas's letter at him, for I had it in my hand. But I refrained, as I did when the gentleman went further and accused me of paying for the printing and circulation of my own speeches—as if that were a crime! Well, I do pay for printing and circulating my own speeches. It is a crime, I have no doubt, in the gentleman's eyes, because he does not always do that. It is done for him by others. I have been for twenty years or so, one of the vice-presidents of the American Iron and Steel Association. As I knew they were spending money for circulating his speeches, I concluded I would write to find out "the demnition total." I wrote a letter to the secretary of the association, Mr. Swank, on Saturday last, asking him to tell me what they were doing about Judge KELLEY's speeches; that they were very fine speeches, and I wanted to know just what the association did in reference to their circulation. The secretary promised, as will be seen, to write me fully, but he has not yet done so. He has sent me a telegram, and all I can do now to clear up this matter is to read that telegram:

A year ago we distributed copies of Judge KELLEY's speech on Hurd's free-trade resolutions. This was a strictly non-partisan speech—

The gentleman's speeches are always "non-partisan"—and its distribution by this association was entirely proper. During the past few months we have also distributed another non-partisan speech by Judge KELLEY, before the Brooklyn Revenue Reform Club, and an essay in the International Review—

To which my friend from Alabama [Mr. HERBERT] has given some attention, though I have not read it myself—

an essay in the International Review on "A Science Based on Assumptions."

Now, if there is any "science based on assumptions," I think the manner in which the gentleman from Pennsylvania dealt with the profits of the Bessemer Iron and Steel Company ought to be included in it. [Laughter.]

The distribution of protective tariff literature has always been a regular part of the work of this office. Will send fuller information by mail.

JAMES M. SWANK.

Perhaps the letter has been sent to my honorable friend from Pennsylvania, and I beg him to produce it if he has it.

Now, I ask, before I go one step further, whether I shall have read the decision of Judge Ashman, so everybody will be fully posted? Several MEMBERS. Print it in the RECORD.

Mr. HEWITT, of New York. I ask the House to believe that every word I have said as to figures and as to the decision of the judge will be confirmed by the statement I have put in the RECORD. This copy is taken from the certified record of the court.

Judge KELLEY said the court had nothing to do with such questions—it was an orphan's court. The judge, I think, will be inclined to take refuge in it himself. [Laughter.] It shall go on the record.

[An extract from the adjudication.]

In the orphan's court for the county of Philadelphia. *In re Estate of J. Edgar Thompson, deceased.* January term, 1881. No. 310.

The remaining item was of 334 shares of the Pennsylvania Steel Company, costing \$33,466.67. The testator owned at his death 1,000 shares of stock of this corporation, and they were appraised in the inventory of his estate at \$70,000.

He died May 27, 1874, at a time of great commercial depression. After his death, with the revival of business, the profits of the company increased and its shares rose in value, until they reached in January, 1882, \$200 above par. On December 13, 1881, the directors authorized the president of the company to negotiate for the purchase of 5,000 shares of the stock, which were held at the time by the Pennsylvania Railroad Company, and on January 27, 1882, the agreement effected by that officer was ratified by the board. Five thousand shares were accordingly transferred by the Pennsylvania Railroad Company for the price of \$265 per share, which was duly paid.

The following stipulation formed part of the agreement to purchase: "It is understood that it is the intention of the Pennsylvania Steel Company immediately to offer to its stockholders to take their pro rata proportion of the 5,000 shares herein referred to at par, and that the Pennsylvania Railroad Company will take and pay for the shares that may be allotted to it accordingly." On the same day a communication marked "confidential" was prepared by the directors of the steel company and forwarded to each stockholder. This circular, a copy of which is appended, stated that the Pennsylvania Railroad Company had, ten years before, as a measure of relief to the steel company, purchased and paid for 6,000 shares of the capital stock of the latter corporation, and was now ready to sell the whole or a part of their investment. It then set out the purchase of 5,000 shares by the directors of the steel company and the offer by the directors to apportion those shares, pro rata and at par, among the holders of the remaining 15,000 shares of the company. The rate for fractional shares was fixed by the circular at \$200 per share.

At the time of the purchase the undivided profits of the company amounted to \$3,286,423.51, as ascertained by the last semi-annual settlement, on August 31, 1881, with those earned since that date. The net cost to the company of the purchase was \$825,000, leaving a surplus of profits which amounted to \$2,461,423.51.

The accountants availed themselves of the terms of the offer, and purchased at par 334 shares, representing the allotment to which the investment of the estate in the company's stock was entitled. A decision was asked upon the point whether the proceeds of their purchase were to be carried in the account as capital or income.

The task would be agreeable, if it were only practicable, to extract from the

cases a principle of general application to which this class of questions could be referred, and by which they could be philosophically answered; such a principle was supposed to have been found, in *Minot vs. Paine*, 99 Mass., 101, by ranking all cash dividends as income, and all stock dividends as capital. This rule has the merit of simplicity, but it has been repudiated in Pennsylvania as empirical, (*Vinton's Appeal*, 2 W. N. C., 246.) No single test seems to have been potent enough to determine the doubt in any single case, much less to serve as the governing principle for any group of cases. Hence in the same case a variety of propositions has been relied upon, the force of each of which if taken separately is weakened by the number of exceptions to which it is manifestly subject.

For instance, the badge of capital has been affixed to a distribution where the value of the stock or cash dividend was required to be added to the market price of the stock after the distribution, in order to equal the value of the stock as it stood immediately before the transaction. Yet this rule, it is believed, would be worthless if applied to a mining company whose mines were approaching a point beyond which they could not be worked with profit and every dividend upon whose stock was followed by a fresh decline in the value of the investment. There is, however, no necessity in the case in hand to search for any general principle, because there are present several circumstances which bring it directly within the control of prior decisions. There is, first, the fact which was effectually proved, that the distribution was of profits which had accrued after the death of the testator. Three months prior to his death the undivided profits of the company were \$267,536.06. Five months prior to the distribution, and after deducting the intervening dividends, they amounted to \$3,286,423.51. On this point *Earp's Appeal* (4 Cas., 374.) lays down as an axiom that the profits arising after the death of a testator are income, and *Wiltbank's Appeal* (14 P. F. S., 256) declares that they are distributed in the form of capital. There is, secondly, the fact that no new stock was issued, whose effect would have been to dilute the original stock, as in *Moss's Appeal*, (2 Nor., 246.) when 2,000 shares after the distribution were worth no more than 1,000 shares before. The company, having regained possession of 5,000 shares of its original stock, distributed them among its shareholders. There was, thirdly, the fact that this was not a formal division of profits as such; but the authorities emphatically declare that this circumstance is immaterial. The language of *Moss's Appeal* is: "Equity which disregards form and grasps the substance would award the thing distributed, whether stock or money, to whomsoever was entitled to the profits." Judge Lewis, in *Earp's Appeal*, in speaking of profits earned by stocks, says: "The managers might withhold the distribution of it for a time, for reasons beneficial to the interests of the parties entitled, but they could not by any form of procedure whatever deprive the owners of it, and give it to others not entitled." Its character cannot be changed by the evidences given to secure it."

The intention of the directors of the steel company was patent; it was to distribute \$825,000 of profits. Two methods were open to them; they could distribute that amount pro rata in money, or they could distribute it in stock, which they might buy for that purpose. No sane mind would bewilder itself by attempting to show that a distribution in money would not be a distribution of income. But suppose that in adopting the second method the directors bought and distributed the stock of another corporation, or the loan of the Government, would the fact that the dividend was made in these evidences of indebtedness and not in cash convert the dividend into cash? And is the case varied because instead of buying Government stock they bought and divided the stock of their own corporation? But they did even less than this, they divided among the shareholders only the actual products of the stock so purchased, reserving for the treasury of the company the par value of each share.

Some expressions in *Biddle's Appeal* (2 W. N. C., 244) might possibly be tortured to favor the theory that the option in this case to subscribe for the allotted stock was a mere option to change the form of investment, the exercise or sale of which could not convert the capital into income. It was there said that "whatever value beyond par the stock then had, by reason of the large surplus fund of the company or otherwise, attached to the stock and formed part of the principal;" and it was held that the proceeds of sale of the option belonged to the capital of the estate. But the language quoted referred to the allotment of a new issue of stock whereby the capital had been increased in the sum of \$1,000,000. It would not only be inapplicable, but untrue if employed in the present case. The large surplus of the steel company did not attach to the stock of those shareholders only, among whom distribution was made; it attached just as fully to the stock which was divided.

In actual figures the shares purchased from the Pennsylvania Railroad had earned five-seventeenths of the profits, and hence to that proportion of the profits the remaining shares could lay no claim. It was strenuously urged at the audit that the stock of the steel company declined in value immediately after the distribution had been effected. Little weight, however, was given to that circumstance in *Biddle's Appeal*, in reaching the distinction between capital and income. But the actual decrease in value was trifling, and no greater perhaps than usually happens when stocks are quoted with dividends off. The price, \$265 per share, paid to the Pennsylvania Railroad Company in January, 1882, may be fairly taken to represent the market value of the securities at that time. On February 2, 1882, eight shares sold at \$250; on February 3, 1882, one share sold at \$275, and from February 14 to March 22, 1882, seventy-nine shares sold at an average of \$260, and no other sales were reported. After the purchase there remained of unexpended profits \$2,461,423.51, with six months' profits to be ascertained and added, a sum which it was testified was ample for all possible needs of the company and which would permit of its usual semi-annual dividend.

The auditing judge is of opinion that the three hundred and thirty-four shares are income, to which the life tenant is entitled upon payment of the par value of \$100 per share; and, subject to such payment, they are awarded to her accordingly. Filed April 26, 1882. Ashman, J.

Mr. CRAPO. I dislike to make any ungracious objection, but I understood the gentleman's time was extended out of the time of the gentleman from New Jersey. [Cries of "No!"]

Mr. FLOWER. I yielded to my colleague the forty-five minutes remaining of my hour, and his time was then extended by the House indefinitely.

Mr. HEWITT, of New York. I will not occupy ten minutes longer.

Mr. TOWNSHEND, of Illinois. The time of other gentlemen was extended just as the time of the gentleman from New York was extended, and I hope he will be permitted to proceed without further interruption.

The SPEAKER *pro tempore*. The time of the gentleman from New York was indefinitely extended.

Mr. HOUSE. That is so.

Mr. CRAPO. It is the general desire that debate shall be terminated in a reasonable time on the pending bill, and I am asked by members on both sides of the House to insist that gentlemen shall confine themselves within the hour.

Mr. HEWITT, of New York. I will finish in a few minutes.

The SPEAKER *pro tempore*. The gentleman from New York will proceed.

Mr. HEWITT, of New York. Now I have said that I feel very indulgent toward the gentleman from Pennsylvania [Mr. KELLEY] and that I impute to him no intention of having any desire to deceive the House.

The next day, twenty-four hours having elapsed, the gentleman from Iowa [Mr. KASSON] took the floor. Judge KELLEY had already summed up the debate, but by a kind of double-barrel shot-gun arrangement of which I was to be the victim, the gentleman from Iowa [Mr. KASSON] had the closing hour. And he proceeded to use the most of it in answer to this very allegation of mine, that a dividend had been made exceeding 50 per cent. I was not present when the gentleman from Iowa [Mr. KASSON] delivered his speech. It was not his fault; I was so ill I was absolutely compelled to lie down in the lobby. But if I had been present, it would have made no difference; he had the closing hour after the previous question, and I could have had no chance of reply. I will do him the justice to believe if I were present and desired to interrupt him he would have graciously accorded me permission to do so; but I have awaited his return from New York before referring to this matter. That gentleman had twenty-four hours' notice after reading the slip here from the Philadelphia Times, which I gave as a brief authority for my statement. The gentleman from Iowa sent for that slip. It was furnished to him, and appears copied in his speech. He states that he telegraphed, or caused a friend to telegraph, to Philadelphia for the information and got a reply, which he quotes in his speech. I will do him the justice to believe that he was deceived by his correspondent, or the gentleman who sent the telegram, because it is inconceivable, if he had the information I have now furnished to this House, he would have so misstated the facts. After quoting the slip he then goes on to say:

Then he went on to speak of a 50 per cent. dividend. No such dividend appears in this article at all. It was a simple award of a property that had been acquired in some way by the estate of Thompson.

I have explained the way.

And thus we find the gentleman from New York molding, with that thing in his hand, a newspaper slip into "evidence" that there had been a 50 per cent. dividend at the steel works without any statement of the amount of capital stock, or the evidence that even a dividend had ever been declared by the steel works.

I trust I have supplied the omission now to the gentleman from Iowa: capital stock, \$2,000,000; dividend one year, 77 per cent., with a surplus of 125 per cent. and with six months' undivided surplus in addition. [Laughter.]

Not content with that, a gentleman who understood the condition of facts to be different, telegraphed, and received this reply: that it was "a distribution of stock, but not a dividend; a privilege of stockholders, of which Thompson's estate was one, to subscribe for a certain percentage of their stock holdings at par, which stock was purchased from large stockholders at a premium."

That is the best specimen I have seen of a *suppressio veri, suggestio falsi*.

It is literally and absolutely true, and I will relieve the gentleman from Iowa to that extent, but yet it conceals the fact, which must be known to this correspondent, that the judge decided it was a dividend and awarded it to the widow on the ground it was a dividend. In other words, it was an attempt to cover up a dividend, but, as it turns out, unsuccessfully, for when adjudicated it was decided to be a dividend.

I have no doubt the officers of the State of Pennsylvania will do their duty and collect their tax on it. In the memorandum they furnish to me they say the tax for 1882 has not yet been collected. I presume that dividend, judicially decided to be a distribution of profits, will appear among them when it is collected.

And now the gentleman from Iowa concludes—

Now, sir, when such gentlemen—

I do not know the exact meaning of "such" as used in this connection; possibly the gentleman meant persons engaged in such business as mine, the iron business, and who know what these profits are from their own experience; and I will say to the gentleman from Iowa that I do know of my own knowledge something of this matter, for I am one of those who have a practical familiarity with the subject, and I am the owner of stock in steel works, but I did not choose to refer to my own case because I felt some natural delicacy on the subject which "such" persons sometimes show. But he concludes:

When such gentlemen claim that they can revise the tariff "in thirty days," and when they have no more respect for facts than to assert deliberately in this House, without a scintilla of proof, a given instance of large yearly profits, the people of this country are justified in asking us to go out of this House and find some other means for ascertaining the facts as they are.

If the gentleman meant to go outside of the Ways and Means Committee I would have been entirely willing. [Applause on the Democratic side.]

Now, the gentleman from Iowa and I have served together before. The relations between us have never been, so far as I know, certainly so far as I am concerned, other than friendly. I submit to him as a gentleman that he now retract before this House and the country every word of that concluding sentence where he charges me with having most deliberately falsified a statement "without a scintilla of proof," when I stand here to-day and produce the proof, which can neither be gainsaid nor refuted. I am willing to accord to him the excuse that he was deceived by some one; but the evidence is now

submitted to him, and the gentleman owes it to himself, to me, and to the country to withdraw every word of that sentence which I have quoted. [Applause on the Democratic side.]

Mr. KELLEY rose.

Mr. BUCKNER. I believe I am entitled to the floor.

Mr. KELLEY. I ask the privilege of being heard in reply to the gentleman from New York for a few minutes.

The SPEAKER *pro tempore*. For what purpose does the gentleman from Pennsylvania rise.

Mr. KELLEY. I take the floor for the purpose of responding to personal allusions to myself, which involve to some extent a question of my veracity.

Mr. KASSON. I move that the gentleman from Pennsylvania be allowed to respond to the remarks of the gentleman from New York.

Mr. KELLEY. I hope the privilege will be accorded me.

Mr. SPRINGER. I ask the House to yield the same privilege to the gentleman from Iowa?

Mr. ANDERSON. I hope there will be no objection.

The SPEAKER *pro tempore*. Is there objection to the request of the gentleman from Pennsylvania.

There was no objection.

Mr. ANDERSON. That also includes the same privilege to the gentleman from Iowa?

Several MEMBERS. There is no objection.

Mr. KELLEY. I am very glad to know, Mr. Speaker, that the gentleman from New York has come to a realizing sense of the annoyance inflicted by questions that break the continuity of a speaker's thought. I wish he had done so before I took the floor on Friday a week ago. My remarks would have been less of a wrangle than they are as they appear in the RECORD. But I do not think he prevented me from saying what I wanted to say, nor that he succeeded in so confusing me that I said anything that I have occasion to regret or qualify. I said that I knew no Bessemer steel company had made profits amounting to 67 or 70 per cent. in 1880. I said more, that the paragraph the gentleman insisted on injecting into my speech had no relevancy to any question as to the earnings or dividends of Bessemer rail companies. That it was a decision by our orphans' court as to the distribution of the estate of a testator; and that is precisely what it was. The paper now produced by the gentleman, and which is to be printed in the RECORD, may show how the part of the estate to be distributed had arisen, but there was nothing, absolutely nothing, in the paragraph the gentleman so boisterously persisted in injecting into my remarks to show that it had the most remote reference to the profits of a Bessemer steel company.

I will not dispute the distribution of stock of the Pennsylvania Steel Company as and on the terms the gentleman has just stated; and yet I say that no Bessemer steel company made 67 per cent. profit in 1881, the year of which the gentleman challenged me to speak; and he shall be the witness to prove the truth of my assertion as a less wealthy man than he could not be. In the course of his speech he told us that for six successive years he had lost \$100,000 a year by keeping his iron works in operation, but that in the seventh year by reason of a boom in the iron market he had far more than retrieved his losses. In this his experience was identical with that of the strongest and most favored of the Bessemer companies. They were able to do as he did, and there was as far as I know but one (and I used the word companies because there might possibly have been a second) that was able to go on, producing and taking advantage of the low rates of wages and prices of raw materials which prevailed during the depression to accumulate stock for the time when business should revive. They went on as he did, nominally losing money and were certainly unable to pay dividends—[Mr. HEWITT, of New York, rose.] I hope the gentleman from New York will not disturb the continuity of my thought.

Mr. HEWITT, of New York. Certainly not.

Mr. KELLEY. On page 15 of the RECORD containing my remarks will be found a portion of Mr. Swank's letter, in which are set forth some of the losses of American Bessemer steel manufacturers during the period referred to, and by reference to his statement I find that the company which I supposed might have been equally fortunate, the Cambria Iron Company, was compelled in 1874 to create a bonded debt of \$1,000,000, and in 1877 to issue additional bonds to the amount of \$278,000.

The company to which the gentleman refers is unquestionably the most successful of the Bessemer steel companies. The Cambria Iron Company, which employs over eight thousand men in steady employment, is probably the next; and to keep its thousands of hands employed when there was no market for its products in the years 1874 and 1877, inclusive, it issued \$1,278,000 by the issue of bonds, and it was by this display of courage and enterprise that it was able, as was the Pennsylvania Company, to pile up stock, as did the gentleman at his iron-works on tide-water, to meet the demand that must come when the general business of the world should revive, as it must some day.

It came, sir, soon and violently enough to surprise the gentleman from New York and the holders of stock and managers of the Bessemer companies. So sudden and violent was the revival that it is spoken of as the boom. We could neither make nor buy iron to supply our immediate wants. We imported everything in the shape of iron that we could purchase. I had an account from an intelligent

inspector of customs of one cargo of scrap-iron largely made up of hob-nails, round-headed iron hob-nails, which workmen in English iron, steel, and glass works wear when going over the fiery pavements of their workshops. Everything that could be collected was welcomed to meet the great demand for iron and steel. Then the Bessemer companies, as the gentleman told us he had, in the seventh year recovered their losses and in one year divided the profits of seven years. That is the whole story; and by this narration of facts, which are consistent with the gentleman's own experience, is the story of annual profits of from 67 to 70 per cent. exploded.

Sir, there is no analogy between the Morey letter and the letter of Mr. David Thomas. The gentleman certified in writing and in print to the genuineness of the Morey letter, and down to a day when he seemed to be the only man in the country who believed it he went upon the stump and told his auditors that his late associate, a friend with whom he had corresponded under peculiar circumstances, had written that letter, and that he knew it to be genuine by his familiarity with the writer and the writing.

Mr. HEWITT, of New York. I distinctly stated he did not write the letter; but that he signed it.

Mr. KELLEY. Asserting that it was his signature, you made the letter his; for you were old enough to know that what a man does by another he himself does, and that if he signed it it was his letter.

Mr. HEWITT, of New York. Certainly; I believed it genuine.

Mr. KELLEY. Please do not disturb the continuity of my thought. [Laughter.]

Mr. HEWITT, of New York. It was not the gentleman from Pennsylvania to whom I refused to yield. It was to gentlemen on this side of the House.

Mr. KELLEY. Now, as to David Thomas. I am not surprised that a gentleman may have forgotten a casual conversation; but I did have a conversation with David Thomas in which we spoke of the anthracite coal of Wales; and he did tell me that it was his experiment in Wales with her coal which enabled him to introduce the application of our anthracite to the manufacture of iron in Pennsylvania. But he also said that the Welsh coal was not pure anthracite; and, to borrow a phrase used by the gentleman, in the discussion on Friday week I in the haste of debate—mind my remarks were not in print—omitted the word "pure" and said there was no anthracite.

The question between Mr. Thomas and me is not one of veracity, but of memory. I affirm that he made a statement which impressed itself upon my memory. He does not seem to remember the incident. I do not mean to impugn the veracity of Mr. Thomas, but I say that those who are in the habit of weighing testimony will conclude that it is more likely his listener should remember so striking a fact than that he would, years afterward, remember a casual conversation which occurred in the freedom of social intercourse.

I wish to say to the gentleman from New York that I do not challenge his right to pay for the publication of his speech, and that I alluded to the subject only in response to the gentleman.

Mr. HEWITT, of New York. Oh, no; I beg the gentleman's pardon.

Mr. KELLEY. The gentleman said—well, let us look at the RECORD, and see what was said.

Mr. HEWITT, of New York. Yes; that is right.

Mr. KELLEY. Let the RECORD speak. There is the colloquy. I said:

I hope the error has been corrected in the 250,000 copies of the gentleman's speech he has caused to be printed for circulation by the Democratic campaign committee.

Mr. HEWITT, of New York. Yes; you flung it at me.

Mr. KELLEY. The gentleman from New York said:

There are no copies being circulated through the Democratic campaign committee.

Proceeding, he said:

The number folded, I will say to the gentleman from Pennsylvania, are those for which application has been made to me personally or by letter, and I paid that portion of the expenses myself and suppose that I shall also pay for the folding.

To which I responded:

I have heard that the gentleman paid for them most liberally.

Mr. HEWITT, of New York. Very well; that is as I stated it.

Mr. KELLEY. I raised no question as to the payment for the copies of his speech by the gentleman.

Mr. HEWITT, of New York. Nor I with you.

Mr. KELLEY. You said you supposed you would also pay for folding them; I would like to see the receipt given you when you make this payment.

Mr. HEWITT, of New York. I have had to pay for the folding of over 30,000 copies on account of bad management under the Republican administration; and other gentlemen on this side of the House have had to do the same thing.

Mr. KELLEY. Pray do not disturb the continuity of my thought. [Laughter.]

Mr. Speaker, I say without reserve that I had a right to infer from the gentleman's own speech, as well as from information in my possession, that he did not know what he was talking about when he



spoke of the profits of Bessemer rail companies. He says the capital is twenty millions; I say it is more than one hundred millions.

Mr. HEWITT, of New York. The gentleman will allow me to say—

Mr. KELLEY. Do not disturb the continuity of my thought; the question between the gentleman and me will be settled as time flows on. Other portions of his speech show that the gentleman from New York had not investigated the questions he discussed. He had prepared in the form of resolutions instructions for the Committee on Ways and Means under which it was to frame a tariff bill; and had prepared those instructions, as his resolutions and speech show, in utter obliviousness to the fact that we have a system of internal taxes and other sources of revenue besides customs duties. He proposed in his carefully-drawn resolution of instructions, which was the basis of his speech, that alcohol for use in manufactures shall be put on the free list.

Weeks afterward, when his attention had been called to the fact that we impose an onerous internal tax on alcohol, he said that his resolution of instructions was very crudely expressed, and that his purpose had been to remove the internal-revenue tax from alcohol used in manufactures. How did the gentleman propose to modify the internal-tax law by instructing the Committee on Ways and Means to report a provision for free alcohol in a tariff bill?

I do not rest my allegation that his resolution and speech were prepared in utter obliviousness to the fact that we derive any part of our revenue from internal taxes or miscellaneous sources on this proposition alone. The gentleman shall prove the case himself. He proposed to put alcohol on the free list, though by the internal tax the farmer must pay 90 cents tax before he can put on the market a peck of corn advanced in manufacture but one stage. The minimum tax is \$3.60 on every bushel of corn manufactured into alcohol.

On page 17 of the gentleman's pamphlet speech I find this sub-head: "Beneficent effect of reducing taxation." Under this head he says:

The existing tariff was enacted as a war measure, intended to raise revenue at any cost. It succeeded in its purpose. To-day it produces \$150,000,000 annually more than is needed for the national expenditure.

Now, let us consider these three lines of the gentleman's speech. Does the tariff produce \$150,000,000 annually more than is needed for the national expenditure? Did Madison introduce a war measure when, on the third day of the first session of the first Congress, he introduced a tariff bill? From the time that bill (some of the provisions of which are embodied in the existing statutes) passed into law to the present there has never been a day on which we have not had a tariff?

Was the Morrill tariff bill a war measure? It was enacted nearly a year before the war began, and is the basis of the present tariff law. Was the wool and woolen tariff of 1867 a war measure? All these questions must be answered in the negative. The tariff is an original and continuous part of our revenue system. Apart from it we have special war taxes.

To pay the debt incurred by the Revolutionary war internal taxes were resorted to, and they were abolished under the lead of Jefferson as soon as that debt was in a shape that made it controllable with the ordinary sources of revenue. Again, we enacted as a war measure internal taxes to meet the expenditures of the war of 1812, and they were repealed at the end of four years.

A third time we enacted a war measure when we imposed the present internal taxes. And the gentleman, when he uttered the words I have quoted, did not know that the internal-tax system was in force or he meant to delude the 250,000 readers to whom his speech was to be sent.

I desire to consume as little time as possible; but I must pause to vindicate the patriotism of the iron and steel associations. In the course of my remarks the other day I referred to the fact that the Cobden Club of England had aggressively entered our last Presidential and Congressional campaign and had distributed its British-made books, published by and under the stamp of the club, in every Congressional district in the country.

Mr. SPRINGER. There were none in my district.

Mr. KELLEY. Well, they knew you were all right for their purposes, and therefore did not need to be deceived by the letter to farmers of Augustus Mongredien. No copies were therefore sent to you personally.

Mr. SPRINGER. You will except my district.

Mr. KELLEY. No; you are not a district, you have at least 180,000 constituents.

Mr. SPRINGER. They were not sent into my district.

Mr. KELLEY. You can only speak for yourself. I know they were, for they were sent into every district in the country.

Mr. SPRINGER. I did not find any in mine.

Mr. KELLEY. Among the documents circulated by the Cobden Club in that campaign was a letter to the American farmer by Augustus Mongredien, which I characterized the other day as so replete with falsehoods that I said if gentlemen would read it and should discover a single sentence which expressed an unqualified truth, I was sure they would attribute the circumstance to accident.

To meet this audacious attempt to control our elections we had no organization. The American Iron and Steel Association determined to enter the campaign against our foreign invader, the Cobden Club.

In the preliminary statement accompanying his next annual report, which was made July 30, 1881, James M. Swank, the secretary of the association, said in this connection what I ask the Clerk to read.

The Clerk read as follows:

During the Presidential and Congressional campaign of last year the Cobden Club of England threw off all disguise and sought directly to influence the free expression of the popular will in many States by circulating large quantities of English printed books and pamphlets which outrageously misrepresented the effects of our protective policy and falsely alleged that this country would be more prosperous under the British policy of free trade. This association promptly undertook the work of counteracting this movement of the Cobden Club, and a series of protective-tariff tracts, embracing over half a million copies, was printed and circulated in the wake of the free-trade publications. The result need not be dwelt upon, except to say that it completely vindicated the policy of maintaining in this country a strong organization that should be capable of meeting and defeating any similar assault upon American industries. The safety of the people from foreign dictation in their domestic affairs should be for it in such an emergency the supreme law. In this spirit, and in no other spirit, did this association aid in rebuking the Cobden Club for its hostile attempt to control our elections for the benefit of English manufacturers.

This leads me to remark further that there exists to-day in this country a widespread and very gratifying demand for protective-tariff literature. The old standards of authority on protection are either out of print or are not wholly suited to the present aspects of the subject, and new and fresh treatises are urgently needed, some of which should be elementary in their character. It is greatly to be regretted that there is an actual scarcity of really valuable books that are adapted to the wants of that large class of our fellow-citizens who have not heretofore given much attention to the merits of the protective policy, but who wish now to become familiar with them. This class, which includes the students at our colleges and universities and the young farmers of the great West, demands books that shall deal not only with principles but also with results. What has protection done for this country, and what does it propose to do, are questions that it wants to see answered. It is a shame that the country is almost without a literature that would enable the students at our higher schools of learning to meet and refute the sophistries and the flagrant falsehoods of their free-trade teachers of alleged political economy. It is a shame that, for want of suitable books of reference, even one Western farmer should be deluded into the belief that the policy which proposes to establish a woolen factory, or an iron-rolling mill, or a manufactory of any kind near his farm is his enemy and not his friend. The work of friendly newspapers is not in a form suitable for preservation, and hence books of reference of reasonable size and cost are necessary. This association proposes to do what it can in the immediate future to meet the want mentioned, but it cannot do all that should be done, and it is hoped that other agencies will co-operate, each in its own way, in a work of such vast importance to the future welfare of all American industries.

Mr. KELLEY. In conclusion I desire to say that it will always be a source of infinite pleasure to me to know that in attempting to resist the interference of the British Government in our politics, through one of its subsidiary organizations, my utterances were believed to be a potent defense.

Mr. SPRINGER. So far as the action of the Cobden Club is concerned, let me say to the gentleman that I think the statement of Mr. Swank is an attempt to erect "men in buckram." I have heard of no such things among the people and know of no such literature being circulated in this country by the Cobden Club.

Mr. PEELLE. It was circulated all over my district.

Mr. CANNON and others. And all over mine.

Mr. TOWNSEND, of Ohio. It was very liberally distributed in Ohio.

Mr. KELLEY. I sent to the Library (thinking they might be useful) for the letter of Mr. Mongredien and other of the Cobden Club's publications; the answer of the Librarian is that they are all out; otherwise I would produce the ocular proof.

Mr. SPRINGER. What "ocular proof?"

Mr. KELLEY. The books themselves.

Mr. SPRINGER. The books in the Library?

Mr. KELLEY. Yes, sir.

Mr. SPRINGER. Oh, I presume of course they are there.

Mr. KELLEY. But I say they were scattered through every Congressional district.

Mr. SPRINGER. I do not dispute the fact that these books are in the Library; but I say that the Free-Trade Club of England did not circulate any in my district.

Mr. KELLEY. Why, sir, their texts crop out in nine-tenths of the Democratic speeches in that campaign. They furnished the free-trade arguments of the campaign.

Mr. KASSON. Mr. Speaker, I ask only two or three minutes for the purpose of responding to the appeal made to me by the gentleman from New York, [Mr. HEWITT],—an appeal to which I should respond in the manner the gentleman desired if I were justified in doing so by the condition of the facts.

The SPEAKER *pro tempore*. The Chair hears no objection to the gentleman from Iowa proceeding.

Mr. KASSON. I trust I shall never fail to make frank acknowledgment of any error into which I may have fallen, by which any gentleman on either side of the House may feel aggrieved.

First, let me say to the gentleman from New York that when I used the phrase that seemed from his manner to have been offensive to him, namely, "when such gentlemen say" so and so, I referred solely and exclusively to gentlemen who depend upon a transient paragraph in a newspaper as evidence for distinct statements of fact to guide the legislation of the House. In no other sense could the gentleman possibly have construed the remark as personal. If he did construe it in any other sense, I beg him to consider his construction erroneous.

Now, sir, as to the fact. When the gentleman on the occasion referred to made his declaration to the House, holding his hand in the

air with this fragment of paper, the House being in an excited condition, some of us clamoring that the gentleman should be heard and others clamoring that he should not be heard, for the production of his proof, I supposed it to be something which would be accepted anywhere as proof. But upon the reading of the article itself, it gave no proof whatever. The gentleman will hardly dispute that point with me. I do not understand that the gentleman then had in his hand the paper which he has produced to-day, or that he had in his hand anything that could be called a scintilla of proof, unless that newspaper slip was proof. If that was proof, I ought to admit that he had evidence; if it was not proof, of course I must let my statement stand as I made it.

Mr. HEWITT, of New York. Did the gentleman hear me add that the superintendent of the works had himself told me there were over \$3,000,000 of undivided profits on hand? That was the last thing I said in that colloquy—that the superintendent of the works had told me there were over \$3,000,000 of undivided profits on hand.

Mr. KASSON. The allegation was that there had been a 50 per cent. dividend—

Mr. HEWITT, of New York. Yes, sir.

Mr. KASSON. And the paper which the gentleman held in his hand did not contain the slightest evidence that there had been a 50 per cent. dividend. That is the point. Hence I was right in saying that when the gentleman made that statement and said, "I have the proof here," he had literally no proof in his hand.

On looking at the document which the gentleman has produced this morning I find that instead of these being the profits for a year—perhaps the gentleman stated the matter correctly this morning; I did not hear all he said, as he spoke very low—instead of these being the profits for a year they were the accumulations of eight years. By this paper which the gentleman has presented to-day (perhaps he stated this; I did not hear all he said) I find that in 1874 the stock was worth only seventy cents on the dollar. The judgment of the court refers to this fact, and then goes on to recite that afterward, with the revival of business, the enterprise became profitable, and the stock rose in value over 200 per cent.

Mr. HEWITT, of New York. Premium.

Mr. KASSON. Rose over 200 per cent. It further appears from this statement (perhaps the gentleman stated it to the House this morning, but I did not hear it) that this stock was paid for at the rate of \$100 per share in new money paid to the company, and it was only the excess of the value of the stock above par that was represented by the appropriation of profits.

Sir, I try to make no statement inconsistent with the facts, and the gentleman himself will remember that when he suggested that the Committee on Ways and Means, meaning of course that he could do it if he were a member, was able to revise the tariff in thirty days, it did present to me a fair opportunity to remind him of his own mode of thinking and action, as illustrated in taking a newspaper scrap floating in the papers, which did not say that this was a dividend, and deducing from it the statement that there was a dividend of 50 per cent. in a single year.

I know nothing of these dividends; I care nothing for them except as connected with the great question in the discussion of which this matter arose. From what I have now said I think it must appear that I did try to be fair to the gentleman, and that I was justified in saying there was not in his possession at the time he held that scrap of paper in his hand a scintilla of proof to justify him in saying, "I have here the proof." I must insist that I was right in stating that there was not a scintilla of proof then presented by which the House could be guided.

Mr. HEWITT, of New York. Will the gentleman correct the statement which he has just made that the slip read did not declare it was a dividend. I read the slip:

The question was whether about fifty thousand dollars worth of stock of the Pennsylvania Steel Company, which had recently been obtained by the estate, should be regarded as part of the capital of the estate or as a dividend given to Mrs. Thompson absolutely.

Judge Ashman took the latter view, that it was a dividend. Will the gentleman correct his last statement?

Mr. KASSON. It arose from property "recently obtained by this estate."

Mr. HEWITT, of New York. The question was whether it was a dividend or not as a part of the capital of the estate in the Pennsylvania Steel Works.

Mr. KASSON. As a dividend of the estate, it does not say "in the Pennsylvania Steel Works."

Mr. HEWITT, of New York. But as a dividend given to Mrs. Thompson absolutely.

Mr. KASSON. Now, sir, there is no escape so far as that thing is concerned, that there was not a scintilla of proof, at the time he flourished it before the House, of a 50 per cent. dividend, and nothing said about it being for a single year. Hence I cannot respond to the appeal which the gentleman has made, but must say I should not be willing to trust the revision of the tariff of the United States to a gentleman who would regard important facts as satisfactorily proved by a newspaper paragraph which did not even allege the disputed fact of a 50 per cent. dividend by the Pennsylvania Steel Works.

Mr. SPRINGER. It is proved now.

Mr. KASSON. No, sir; not even by this record of adjudication.

Mr. BUCKNER. Mr. Speaker, some weeks ago when an effort was made to make the pending proposition a special order under a suspension of the rules, I delivered my views on this question of re-chartering the national banks; I shall not now repeat what I said on that occasion. I have the fortune of differing in many respects in the matter of circulation and banking from the views just presented by my distinguished friend from New York, [Mr. HEWITT.] Those views are discussed in the speech I have referred to, and if there is any gentleman here who takes any interest in my opinions he can find them fully enunciated in the RECORD. As I have said, I do not intend on this occasion to repeat what I then said.

Mr. Speaker, while I have been an open and decided opponent of the national banking system, I have no objection to banking proper. It is not to banking, as I understand it, that I have any objection. My objection is not to banks or banking as contradistinguished from note issuing, whether national or State. My opposition is founded upon the special privileges accorded to these national banks. It is an aristocratic feature in our Government that any man or set of men should have the privilege of making money out of his or their indebtedness. With Jefferson, Calhoun, and Jackson, I believe it is the sovereign right of the Government to emit paper or credit circulation, if it be needed for the business of the country, and not to farm it out to a corporation or corporations.

On that subject I differ from the gentleman from New York, [Mr. HEWITT.] I am not frightened by the bugbear that if we get rid of the national banking system we will necessarily have to fall back upon the old State banks. I do not believe there is any more universal sentiment in this country on the part of intelligent men in all sections than that we should pay the public debt as rapidly as the resources of the people will permit.

And that whatever circulation we have, whatever paper money is issued for circulation shall have, in the language of Mr. Webster, "the odor of nationality." Whatever opinion may have been entertained in the South and East the prevailing sentiment of the country now is that we should have a circulation, by whomsoever issued, that shall be uniform in value; that shall be as good in California as it is in Connecticut, one which shall be receivable at its face value in every part of the country without regard to geographical divisions. There is no sentiment more deeply seated in the minds of the people of this country than that the Government of the United States, either directly or indirectly, must use whatever authority it may lawfully have to secure just this kind of paper circulation.

But when gentlemen speak of banking do they mean to say that the right to issue one's indebtedness and make money out of it is banking? That is not, properly speaking, banking. That is not by any construction of the term a fair definition of banking. It is not the idea of banking as established by the best authorities on finance either in England or in this country. Our people have had a false education upon this subject. Banking consists in loaning money, receiving deposits, and dealing in exchange, and not in issuing evidences of debt without interest and exchanging them for the notes of other people bearing interest. In the language of Mr. Jefferson, which is the motto of the speech I delivered in the House a few weeks ago, "bank paper must be suppressed and the circulating medium must be restored to the nation to which it properly belonged." Let the banks be continued if you please, but let them discount for cash or Treasury notes. That was the doctrine of Thomas Jefferson, that was the doctrine of Andrew Jackson, and the same sentiment was expressed by John C. Calhoun; and with the experience of the last fifteen years in this country in the issuing of paper money, that is the statement that finds expression all over the land.

The Government controls and directs the issue of gold and silver coin by and through the officers of the Mint, and no good reason can be given why it may not, through the Treasury Department or a board of officers, perform the same function in the issue of paper or credit money. I believe it is the veriest superstition that ever entered into the heads of men that the Government cannot accomplish the same thing directly by officers responsible to it as it can accomplish indirectly by the aid of banking corporations. There is nothing but a morbid and groundless apprehension arising out of a want of confidence in the capacity of the people for their self-government that can justify a delegation of the sovereign power of the Government to corporations controlled by their own selfish interests.

But to come to the question now before the House, we are called upon to say what shall be done in the present emergency as to the banks whose charters are expiring. And I may be permitted to say in this connection that, whether from the speech I had the honor of delivering on this floor recently or from some other cause, there has been a sentiment inaugurated here and elsewhere that shows that the position that I and others have occupied in reference to this bill has some real foundation, and that it is not a mere war on the banking system or on the capital of the country, which the newspapers throughout the East especially have sought to make it appear to be. It is in the interest of capital and the business of the country, not that the charters of these banks which are about to expire should be extended, but that provision should be made against the dangers which will necessarily ensue to the bank circulation from the redemption of the bonds held for its security. This is the paramount ques-

tion for the consideration of this House, and its importance is in no wise affected by the extension of the charters of the banks. I am glad to find that my distinguished friend [Mr. HEWITT] who addressed the House a few moments ago, and two of the gentlemen on the Committee on Banking and Currency at least, have admitted in effect that my objection to the passage of this bill as reported had some foundation in it other than mere opposition to the banks themselves.

I have opposed this bill, Mr. Speaker, because I hold that it is wholly unnecessary for any good purposes at this time. I have said that it was a delusion and a cheat, and that it did not accomplish what the country had a right to expect from the legislation of Congress, and that it failed to do what it ought to do in order to maintain a stable circulation and to prevent a disturbance of the business interests of the country almost certain to accompany the rapid payment of the 3½ per cent. bonds held by the Treasury as security for the bank circulation.

Now, to show that I have authority for that statement, and no less authority than that of the Comptroller of the Currency, I ask the Clerk to read from the annual report of the Comptroller that portion which I have marked.

The Clerk read as follows:

If, for any reason, the legislation herein proposed shall not be favorably considered by Congress, the banks can still, under the present laws, renew their existence if they so desire; and in the absence of prohibitory legislation many of them undoubtedly will, on the expiration of their present charters, organize new associations, with nearly the same stockholders as before, and will then apply for and obtain from the Comptroller certificates authorizing them to continue business for twenty years from the respective dates of their new organization certificates. Such a course of procedure will be perfectly legal, and, indeed, under the existing laws, the Comptroller has no discretionary power in the matter, but must necessarily sanction the organization or reorganization of such associations as shall have conformed in all respects to the legal requirements.

The passage, however, of a general act directly authorizing an extension of the corporate existence of associations whose charters are about to expire would, in many instances, relieve the banks from embarrassment. As the law now stands, if the share-holders of an association are all agreed, the process of reorganization is simple; but if any of the share-holders object to such reorganization, they are entitled to a complete liquidation of the bank's affairs, and to a *pro rata* distribution of all its assets, including its surplus fund. In many instances executors and administrators of estates hold national-bank stock in trust; and while they might prefer to retain their interests in the associations which issued the stock, they would perhaps have no authority to subscribe for stock in the new organizations. While, therefore, the legislation asked for is not absolutely essential, yet its passage at an early day would be a great convenience to many of the national banks, and especially so to the class last referred to.

Mr. BUCKNER. Now, Mr. Speaker, the Comptroller of the Currency puts it upon the ground that a failure to pass the bill would be an embarrassment to business; that it would interfere with the surplus fund of the banks; that it would interfere with the interests of executors, and of *cestui que trusts*, &c., but does not take the ground that this legislation is absolutely necessary for the reason that there is already an equivalent power in the law to allow the reorganization of the banks where there is no objection on the part of the shareholders; in other words, that the banks without any legislation, as is here proposed, are able practically to extend, if they desire, their corporate existence. In response to the reasons which have been urged in the extract from the Comptroller's report which has been read by the Clerk, I desire to say that we have no jurisdiction over the investments of executors, administrators, or guardians. It is none of the business of Congress to interfere with such matters in order to prevent them or the banks from embarrassment, and my objection to this plan is that we neglect the very thing of all others which ought to be done, and that is the protection of the public against the dangers of a lock-up of currency in order that the banks may withdraw the bonds deposited with the Treasurer, and then a curtailment and extinguishment of the bank-note circulation as it is presented to the Treasury for redemption.

It is because this legislation is for banks and bank-owners alone, because it is to enable them to go on without reference to the condition of the country and without taking notice of the fact that their circulation is being rapidly diminished and must in the nature of things diminish to such an extent as to disturb the business interests of the country, that I have opposed it and will continue to oppose it unless it is amended so as to obviate these objections.

Why, sir, what is it that we are proposing to do? We are making it easier, I admit, for these banks to organize, to go on with their business in the interests of the banks, but neglect, as I shall show you beyond all question, the great questions that come up and must come up, and are now present before us, not regarding at all the necessary diminution of circulation growing out of the exercise of the dangerous power of elasticity, which has been heretofore deemed the chief jewel in the crown of these institutions, the power to enlarge or diminish the circulation of this country at the will of the banks.

But, sir, it has been urged upon our attention here for three months, until some have been frightened into the idea that it will be regarded by the country as a war upon capital if we do anything but obey the behests of the banks and disregard the great interests of the people themselves, for whom these banks were organized.

Now, what is the relation of the banks and their circulation to the Government and the Treasury? We have but three classes of banking bonds upon which the circulation of the banks is based. About four hundred and ninety millions of them are now subject to call. Of that four hundred and ninety millions, two hundred and forty-five,

or about one-half, are held by the banks as security for their circulation. Those bonds are all now subject to call, and are being called at the rate of one hundred and fifty or one hundred and eighty millions a year. And does any gentleman here believe that the amount we shall appropriate to the sinking fund is going to be less under any legislation that we may have had or that we will have? Is it not almost as certain as any event in the future that from one hundred and twenty to one hundred and fifty millions will be called within the next twelve months? We cannot assert from actual knowledge, but it may be estimated that one-half of that call will come from the banks. That is the condition of things; and it is given as a reason why the banks should have a continued existence, and why this bill should pass, that on one day in next February the charters of banks holding 54,000,000 of 3½ per cent. bonds out of 75,000,000 will expire, and that without this bill lawful money will be withdrawn from circulation in order that this amount of bonds be withdrawn. But if this bill becomes a law, will the banks thus continued in being be under any obligation not to withdraw their bonds and surrender their circulation? Will they be required by any provision in this bill, in consideration of the extension of their franchises, to continue in business and retain their circulation? By no means. It may well happen that the bonds, or a part of them, held by these banks will be called for redemption after they have accepted the provisions of the act, and they will be compelled to disturb the money market by withdrawing from the channels of circulation money sufficient to cover their outstanding circulation in order to obtain control of the bonds held by the Treasury. The bill of the committee relieves the banks of all embarrassment in continuing their corporate existence, but it fails signally in providing any security to the trade and business of the country against the dangers growing out of the redemption of the bonds and of a consequent reduction of the circulating medium. It takes care of the banks and their owners, but leaves the vast interests of the country subject to grave and serious peril.

The question arises, what will the banks do? I asked my friend from Illinois [Mr. SMITH] this question, and what does he say they will do? They have no alternative as to one point. The bonds on which their circulation is based must be given up and surrendered to the Treasury. [Mr. SMITH, of Illinois, rose.] Hold, I will report you correctly. They may buy 3½ percents if they take the risk of those bonds being called any day or month in the next two or three years; or they may buy 4½ or 4 percents. That is what he says they will do. Rather an uncandid answer I think, all things considered. We will issue silver certificates, he says, next winter when we see this trouble upon us with forty-one millions of bonds probably called between this and then, as stated by my friend from New York, [Mr. FLOWER.] Then we will issue silver certificates in face of the fact that the Banking and Currency Committee, of which we are members, have reported a bill that takes away the power of issuing silver certificates and repeals the law authorizing the coinage of the silver dollar, except at the discretion of the Secretary of the Treasury, who is not charged with being its special friend. We have that bill now before us to be presented to this House. And yet that is the way in which this difficulty, apparent to everybody, clear as the noonday sun, is to be met, because the fifty-four millions of the 3½ percents that may be called or at least one-half of them may be called have to be paid, and upon that is based a circulation of at least twenty millions now in the hands of the people.

Mr. SMITH, of Illinois. I ask the gentleman if it would be disagreeable to him to be interrupted?

Mr. BUCKNER. I yield with pleasure to the gentleman.

Mr. SMITH, of Illinois. I know the gentleman from Missouri does not desire to misrepresent me. What I said in my speech was, he would likely be here next winter and I also, and then we would join in passing a law for the unlimited coinage of silver.

Mr. BUCKNER. The comment I make on that is, that it is a practical impossibility so far as this House is concerned. Already the majority of this House, of which my friend from Illinois is a member, have introduced a proposition to strike down the silver certificates as well as to stop the coinage of the silver dollar except at the discretion of the Secretary of the Treasury. So that is no remedy. The next remedy is to buy 4 and 4½ percents; and that is the only alternative my friend who sits before me [Mr. HARDENBERGH] and who has charge of one of these banks has; he may either have 3½ percents or 4 and 4½ percents as security for this circulation of his bank or part of each; most likely some of each of the three classes of bonds.

What are they going to do? Will they buy fours or four-and-a-halves? I say they will not. On the contrary, the operations of the Comptroller of the Currency during the last eighteen months show that the banks have been selling their fours and four-and-a-halves for the purpose of realizing the 14 per cent. and 20 per cent. premium. The amount of 4 and 4½ percents sold by the banks to realize the large premium at which they are held is double that of these two classes of bonds deposited by banks newly organized.

Now, to show the gravity of this danger, I will refer to what I alluded to once before in a brief discussion on this question. On the 1st of May last there was a reduction of nearly \$1,000,000 in national-bank note circulation from the 1st day of the previous January.

Now, that would not be very extraordinary but for this fact; it has never occurred before since resumption took place, for, since the fall of 1878, after our legislation in this House stopping the contraction of the greenback circulation and providing for the coining of the silver dollar, the banks have gradually and slowly increased their circulation month by month until now.

Now, how do my friends on the other side who are supporting this bill account for this? It cannot be explained except upon the theory that the circulation of the banks has been diminished because such a large proportion of it was based on  $3\frac{1}{2}$  per cent. bonds subject to call, and which have been called and surrendered by the banks. That process is continually going on.

I have a table here showing the amount of national-bank notes outstanding on the 1st of each month, from July, 1881, until May, 1882:

*Statement of the aggregate amount of national-bank notes outstanding on the 1st of each month from July, 1881, to April, 1882, inclusive, and the increase or decrease monthly.*

Date.	Amount.	Increase.	Decrease.
July 1, 1881	\$354,610,935		
August 1, 1881	356,894,453	\$2,283,518	
September 1, 1881	357,714,133	819,680	
October 1, 1881	358,409,265	695,132	
November 1, 1881	359,891,130	1,481,865	
December 1, 1881	361,620,935	1,729,805	
January 1, 1882	362,062,420	441,485	
February 1, 1882	361,861,172		\$201,248
March 1, 1882	361,152,532		708,640
April 1, 1882	361,626,637	474,105	
May 1, 1882	361,070,299		
January 1, 1882			\$362,062,420
May 1, 1882			361,070,299
Decrease since January 1			992,121

I have some other tables from which I have taken the trouble to compile facts, showing, in addition to what I have stated, the strong tendency of the banks holding the fours as well as the four-and-a-halves to reduce their circulation by the withdrawal of the bonds on which that circulation is based. At the present rate of taxation it cannot be many years—not more than three or four—when every one of the three-and-a-halves will be paid. This year we will take up about \$150,000,000 of them. Now, whatever changes may be made by the little internal-tax bill which it is expected will be passed, in my judgment the revenues of the Government will not be seriously interfered with before the commencement of the Forty-ninth Congress.

Mr. DINGLEY. Will the gentleman pardon me for interrupting him for a moment? I was out a short time, and when I came back I understood that the gentleman had stated that there had been a contraction of the currency of the national banks since the 1st of January last.

Mr. BUCKNER. From the 1st of January to the 1st of May.

Mr. DINGLEY. I have here a statement from the Comptroller of the Currency that does not seem to bear out that statement of the gentleman.

Mr. BUCKNER. I have a statement from the Comptroller made up to the 1st of May.

Mr. DINGLEY. I have one up to the 1st of May, and from that statement it appears that the aggregate outstanding circulation of the national banks has increased since the 1st of January last.

Mr. BUCKNER. How much?

Mr. DINGLEY. Over a million and a half of dollars within the past six weeks, and in the aggregate over \$3,000,000. Of course many national banks have withdrawn their circulation, but many new banks have organized, so that the aggregate circulation has been increased and not diminished.

Mr. BUCKNER. I do not know how the gentleman makes out his figures. I have a statement here which I rely upon from the Comptroller of the Currency himself, showing a reduction of the national currency from the 1st of January last to the 1st of this month of \$992,000. There may have been some increase in the circulation within the last ten days, about which I have not been informed.

I have some other statements to which I desire to call the attention of the House showing the present tendency of this national banking system wherever they are reorganizing, and several of them, perhaps a half dozen or a dozen of them, have been reorganized by the Comptroller. The operation of this banking system now is altogether different from what it has been, and for the reason which I have given. Formerly the bank capital was made up largely of bonds. Now the tendency is to sell the bonds and put the proceeds into capital and only retain bonds sufficient in amount to keep the bank within the legal limit, (thirty or fifty thousand dollars in bonds,) and this process necessarily leads to a withdrawal of bonds and a lock-up of lawful money and then a retirement of national notes.

The following table is compiled from Executive Document No. 43, and from a statement from the office of the Comptroller, showing num-

ber of banks, capital paid up, circulation, and classes of bonds, of banks reorganized, and new banks, from July 1, 1881 to May 10, 1882:

Banks	146
Paid-up capital	\$15,942,168
Bonds deposited	7,785,300
Circulation	5,542,540
Three-and-a-half percents	6,784,300
Four and four-and-a-half percents	1,116,000

From which it seems that of these new and reorganized banks less than one-sixth of their bond-deposits consists of 4 and  $\frac{1}{2}$  percents, and more than five-sixths on bonds ( $3\frac{1}{2}$  percents) liable to be called for redemption at any time.

It also appears from these tables that of these 146 banks 114 have a deposit of \$50,000 bonds and under, 1 of \$400,000, 2 of \$150,000, 1 of \$140,000, 11 of \$100,000, 1 of \$200,000, 3 of \$60,000, 3 of \$55,000, 1 of \$67,000, and 1 of \$72,000, while the paid-up capital is \$15,942,168—more than double the bond deposits.

These figures are very remarkable in view of several statements which have been made here that these charters are not valuable. There have been one hundred and forty-six banks organized since the first day of July last, including, of course, the half dozen or a dozen which have been reorganized. That is, a larger number of banks have been organized since the first day of July last than ever have been organized in the same length of time, according to my understanding, since about 1865 or 1866, and five-sixths of the bond-deposit is made of  $3\frac{1}{2}$  percents, showing conclusively that the banks will not purchase either of the other classes because of the high premium they bear in the market.

Mr. DINGLEY. Will the gentleman permit me at that point? Is not his table, which he obtained from the Comptroller of the Currency, a table giving the outstanding circulation not only of banks that are in actual operation but of banks that are in process of liquidation?

Mr. BUCKNER. I have them both.

Mr. DINGLEY. That is the statement I have.

Mr. BUCKNER. Of these one hundred and forty-six banks organized since the 1st of July last, of which, as I have said, some few are reorganized banks, there has been paid in a capital of \$15,942,168. Those banks have deposited bonds to the amount of \$7,785,300, and have a circulation of \$5,542,540. That circulation is based on \$6,784,300 of three-and-a-halves and \$1,116,000 of fours and four-and-a-halves.

The banks are evidently taking the advice of the Comptroller to keep within the national banking system. Yet the very same tables I have before me show how this process of the destruction or withdrawal of the currency is gradually going on. Take the First National Bank of Barry, Massachusetts. Its circulation of \$135,000 has been reduced to \$45,000. The First National Bank of New Haven reduced its circulation from \$400,000 to \$45,000. The First National Bank of Richmond, Indiana, reduced its circulation from \$135,500 to \$45,000. The First National Bank of Chicago has reduced its circulation from \$90,000 to \$45,000. The Second National Bank of New York has reduced its circulation from \$225,000 to \$100,000, and the Second National Bank of Cincinnati has reduced its circulation from \$180,000 to \$50,000.

Thus, while we are keeping up the national banking system, the bonds which they deposit are just enough for the purpose of keeping them organized under the national banking act. The remainder of their bonds are either called or sold, and as often sold as anything else, and the circulation must necessarily and inevitably be wholly withdrawn or largely decreased. It is in this way that the system may continue as long as one hundred millions of the public debt remains, and the number of banks not necessarily diminished; but it must be accompanied by a dangerous contraction of the paper circulation, a continuous lock-up of lawful money, superinduced by a withdrawal of bonds called for redemption, and a never-ending, still-beginning derangement and disturbance of the monetary affairs of the country.

Mr. SMITH, of Illinois. Will the gentleman allow me a question?

Mr. BUCKNER. Yes, sir.

Mr. SMITH, of Illinois. Does the gentleman think that we have too little currency in the country at present?

Mr. BUCKNER. No, sir; I think we have now a superabundance of credit currency.

Mr. SMITH, of Illinois. Then I do not understand the gentleman's argument. Why does he object to contraction by the national banks?

Mr. BUCKNER. I object to it because it is regulated and governed by circumstances over which the country has no control. My friend will understand that when the amount of currency is fixed and regulated by law the business of the country is in a very different condition from that in which the amount of circulation goes up or down just as the banks may consider it their interest to surrender their circulation to increase it or when the calling in of their bonds compels them to withdraw the circulation based upon those bonds.

Mr. SMITH, of Illinois. Does the gentleman desire the currency to be a fixed amount?

Mr. BUCKNER. If the gentleman speaks of credit currency I unhesitatingly answer, yes. The proposition which I have submitted as an amendment to the bill of the committee fixes the amount and

keeps it fixed. This idea of an elastic credit or paper circulation is the grandest fallacy that ever entered into the mind of man. To allow any number of men to say what amount of currency we shall have and thereby to fix the value of all the property in the country, and as the amount of currency varies keep all values in a state of constant fluctuation, is a system which ought not to be tolerated. It ought not to be left discretionary with the banks or with any other power than the Government itself. What we need is a fixed amount of credit money, and the elasticity of the currency to be supplied by metallic money, and not by the printing-press and the engraver's tools. Every man who owns a particle of property has an interest in seeing that the circulation of the banks shall not be withdrawn at the mere will of those by whom it has been issued.

Mr. SMITH, of Illinois. I will not interrupt the gentleman unless it is pleasant to him—

Mr. BUCKNER. It is not unpleasant.

Mr. SMITH, of Illinois. Would the gentleman desire to have the same quantity of currency when prices are low as when prices are high?

Mr. BUCKNER. Why, sir, it is the amount of currency in the country that fixes prices; at least this is an element that very largely operates in fixing prices; and it is for this reason I object to the constant fluctuation in the amount of currency that must be experienced while the banks have the power to control the circulation.

My friend from North Carolina [Mr. DOWD] seemed to take in the situation very readily. While disposed to give the banks the facilities they desire for reorganization, he is not willing to do so unless at the same time we curb their power, and he thinks that the amendment offered by my friend from Pennsylvania [Mr. RANDALL] will do this. I undertake to say—and when the amendments come to be discussed I hope to be able to show—that the amendment of the gentleman from Pennsylvania will have no sort of influence or effect upon the operations of the Treasury, and ought not to have, and that its necessary effect will be to maintain a continuous condition of panic in the money market without in the least diminishing the power of the banks to produce the results desired by its distinguished mover. It is intended to guard against that which occurred when President Hayes vetoed the funding bill, when the banks frightened him as well as others into the idea that they were to be injured by that measure. The object of the amendment is to guard against any such occurrence in the future; but I do not suppose any gentleman will say that if the Secretary of the Treasury has \$25,000 or \$50,000 applicable to the payment of the debt, and to no other purpose, he is to defer for sixty or ninety days the calling in of bonds and allow them to continue to bear interest. But I will not go into that question now.

I have said that the withdrawal of circulation must in the nature of things go on, if for no other reason than the high prices which the 4 and 4½ per cent. bonds now command. The figures in connection with the process of refunding or redemption show that the 4 and 4½ per cent. bonds which have been put on the market by the banks are more than double the amount on which circulation has been based in the organization of new banks. Why should it not be so? The 4 per cent. bonds upon which the circulation of many of the banks is based are worth now in the market 120 or 121. The banks purchased them at 100. The 4½ per cent. bonds, which were also purchased at par, are worth now 114 to 116. Bank human nature is like all other human natures; it looks to its own interests; and when the banks obtain a circulation of only \$90,000 upon every \$100,000 of bonds, rated at their par value, will they not sell, are they not selling their 4 and 4½ per cent. bonds and getting the advantage of the premium and adding something like 30 per cent. to their loanable capital? It is this action of the banks that is also undermining the foundation of the national banking system. From this cause also the circulation must decrease.

By the going into liquidation of one hundred and forty-six banks there has been a diminution upon their circulation from \$1,165,000 to \$330,000. Under the act of 1874 the banks have the power to give up their circulation whenever it suits them and to increase it at their will and pleasure. It has heretofore been their interest to increase it, and it has been gradually increased; but now their interest lies in the opposite direction, to say nothing of the condition of our revenues, which will enable us to wipe out the whole of the 3½ percents by the time any material modification will be made either in internal or external taxation. And it is because this banking act which the committee have reported looks to the interests of the banks and bank-owners and stockholders, and not to the interests of the people interested in having a steady and stable volume of circulation, that I oppose it. This bill ignores every other interest than that of bank-owners and takes no concern in anything else than the convenience and interest of those connected directly or indirectly with banks. The very purpose for which they were originally established is wholly overlooked or disregarded, as it utterly fails to make any provision against the dangers of a serious monetary disturbance, growing out of the payment of the 3½ per cent. bonds, by first withdrawing a large amount of lawful money from the money-centers, locking that money up in the vaults of the Treasury, and ultimately producing a gradual but certain curtailment of the bank-note circulation.

Now, Mr. Speaker, I wish to explain for a few minutes the two amendments which I gave notice I would offer when this bill comes

up for consideration. These amendments are printed in the RECORD of the 14th instant, and I ask the attention of members to them.

Strange as it may seem, nevertheless it is a fact that here is a grand organization of twenty-four hundred or twenty-five hundred banks, scattered all over this country, which have no redeemability of their promises to pay. The redemption of the bank note is absolutely voluntary, so far as the banks are concerned. The only appearance of redemption now is through the circuitous method of sending a thousand dollars of bank circulation to Washington to obtain legal-tenders for it, and then sending the legal-tenders to New York to get gold or silver for them if it be desired. That is the process now, and there is none other. The bank, while it may have coin in its vault, is under no legal obligation to pay a dollar in coin in redemption of its notes; yet this banking system has been in operation for fourteen or fifteen years. Now, if it is to be continued I propose an amendment, as section 8, which is the same proposition reported last Congress unanimously from the Committee on Banking and Currency with some slight alterations to adapt it to the present condition of things. It gives the holder of a note the right to demand gold or silver at the counter of the bank, and it requires the bank to keep a certain proportion of its reserves in coin at all times. My friends on the other side of the House who profess to be the great advocates of hard money certainly cannot object to adopting this amendment.

It has the additional advantage of giving employment for the gold and silver coins of the country, and will save the Congress of the United States from the necessity year after year of providing secure and proper places of storage for the surplus gold and silver emitted by the mints.

I have said there is no redemption now under the present national banking system. When we are called upon to extend the franchises of the banks for twenty years longer I insist it shall not be without imposing some such condition upon them. The value of the vast privilege these banks have is proved by the fact they have organized one hundred and forty-six during the last eight or ten months. This profitable character of these institutions is fully appreciated by the public, and we should not continue them without putting some condition or restraint upon them. The one I propose is that they shall be compelled to keep standard coin of gold and silver as a reserve in their vaults to meet the payment of their notes on demand.

I have also proposed, Mr. Speaker, another amendment. It goes back to the question whether we should have a fixed and permanent amount of paper circulation in this country, or leave the volume of circulation to the capricious interest of each bank. We have, first, the legal tenders. The law of 1878, by which the contraction of the legal tenders was prohibited, fixes their amount permanently. No one, so far as I know, pretends to have any desire to change it. I propose to fix the amount of bank-note circulation, whatever it may be, at the amount outstanding at the passage of this bill, and then to forbid its being diminished below that sum. I admit that it is a pretty heroic remedy, but the country needs just such a remedy. The underlying idea of free banking is that when a bank puts out its circulation it has the right to call it in whenever it pleases. Now, I provide by section 9, when the bonds upon which its notes are based are called or redeemed, or when a bank goes into voluntary liquidation, the circulation outstanding should be maintained to the same amount. I provide that when it is surrendered by the banks, then the Government shall issue its Treasury notes to the same amount, and provide a fund for their redemption. In this way we can keep the volume of the paper circulation of the country at a fixed point. When you talk about wanting an additional amount adequate to the wants and demands of the trade of the country, let that addition come from the coin of the country, and not from the credit circulation or by the extension of the credit system.

Of course I understand that this will require that these banks now organized shall be compelled to do that which they will not do now; and if they accept the provisions of this act they cannot go out and surrender the circulation by voluntary liquidation. They cannot produce that condition of things liable to come on us now by the large withdrawal of bonds between now and the 1st of March next. That is provided against permanently; and if you will have a national banking system you will have its circulation fixed by law, and let every national bank know now, when it accepts the conditions of this bill, that until the Government is ready to redeem the bonds held as security for its circulation, it cannot voluntarily reduce the circulation below what is fixed in the law. Who is opposed to that? Who can object to it? Is it not manifestly an amendment which must commend itself to everybody who reflects on the subject?

Is there a gentleman present who is willing to deny that we have a sufficient circulation to-day? We have the \$366,000,000 of national-bank circulation and \$346,000,000 of legal-tender notes; and why is it necessary to increase it? As we have a Constitution which in my judgment is nothing short of a hard-money Constitution, and the only money of the Constitution is gold and silver, and we have a great silver and gold-producing country, we should maintain a large gold and silver circulation. The product of our mines will thus be the means of increasing the circulation to meet the increasing demands of the growing trade and business of the country as they are enlarged by additions to our population and by new enterprises and increasing industries. That will give a steady, stable, unfluctuating

circulation. It puts our circulating medium in a position of stability and steadiness, and makes us independent of the two thousand banks who will then have no power to determine whether we shall have \$50,000,000 or more or less circulation, or less next year than we have had this year. It authorizes the issue of Treasury notes and for no other purpose than to maintain the volume of the currency; and it can only be reduced by the banks going into involuntary liquidation; or where the bonds are called for redemption by the Treasury, in which event Treasury notes can be issued in lieu of the bank circulation as fast as it is withdrawn in the process of redemption. This places the volume of currency directly in the hands of the Government and not under the control of corporations created by it.

Mr. HASELTINE. Will the gentleman permit me to ask him a question?

Mr. BUCKNER. Certainly.

Mr. HASELTINE. Would you limit the currency of the country to the metals alone, when we have an immense increase in our population from foreign countries as well as the additional growth of our own industries?

Mr. BUCKNER. I would fix the amount of paper or credit circulation at a sum which would be adequate for all of the wants of the country. I believe that paper circulation, a large amount of it, has been a source of injury to the business of the country, and for that reason in part large imports are coming in, and no exports going out of the country except gold; and not only that, but I would adopt the English system, (which provides a diminishing credit circulation and has for thirty-eight years,) and let the increase come from the industry, labor, and increased values in the country which will be manifested by an increase of coin. That is my proposition. Time may show that we have not a sufficient amount of credit circulation to meet the necessities of the country; but I have confidence that the wisdom of Congress will provide relief when that occasion arises. I believe that for the next fifty years five hundred or six hundred millions of paper circulation is amply sufficient to keep prices in this country on a proper level, and with the vast additions which the industries and wealth and enterprise of the country will make to the coin of the country it will afford all the needful circulation for our growing population and the multiplying demands of its business.

I have not, Mr. Speaker, any great fear of Congress, nor have I any apprehension of the capacity of the people to govern themselves, as some gentlemen seem to have who have expressed their views upon the floor of this House. I believe that this is the most conservative government on earth. I believe that there is just a little danger that we shall run to excess on this question as any other government, whether monarchical or imperial. I do not say that we cannot and will not go to excess; I do not say that it may not be done; I have very little fear, very little apprehension that it will be done. I do not mean to say that there will not be fiat-money propositions and legal-tender propositions and other kindred propositions to increase the circulation, for it is a common thing to hear such propositions made throughout the country; but it is a difficult thing to interfere with existing legislation and the history of this country has shown it. Congress does not always legislate wisely and in the best interests of the people, nor can it be said that we are entirely without fault in our legislation; nor will it be claimed that there are no vices in our republican system of government. We all know that to be true; but when we compare this Government with that of any other, whatever abuses or disadvantages it may have, there is not a man here who will not say that with all its faults and with all its vices he would be in favor of standing by our system of government in preference to any other.

And so it is, Mr. Speaker, with this question of the regulation of the circulation by Congress. We may err, but I greatly prefer having it in the hands of the people's representatives, within the control of our own legislative power, than to confide it to two thousand corporations scattered all over this country, thereby putting in their hands a power which may be used to the prejudice and detriment of the whole country. We have to make that choice sooner or later. We have to determine in a few years what is to be the policy of this Government and who is to issue all the credit circulation. We shall soon have no other alternative. We will have to decide whether we will have a paper circulation which is to be issued by the Government alone, or which shall be issued by corporations. It may be evaded now, but the decision cannot be postponed beyond the redemption of the  $3\frac{1}{2}$  per cent. bonds.

I do not mean to say that Congress may not make a mistake on this subject, that it may not do wrong. But I say that so far as the great interests of the people are concerned, it will protect them infinitely better than any corporations that ever have existed or that ever will exist. It is one of the mistakes of this bill, and it is a vice of the argument on which it is sustained, that when you have authorized these charters, and when the Executive has set his sign-manual to the bill, all the difficulties and dangers of the next year still remain. That is the vice of this bill; that it does not look at the condition of things that must necessarily occur. And when gentlemen talk about exchanging the  $3\frac{1}{2}$  percents that will be due between now and the 1st of March, 1883; when they say that the banks after they have been rechartered are going to buy 4 or  $4\frac{1}{2}$  percents

or reinvest in  $3\frac{1}{2}$  percents that may be called in the next year or the next six months, they leave the difficulty just where it is now, without any rechartering and under the power and control of the officer who has charge of this business. And that is one of the great objections I have to this bill, that you are not guarding and protecting the rights of the people in the circulation; that you are taking care of the banks and the owners of the banks, but you are careless and indifferent, and ignore and have forgotten in this effort to give the banks a new lease of corporate existence for twenty years the great interests of the people; and that you make no provision for a stable, steady, and unfluctuating circulation. And I warn gentlemen on the other side as they have been warned heretofore, I warn them of the danger that lies before us, which they do not propose to provide for by anything in this bill.

I believe I have concluded what I had intended to say at this time.

Mr. BRUMM. Before the gentleman takes his seat will he permit me to ask him a question?

Mr. BUCKNER. Yes, sir.

Mr. BRUMM. In your proposed amendment you provide for the issue of Treasury notes, legal tender for all debts due to the Government, but not for debts to the individual. I understood you in the committee to say you would not only exclude the legal-tender clause from the Treasury notes but you would also take it from gold and silver, and treat them all alike and not make any of them legal tender for private debts. Am I correct?

Mr. BUCKNER. I will state very briefly my views on the subject suggested with great pleasure. The idea of legal tender, as it is termed, as applicable to the Government of the United States is misleading. The limitation in the Constitution is not upon this Government at all. The limitation is upon the State governments, which have solely and exclusively jurisdiction of the subject of contracts. This Government has no power over contracts between individuals, and there is not a line or a letter in the statutes of the United States as to contracts between individuals. It is absolutely without jurisdiction over contracts of any kind between individuals. That belongs exclusively to the States. Hence my belief in the unconstitutionality of the legal-tender provision as to contracts between individuals. And when the Constitution says that no State shall pass a law to make anything but gold and silver coin a tender in payment of debts it excludes any other power in this Government from making it. Why? Because the States have complete control over the questions of contract to which tender is exclusively applicable, and because this Government has no jurisdiction over the questions of contract.

I said also—and that I am willing to maintain anywhere—that it is mere surplusage for us to say, as we did in the Bland silver bill, that the dollar which we coin shall be a legal tender in payment of all debts, public and private. Why? I say it is mere surplusage for the reason that if it is under the law a good tender, if, in other words, all the contracts payable in dollars are solvable and can be discharged by the silver dollar, it does not add a farthing's worth to say that they are a legal tender; because if I owe my friend who sits before me \$1,000 and I have in so many words promised to pay him \$1,000, and if the law—and that is the only question in it—if the law authorizes me to take a thousand silver dollars and tender them to him or the debt is solvable in silver dollars, there is no necessity or propriety for the law to say that the silver dollar is a legal tender for private debts. So that if, as I assume to be true, every contract made in this country for the last twenty years is payable in dollars, the legal tender clause does not add a farthing to the value of the silver dollar as long as it is a legal tender in fact and it is a good tender in discharge of anything that calls for payment in dollars. Parties may make their contracts payable in gold, and some have done it. The silver dollar will not discharge a contract of that kind. The Senate and the House decided in 1878 that for every bond which had been issued by this Government and which is now out the silver dollar is a valid payment and discharges the Government from that bond. And so it is with every note I make and every contract that is made between individuals that is payable in dollars; the silver dollar is just as good in discharge of it, without the clause which says it shall be a legal tender for public and private debts, as it would be with it inserted in the law, describing the functions of the dollar. A contract calling for payment in dollars is discharged by an offer to pay and tender of dollars, and for the law to declare that the silver dollar shall be a lawful tender in contracts of this kind is mere surplusage and does not add to the functions of the dollar in the slightest degree.

Mr. ANDERSON. Permit me to inquire of the gentleman from Massachusetts [Mr. CRAPO] in charge of this bill, when he expects the debate upon it to close? I make the inquiry in order to ascertain at what time those now on the list can be heard.

Mr. CRAPO. I have desired that general debate upon this bill shall be closed to-day, so that to-morrow we may enter upon the consideration of the bill by sections and reach a final vote upon it.

But my present purpose is to ask that general debate be closed on the bill at one o'clock to-morrow. The time for general debate to-morrow will necessarily be occupied by members of the Committee on Banking and Currency. If other members desire it, I would suggest that an evening session be held to-night for general debate upon this bill; that the House take a recess from five o'clock until half past

seven o'clock, if that is desirable, for those who wish to speak on the bill.

Mr. RANDALL. I would like a little time to-morrow, say twenty to thirty minutes, to speak in the main to the amendment which I have offered. As some objections have been presented to that amendment I desire to make answer to them.

Mr. CRAPO. Cannot that be done when the House comes to consider the bill by sections for amendment?

Mr. RANDALL. We will then be under the five-minute rule. The gentleman might fix half-past one for the time to close general debate. I will not be any longer than I can help to fully state the animus of my amendment and to answer some objections made to it.

Mr. CRAPO. Then I will ask that general debate be closed at two o'clock to-morrow.

The SPEAKER *pro tempore*, (Mr. TOWNSEND, of Ohio.) The gentleman from Massachusetts [Mr. CRAPO] asks consent of the House that an order be now made to close general debate upon the pending bill at two o'clock to-morrow.

Mr. ANDERSON. I shall be compelled to object to that. I would like to know how those of us who desire to speak can get an opportunity to do so?

Mr. CRAPO. We can have a session to-night. I will ask unanimous consent that the House take a recess at five o'clock this afternoon until half-past seven this evening for the purpose of general debate on this bill?

The SPEAKER *pro tempore*. Is there objection to the request of the gentleman from Massachusetts, [Mr. CRAPO?]

There was no objection, and it was so ordered.

#### MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. SYMPSON, one of its clerks, informed the House that the Senate had passed without amendment a bill and joint resolution of the House of the following titles:

A bill (H. R. No. 5575) providing for a public building at Jackson, Tennessee; and,

A joint resolution (H. R. No. 211) to authorize the Librarian of Congress to accept the library offered to be donated to the United States, by Dr. Joseph Merideth Toner, of Washington, District of Columbia.

The message also announced that the Senate had passed with amendments, in which the concurrence of the House was requested, a bill of the House of the following title:

A bill (H. R. No. 1993) to amend sections 2582, 2583, 2607, and 2684 of the Revised Statutes of the United States relating to the collection districts in California.

The message further announced that the Senate had passed and requested the concurrence of the House in bills and a joint resolution of the following titles:

A bill (S. No. 336) for the relief of James J. Faught, late of Company D, Eighth Missouri Cavalry;

A bill (S. No. 591) for the relief of Mrs. Margaret Cassidy;

A bill (S. No. 612) to enable the State of California to take lands in lieu of the sixteenth and thirty-sixth sections, found to be mineral lands;

A bill (S. No. 1068) for the relief of certain citizens of Tennessee; and

A joint resolution (S. R. No. 67) authorizing the Secretary of War to loan one hundred flags to the mayor and committee of citizens of Charlotte, North Carolina.

#### EXTENSION OF NATIONAL-BANK CHARTERS.

The House resumed the consideration of the bill (H. R. No. 4167) to enable national banking associations to extend their corporate existence.

Mr. BUTTERWORTH. Mr. Speaker, so far as the amendments to this bill are concerned they will be considered, I suppose, under the five-minute rule. I will not, therefore, refer to them or consider them in what I now have to say.

The pending bill provides for extending the charter of national banks organized under the act of February, 1863, limited by subsequent acts, and so far as that proposition is concerned raises the question whether it is, as a matter of public policy, more desirable to have three hundred and ninety-three national banks, with a capital of \$92,000,000 and a circulation of near \$70,000,000, loan account of \$150,000,000, stop business, recall their circulation, collect their debts, with all the resulting and attendant disturbance of business and contraction of the currency, and reorganize, if at all, under the general banking law—begin business anew, with new capital and new circulation—or to extend their present charters with such limitations and restrictions as Congress may in their wisdom prescribe.

It is as if the question were whether it would be wiser to tear out by the roots a tree which is flourishing in healthful growth and bearing proper fruit, and plant in its place another precisely similar, which must become adapted to the soil and overcome the shock resulting from being transplanted before it could yield either shade or fruit. Such a course with regard to the tree would be folly; a similar course in regard to the banks would not show more of wisdom.

I am proceeding on the theory that national banks are desirable and to be continued. It occurs to me that if the system is to be continued, every consideration of public policy and private business would suggest and demand that the present bank charters should be

extended. The bill can be so amended as to make the charters conform to just requirements, and so as to place all national banks upon an equality in the matter of circulation, either by reducing the volume of the circulation of the old banks or removing the restriction placed on the new, so that all banks may have a circulation of 90 per cent. of value of bonds deposited, not exceeding, however, 90 per cent. of par value of the bonds.

But this bill in its very nature calls up the whole question of the currency. It involves our whole financial system. It involves the wisdom of authorizing by act of Congress and maintaining any banking system.

The world has long since ceased to have any patience with those philosophers and politicians who war against a banking system as such. Banks had their origin in the necessities of the state. They became an inseparable ally of the trade and commerce of the world. Banks have been the instrumentalities through and by which the capital of the world has been successfully and economically utilized in establishing trade and commerce. Without the advantages afforded by the banking system the trade and commerce of the world would not have attained half its present growth and extent.

They afford the means for keeping actively employed the great bulk of a nation's coin and currency, which would otherwise remain unemployed in private coffers, and without them exchanges would be so hampered and cumbersome that commercial transactions must in the nature of things have been sluggish.

No agency has wielded a mightier influence in the world's material development, and the feeling that holds banks and bankers as the natural enemies of mankind too often has its origin in envy, the worst and most despicable passion that God has implanted in man. The envious man is never happy except when comparing his own prosperity with the misery of others; never contented except when comparing his own robust health with the suffering of others—a disposition that never looks up to the good above to which one may attain, but only contemplates the wretchedness which lies below.

We all have our share of it. It is the animating spirit of the communist—it is the guiding genius of the mob. It is impossible to estimate the influence of the Bank of Venice on the prosperity of the state in the necessities of which it had its origin. The advantages it offered gave new life and energy to that city of the sea. That grand old institution stood a monument to the enterprise and fidelity of its managers, a help and support to commerce for more than three centuries, and survived until the armies of Napoleon overran the Peninsula.

The Bank of Genoa is another landmark of civilization, a witness of the growth of a wise system of finance. It aided in giving a new and quickened impulse to the trade and commerce of Europe. So with the Bank of Amsterdam and the Bank of Hamburg. They are inseparably connected with the commercial growth of Europe, nay, of the world.

The history of the Bank of England is the financial history of that country. Its attitude toward the state and its fidelity to the interests of the people of England has won and retained for it the confidence of all the inhabitants of that country. The Bank of North America was born of the necessities of our Government—was chartered December 31, 1781, by Congress, and subsequently, in 1785, was chartered by the State of Pennsylvania. It did much to strengthen the public credit.

The Bank of the United States, chartered in 1791, and that subsequently chartered, with all their defects were the embodiment of financial wisdom compared with the State or wild-cat system which succeeded them. Experience has demonstrated the wisdom of our present national banking system. It presents a unity of circulation, absolute safety to the note-holder. The man or party seeking the destruction of the system should present a substitute, sanctioned by experience and supported by something beyond the speculative theories of dreamers and temporizers. They should offer evidence, not simply that the present system has defects, but proof conclusive that they propose a scheme or system which is not only free from the defects in the one they would supplant but free from others which are more objectionable. Folly may tear down in a day that which it has taken philosophy a century to build up.

But there were those in the elder day, as there are those now, who possessed and now possess rare genius for destroying, but had and have little talent for building up.

Banks are a necessity. All intelligent men admit it. We must determine what their character and rights and privileges shall be. But of this further on.

Money is a necessity as a medium of exchange. It is the standard by which the value of all articles intended for sale or barter is measured. The experience of four thousand years has demonstrated that to adopt a measure of values which is variable is to organize fraud; and to needlessly adopt and, in the absence of inexorable necessity, maintain a variable and shifting standard of value is to legalize plunder.

Money should possess two properties to perform well the office it is intended to fill; it should possess intrinsic value; it should be of that material least liable to fluctuation in value. The value of an article is, as a rule, determined by the quantity and the labor and cost of procuring or producing it, together with its adaptation to the uses of mankind. When the article is to be used as money its dura-

bility and susceptibility to being put into suitable shape for such use are also to be considered. The world's experience leaves no doubt in the minds of most men that gold and silver are best adapted for use as money.

Gold for purposes of trade and commerce and all the uses and purposes of money is most desirable, and silver next. Gold is less fluctuating in value and less bulky to handle. They both possess intrinsic value. Their value does not depend upon the fidelity of men, the solvency of banks, or the fate of nations. Their purchasing power is recognized and acknowledged all over the earth, among all nations, civilized and savage.

England recognizes gold as the standard and measure of values, and to-day the value of wheat in Saint Paul and Chicago, of cotton in Charleston and New Orleans, of pork in Cincinnati and Saint Louis is determined by the price in London. Wheat in Odessa and cotton in India and Egypt have their value determined by the rate in London. The standard in the United States and in some other countries is variable, and may, and in fact does, change, not so often as the weather, but as often as a political party deems it possible to make a point by agitating the question of a change in the standard, or with reference to a double standard, or no standard at all.

Paper currency is, and is recognized to be, a useful and probably necessary auxiliary and representative of money; taking its place and performing its office for convenience of trade and commerce. It should represent so many coined dollars and be convertible into specie; all in excess is fiat, and represents a confidence game, in the ultimate winding up of which as well as at the inception and during the entire game, the laborers, the wage-men of this country, are cheated, yes, robbed.

The issuing of paper money by banks in excess of the coin provided for its redemption is wrong in principle and disastrous in practice. It almost invariably results in inflation, which defrauds the wage-men of the country twice, at its inception and when the inflated bubble bursts. It tends to give a fictitious price to everything, but labor feels its effect last and least in the scale of ascending prices and is the first to receive the pressure of its influence when prices start on the downward scale.

Let us examine this for a moment. Coin represents value produced; promises, whether spoken or printed, represent that which is to be produced, and the latter are of no more value standing alone when printed than spoken, except as evidence of the promise. They do not and cannot add a penny to the wealth of a State. Wealth is the result of labor. It is produced from the fields, the mines, and shops. It cannot be printed and published. If it could there would be no need whatever of taxation. Promises, whether spoken or written, are valuable or otherwise according to the probability that they will be redeemed. If a ten dollar note represents \$10 in gold or silver, and we know it will be paid on demand, it is just as good as the gold or silver and often more convenient.

But if it is a promise to pay \$10, and the payment is contingent upon the number of such promises, the goodness of the harvests, the condition of trade and commerce, the condition of peace or war, the whim of Congress, and the like, or the fidelity of bank directors, to compel the wage-man to accept such a rag as money is not only unconstitutional but a device which has enabled a class of bankers, merchants, and speculators to thrive, while producers and wage-men, that is, laborers, eke out a bare subsistence. The result is, a few years may suffice to enable a few to gather a fortune amid general wreck, while the majority toil a life-time to get a hut and bread enough to eat.

Paper currency not representing so many coin dollars is planned fraud and systematized plunder. Each note represents a promise, the redemption of which is contingent upon the happening of doubtful events; and the fluctuation is charged ultimately to the consumer, or the loss falls upon the producer or wage-man.

The tendency to inflation is so strong, and the disposition to engage in speculation so general, one condition tending to create and invigorate the other, that unless the volume of paper currency is based on coin and convertible into it at the option of the holder, and conveniently convertible, experience teaches that we must expect panics every few years. And when I say based on coin, I do not mean that the coin shall bear the relation of one to three or one to two. I insist that that paper currency shall be issued as a matter of convenience, and that the confidence game shall have an end, and I urge this in the interest of honesty and the producers and the laborers or wage-men. It is matter of history that the latter class lost more during the paper money panic of 1873 and 1878 than they made during all the so-called flush times before and since. Flush times indeed! With the beginning of what we are in common parlance pleased to call flush times, under the impetus given to speculation by an abundance of paper currency, prices begin to advance; we have all been witnesses to this; the cost of living to increase. The merchant marks the price of his goods up; it is the work of a moment. The laborer finds this to be the case and goes to his employer and asks that his wages be increased so as to keep pace with the enhanced cost of living.

The employer recognizes the justice of the claim. But, says he, I have taken this contract with reference to old rates, and beyond that I cannot tell how soon this upward move in prices may cease and go the other way. I cannot increase your wages now, but will do the

best I can for you as soon as I can adjust my contracts and engagements to the changed condition of affairs.

What is the wage-man to do? Why, say you, quit, if his employer does not raise his wages. Quit, and, as a result, quit eating; stop the supplies that feed his family. Unfortunately he is controlled by a law that is inexorable. He must work to live, and hence cannot compel terms. It is not the employer, it is not the laborer who is to blame, it is an iniquitous currency system.

But, again, when the inflation has run its course and further inflation is no longer possible, when the game of confidence is at an end, we find that wages, the price of labor, have indeed followed at moderate pace in the wake of the advanced cost of living. But now comes the descent in the scale. What goes down first? Bread and meat, coffee, shoes, clothing? Not at all. The employer finds prices tumbling and little demand for his goods or wares, and he is compelled, absolutely compelled, to reduce his force and reduce wages.

He goes to his field, shop, or factory and says to his employes: "Men, you are aware of the disasters that have overtaken my business. I find it impossible to run on full time. I am compelled, in order to save anything from this wreck, to reduce my force; and I am compelled to reduce the wages." Well, suppose the wage-men say: "But we cannot live on the reduced wages. The price of living has not been reduced in proportion." But the wages are of necessity reduced. "Then I would quit," says one. Quit indeed!

It is a question of bread and butter for the wage-man and his wife and children. He may reduce their scanty supply, but not cut it off altogether. Now, who is to blame? The employer? No. The wage-man? No; but a dishonest financial system, an unsound currency. It results from the schemes of impracticals, who insist that you can make something out of nothing; that you can get something for nothing without stealing it or having it given to you, which I deny. I shall insist that the reserves of the national banks shall be in coin and not in painted rags, which in my humble judgment may never be redeemed. As we are not honest enough to pay when we can, it is not likely that we will desire to pay when payment becomes difficult or impossible.

One word more in regard to the volume of currency. It is not the volume alone that indicates the thrift and industry of a country, but the activity of the money, a nimble sixpence being better than a slow shilling. Nor does the hurry and rush in business circles nor the ceaseless activity of shops and factories certainly indicate sound business and financial health or lasting material prosperity. We are apt to mistake the hectic flush for the rose-tint of health. Business is sound and healthful only when there is a just relation between supply and demand. Abundance of paper currency invariably stimulates production. It also moderately stimulates demand. It begets extravagance, which is usually followed by destitution and want, while the equilibrium is being restored—nature's law of compensation.

I have said thus much as indicating the character that should attach to our measure of values, money, and the character of the paper currency which as matter of convenience may be used as a substitute therefor.

But I am told that I have not indicated what the volume of the currency should be. Well, nothing short of omniscience can determine that. It will in the nature of things vary somewhat. The only proper course is to have a currency in coin, or its equivalent in paper, issued by such authority and through such agencies as will be most likely to be controlled by the inexorable law of supply and demand. I would place that agency as near the people as possible and in the several localities where the pulsations of the arteries of trade and commerce can be constantly known and felt, and the healthful wants of trade and commerce ascertained. While it is impossible to tell just what the volume of currency should be, it is easy to determine what it should not be. And while I am not endeavoring to decide to a certainty just what the volume of circulating medium should be, I desire to enter my protest against inaugurating a system or perpetuating it which will inflate the currency, drive speculation wild, impart to business an unnatural activity, end in stagnation and panic, empty factories and shops, prostrate industries, enforce idleness, destitution, want, suffering, and consequent riot and bloodshed; with the probability that this disturbed condition will continue until the equilibrium of industry is restored and prices decline until they reach the level of equivalency between money and goods.

In the presence of such conditions it is clear that until a readjustment takes place, many mills and factories must close and the product of the several industries be reduced. Panics and commercial crises in England have occurred at least once in ten years. In the panic of 1816, 6,616 failures took place, and so many laborers were thrown out of employment that a revolution was seriously threatened. The panics in the United States are fresh in our recollection. Panics are not the result of scarcity of circulating medium. There is usually a scarcity of money. There is no lack of painted rags, called by favor money. They cease under certain conditions, however, to be a circulating medium. They will not circulate. Instead of representing money, they represent debts. They possess no intrinsic value. It is said that plethora of gold or silver may stimulate speculation, and induce overtrading and overproduction, which may result in panic and prostration of industry. That is undoubtedly true.

If the presence of a thousand millions of gold induces reckless



speculation and entails disaster, and failures and unpaid debts to the amount of two hundred and fifty millions, the loss may not exceed that sum, *i. e.*, two hundred and fifty millions. But if the same speculation is based on the presence of one thousand millions of irredeemable paper, and the speculations are, without reference to the character of the money, alike disastrous, what is the actual loss? Not two hundred and fifty millions, but one thousand two hundred and fifty millions. The one thousand millions in paper possessed no intrinsic value; it represented no value produced; it represented no actual wealth; it represented nothing which is the result of labor. And what ought to call upon it the special condemnation of just men is, that it does in the main cast the burden of the loss on those least able to bear it, the laborers, artisans, mechanics of the country, and a class, too, in no wise chargeable with the causes and conditions which entailed the disaster. Then, what do you propose? First, that we shall have a standard of value, a dollar which is worth one hundred cents throughout the whole year and over all the earth, in good and bad times; and that if we have a double standard they shall be practically and commercially of equal value and so recognized by the commercial nations of the world. I object to a system that makes the United States the simple depository of the silver of Europe, while they take from our people only gold. I object to paying for the goods we purchase in Europe one hundred cents in gold and accepting for the goods we sell eighty-five cents in silver.

We had it in our power to compel the commercial nations of Europe to adopt the double standard and agree upon and fix the debt-paying power of the two metals, gold and silver. But Congress while having the wisdom lacked the moral courage to do it. Congress prefers to do right; but will do wrong to catch votes. But shall we have paper currency? If so, how shall it be issued—in what volume?

Yes, paper currency is too important a convenience to be dispensed with. How should it be issued? By State banks and State authority? No; for if such banks were as good as they were uniformly bad, still we would not have that unity of circulation indispensably necessary to prevent ruinous discounts and rates of exchange. Under the old State and wild-cat banking system, the loss to the people—and by the people I do not mean the bankers, brokers, and speculators—the loss each ten years was equal to the whole volume of paper circulation. It was probably greater, but reliable statistics show it to have been as much as I have stated, and here again the loss fell in the main upon those who were in nowise to blame for the rottenness of the system, the mechanics, artisans, and laborers of the country.

Shall the currency be issued by the United States and made legal tender, the volume to be determined by the wisdom and patriotism assembled here? No. Aside from the project being unconstitutional, it would prove in the last degree disastrous. It is one of the ways that seemeth good to a man, but the end whereof is financial death.

But whence comes the authority? Not from the provision which confers the power to "coin money" and regulate the value thereof, for the power to coin cannot be construed into conferring the authority to edit and publish a paper and impart to it the qualities, the value, and debt-paying power of money. Congress may within certain limits determine and fix the *debt-paying power or quality of money*. It cannot fix and control its *purchasing power*.

It is said that the Republican Congress authorized the issue of paper currency, and made that paper legal tender. That is true, but it was not contended that this power could be exercised except as a war power, or rather in the presence of a condition of war. It was the utilization of that sovereign power inherent in every people, recognized in the Constitution, and referred to by Hamilton, (the right to exercise which was denied by Jefferson and Madison,) which makes the safety of the nation the supreme law. It was done when the death-rattle was in the throat of the Republic, our coffers empty, a mighty army mustered and in the field, with guns aimed at this Capitol, and a forced loan seemed to be, and in fact was, indispensable to span the chasm between the destruction and the safety of the Republic. The greenbacks represent that forced loan. They were issued in the exercise of a power that nobody claimed for the Government the right or authority to exercise in time of peace and public tranquillity.

The nation promised to redeem that forced loan as soon as the then nearly prostrate Republic should stand again upon its feet. The constitutional power to make the loan under the pressure of the necessity which existed, and to issue these promises to pay, has been questioned by a great party in this country. There were those who utterly denied the power, and a greater number still who averred that the greenbacks representing this forced loan never would be redeemed.

They were wrong in the first proposition. They are probably right on the last. They may never be redeemed. Congress has never seen an hour since the Government was able to redeem them when they had moral and political courage enough to insist on the nation maintaining its faith—to compel the honest payment of its debts represented by the printed evidence of this forced loan. Instead of that it is urged that national banks shall be overthrown and the printing-presses over yonder on the common shall be put in vigorous operation; that the Government shall again go into the rag business, and call it issuing money, publishing wealth.

Of the propriety and wisdom of such a course I desire to read an extract from the pen of Alexander Hamilton, and will publish with

my remarks some other extracts from the pen and inspiration of the fathers, but which I have not time now to read:

The emitting of paper money by the authority of Government is wisely prohibited to the individual States by the national Constitution, and the spirit of that prohibition ought not to be disregarded by the Government of the United States. Though paper emissions under a general authority might have some advantage not applicable, and be free from some disadvantages which are applicable to the like emissions by the States separately, yet they are of a nature so liable to abuse—and, it may even be affirmed, so certain of being abused—that the wisdom of the Government will be shown in never trusting itself with the use of so reducing and dangerous an expedient.

The more wisdom this House seemingly has the more liable it is to cultivate the abuse of which Alexander Hamilton speaks.

In times of tranquillity it might have no ill consequence—

And so I believe—

In times of tranquillity it might have no ill consequence; it might even perhaps be managed in a way to be productive of good; but in great and trying emergencies there is almost a moral certainty of its becoming mischievous. The stamping of paper is an operation so much easier than the laying of taxes that a government in the practice of paper emissions would rarely fail in any such emergency to indulge itself too far in the employment of that resource, to avoid as much as possible one less auspicious to present popularity.

These are timely words of wisdom if we do but heed them.

If it should not even be carried so far as to be rendered an absolute bubble—

As it probably would be—

it would at least be likely to be extended to a degree which would occasion an inflated and artificial state of things, incompatible with the regular and prosperous course of political economy.

Among other material differences between a paper currency issued by the mere authority of Government and one issued by a bank, payable in coin, is this: that, in the first case, there is no standard to which an appeal can be made as to the quantity which will only satisfy or which will surcharge the circulation; in the last that standard results from the demand. If more should be issued than is necessary it will return upon the bank. Its emissions, as elsewhere intimated, must always be in a compound ratio to the fund and the demand, whence it is evident that there is a limitation in the nature of the thing, while the discretion of the Government is the only measure of the extent of the emissions by its own authority.

Its regulation would be by the wisdom of this honorable body. While I concede to it great wisdom, yet my experience and observation is that this Congress would not vote to redeem a dollar in the presence of a panic or a popular clamor that there should be an increase of paper circulation. That is my observation and experience of this House and of former Congresses.

And touching the evils which may result from an unsound paper currency, let me read what that eminent patriot, Pelatiah Webster, said when speaking of the State and continental money. He said:

We have suffered more from this cause than from any other cause or calamity. It has killed more men, pervaded and corrupted the choicest interests of our country, and done more injustice than even the arms and artifices of our enemies.

I was asked, would you retire the greenbacks? I answer, I would pay them, and place the Government once again in the matter of issuing paper money within the harbor of the Constitution, which plainly restricts its authority to the right to "coin money and regulate the value thereof." Why, you are a Democrat, I am told? Well, yes; I am heart and soul a Democrat on the subject of limiting the power of the Government within the plain provisions of the Constitution in the matter of coining money, &c. That is, I am a Democrat after the old school, when that party had some fixed and recognized principles, some convictions on the subject of the currency. I regret to say, however, that when I enter the Democratic household in search of the time-honored principles of the fathers I do not find anybody at home; I stumble over the remains of Jackson and Benton and Buchanan and their contemporaries. But the family, those to whom the homestead was left, have moved out, leaving their convictions and principles on the currency behind them, and the Republicans have gone in and captured them.

Let me be just. I do find Senator BAYARD and a few friends at home, but they are lonesome and out of temper, because their brethren have run out and are actually throwing stones at the old house. I would pay the greenbacks as we are pledged to do, and disassociate the Government from all banking operations, and remit the issuing of paper to the national banks, under charters so restricted, so limited, as to impose individual liability; and with the certain result that bad faith, corrupt management, reckless issue, should entail the first and most disastrous calamity to the banks and bankers. Every one knows that while the loss resulting from State and wild-cat banks is as I have stated, no holder of a national-bank note ever lost a penny, and that because he could not.

And, referring to national banks, it is strange that there is no end to the folly that constantly repeats itself in shouting about the outrage of permitting the national banks to deposit one hundred thousand dollars in bonds and draw out ninety thousand dollars of what certain very clever but thoughtless persons insist on calling money. And here one of the blunders creeps in. National-bank notes represent credit. The national banker wants to loan the credit of the bank to such as may desire to utilize it in their business or pursuits. To facilitate this enterprise, and for the convenience of the bank and the borrower, certain printed evidences of credit known as bank notes are provided by the Government at the cost of the bank, and the bank is permitted, under certain restrictions, to loan these credit notes. The Government, however, for the protection of those who borrow those notes and those into whose hands they may come, says to the bank, "Before you can issue these notes of credit you must secure

the noteholders against loss; you must deposit with the Government United States bonds to secure the redemption and payment of the notes; not to secure their exchange for other notes or paper, but their payment, and payment means the delivery of gold or silver.

The Government does not give to the banker a cent of money, not a farthing. If it did deliver money to the banks there would be no need of providing for its redemption. Who ever heard of redeeming gold dollars or silver dollars? So, when gentlemen talk about depositing bonds with the Secretary of the Treasury and receiving so much money, they simply confuse and mislead and positively misstate the fact, through ignorance in many cases, and in a spirit of demagoguery in other cases.

The whole system is simply a means of loaning credit to those who desire to borrow. Business demands such convenience, and the Government regulates its utilization so as to be most advantageous and safest to the borrower and holder of the legal evidence of the credit so loaned.

The statement that the Government or that the people are thus compelled to pay double interest, &c., and suffer hardships unnecessarily, is amusing, or would be if it was not pronounced with such seriousness as to befog and mislead. Will gentlemen devise some scheme, or suggest one, by which those who borrow money or credit will not have to pay interest? If they borrow gold they must pay interest. If they borrow greenbacks they must pay interest. The Government does not distribute Treasury notes gratuitously nor loan without interest. The bonds would bear interest even if not deposited to secure the redemption of bank circulation.

Touching the proposition that the bonds should be paid in greenbacks, it is needless to discuss it. Those who deem it honest to make such payment, regardless of the value of the greenbacks, are laboring with a difficulty which has its seat in their moral nature; logic will not reach it.

Those who think it is consonant with the spirit of the contract contained in the bond to compel the surrender of that interest-bearing bond which on its face provides for payment in money, and the acceptance in payment thereof of a large number of non-interest-bearing promissory notes, has a moral and intellectual make-up which is, I am glad to say, exceptional in this country. The Government was in the throes of dissolution. She had issued her non-interest-bearing promissory notes, and our people had taken them. Great uncertainty existed as to whether she ever would or could redeem these promissory notes. They had ceased to be worth more than fifty cents on the dollar. The Government offered to take them up and issue time-interest-bearing bonds to such as would take them. Many patriotic citizens took them. Now some gentlemen solemnly propose that, the country being now out of danger, these men who accepted the bonds shall be called up and told that the Government is ready and willing to rescind the bargain, and in fact insists on taking up its interest-bearing bond and restoring the non-interest-bearing promissory notes; and not only that but insists on calling it payment.

In an individual this would be plain swindling. In my judgment it would in the Government be something worse. Of course if the holder of our promises to pay, or whatever they may be called, are willing to take other paper which is par, there could be no objection. But until this Government is fouled with dishonor and debased beyond recovery we will not adopt a system of paying which does not in fact discharge the debt. Bankers do best and flourish most when trade and commerce are in their normal condition, when the law of supply and healthful demand regulate our manufacturing and producing industries. They find their prosperity in the general prosperity. Their reserves should be in coin. No paper partition of greenbacks should be permitted between the note-holder and the coin dollar it represents.

But what will become of your national banks when the national debt is paid? Well, I am not of opinion that as much good to ourselves or to posterity will result from the hurried extinguishment of the national debt as from its utilization to secure the redemption of our circulating paper currency. I would make it when reduced to, say, twelve hundred millions the security for our circulation, and also the basis of a postal-saving system, which would afford our people the means of safely investing their earnings and preparing a fund against age and the rainy day which comes to us all. As to the interest on the bonds, we collect the full amount from the banks in taxes imposed by the United States and by State and local taxation.

There may be a better system than the national-bank system. But nobody to this hour has pointed it out. When it is presented we will make haste to adopt it. Time and experience has demonstrated that the old State and wild-cat system could only be restored with a view to rob the laborers and producers of the country. If the world's experience teaches anything, it is that the issue of paper money by the Government, in the discretion of Congress, would entail like disaster. No nation ever failed to abuse that power when once conceded to it. No nation ever redeemed its notes so issued. Ours has not to this hour, and I predict that it never will.

The idea of leaving the volume of the currency to be regulated by the wants of trade and the discretion of Congress excites alternately laughter and disgust. The very time Congress should stand firm and resist the panicky clamor for larger volume of currency it would bend like a reed. Congress wants to be right, but there is one thing that it

wants still more, and that is to be popular. It wants to protect the best interest of the people, but it must have their votes; and it unfortunately occurs that that which is wisest and best is not always most popular at the time when action is to be had, and it occurs that we sometimes please the people least when we serve them best, and *vice versa*. Can you not trust the people, questions some Solon? Yes, certainly. So our fathers did, but they none the less provided a Constitution to prevent them from governing themselves too much under sudden impulse, under stress of adverse circumstances, when prejudice, passion, and excitement clouded or unhorsed the judgment—a Constitution to restrain us in hours of peril until wise and intelligent judgment could assert its sway.

We have few systems, few institutions on this earth that are unmixed good—few that are unmixed evils. National banks are not an exception. I am told that in urging the observance of good faith on the part of the Government in the payment of the greenbacks and the bonds, and the restriction of the volume of our paper currency, I am digging my political grave. So be it. If to insist upon preserving the national honor and maintaining the national faith is to be buried, so be it. I shall have some consolation in remembering that there is a resurrection for the just. If for insisting that the man who labors shall not be robbed by being paid in dishonest money; if for insisting that the wage-man's dollar shall be worth a hundred cents throughout the year and everywhere; if for insisting that we shall not have under the influence of an inflated currency a few years of fatness, followed by a longer term of leanness and hunger; if to insist that our prosperity shall be real and not imaginary is to compass my political death, I will accept the reward of my stewardship with calmness and satisfaction. I would rather be retired by my people with the consciousness of having served them faithfully and been right than to be promoted by them amid acclamations of applause burdened with the knowledge that I had, to secure their favor, betrayed their interests.

I am asked if I would perpetuate the national debt; if I deem it a national blessing. I answer: A national debt is in a sense a burden. It may be so utilized as to become a blessing. I can readily see that if it was the basis and security of a wise postal-saving system, by which the mechanics, the artisans, the laborers, and such of the producing classes as would could find absolute security for the investment of their earnings, thus encouraging industry, sobriety, and economy among all classes, the debt being transferred to this class, would prove indeed a blessing.

It would not only encourage the cultivation of the virtues to which I have referred, but it would induce all these people to feel and take a watchful and intelligent interest in their government; to study carefully its proper functions and labor to see that it is confined to them. They would be prompted by principle and interest alike to shield and protect the public faith and credit in the preservation of which each depositor would find his hope and safety. It is a question of the greatest good, and rather than return to the old scheme of organized plunder of the ante-war period, which robbed the toilers of this country every day in the year, I would without hesitation fund the bonds at 3 per cent., after the manner of the English consols, and make them the security of the noteholders of the country and the basis of the postal-saving system; the good resulting from such a course being so far paramount to any ill or inconvenience it would entail as not only to be defensible but to render it greatly to be desired.

The charge that I am for the bankers and gold-bugs is one that a very moderate ability can make. Those who have such words on their tongues may not be malicious. Their trouble is usually congenital.

I have never eaten food that I have not earned in the sweat of my face.

I have three boys whose lines will not fall in more auspicious places. They, too, must eat their bread in the sweat of their faces. And in advocating a sound currency, and a just financial system and the preservation of the national faith and credit, I only desire to preserve to them the equal opportunity to labor with their fellows and that they shall be paid for that labor with dollars that are worth one hundred cents, with money the value of which does not depend upon the whim or caprice of a Congress or the fidelity of bank directors or conditions of war or peace, which shall be worth one hundred cents every day in the year and everywhere.

Mr. Speaker, in discussing this question of the redemption of the greenbacks I have perhaps gone somewhat beyond what would be sanctioned by what some would deem sound political wisdom; but, sir, there is a duty to perform, and I for one propose to perform it. I would rather be retired from political life for advocating a system which shall bring to the hearthstones of my country that condition of prosperity, that sense of security, that realization of contentment, which belong to and are almost inseparable from a sound currency and wise financial system, than to be loaded with the highest honors for the advocacy of an unsound currency, with the evils which it invariably brings to the business, the labor, and the laborers of the country.

ANNIVERSARY OF MECKLENBURGH DECLARATION OF INDEPENDENCE.

Mr. DOWD. I ask unanimous consent to have taken from the Speaker's table for present consideration the joint resolution (S. No.

67) authorizing the Secretary of War to loan one hundred flags to the mayor and committee of citizens of Charlotte, North Carolina.

The joint resolution was read, as follows:

*Be it resolved, &c.*, That the Secretary of War be authorized and directed to loan one hundred flags to the mayor and committee of citizens of Charlotte, North Carolina, to be used in celebrating the one hundred and seventh anniversary of the Mecklenburgh declaration of independence, May 20, 1775, with such security for their prompt and safe return as he may deem necessary.

There being no objection, the joint resolution was taken from the Speaker's table, twice read, ordered to a third reading, read the third time, and passed.

Mr. DOWD moved to reconsider the vote by which the joint resolution was passed; and also moved that the motion to reconsider be laid on the table.

The latter motion was agreed to.

#### EXTENSION OF NATIONAL-BANK CHARTERS.

The House resumed the consideration of the bill (H. R. No. 4167) to enable national banking associations to extend their corporate existence.

Mr. BRUMM addressed the House. Before he had concluded,

The SPEAKER said: The Chair will call the attention of the gentleman from Pennsylvania to the fact that within one minute the House must be declared in recess until the evening. The time of the gentleman has not expired, but if he will give way—

Mr. BRUMM. Certainly.

The SPEAKER. The Chair will submit some personal requests and reports from the Committee on Enrolled Bills.

#### ENROLLED BILLS SIGNED.

Mr. ALDRICH, from the Committee on Enrolled Bills, reported that the committee had examined and found truly enrolled bills and a joint resolution of the following titles; when the Speaker signed the same:

A bill (H. R. No. 3542) for the relief of Charles F. Benjamin and Henry H. Smith;

A bill (H. R. No. 6179) directing the Secretary of State to take the necessary steps for the removal of the remains of the late General Kilpatrick, minister to Chili, from Chili to the State of New Jersey for interment; and

Joint resolution (H. R. No. 111) authorizing the withdrawal from the Department of State of a certificate of indebtedness in favor of Mifflin Kennedy and Richard King against the Republic of Mexico.

Mr. PEIRCE, from the Committee on Enrolled Bills, reported that the committee had examined and found truly enrolled a bill and joint resolution of the following titles; when the Speaker signed the same:

A bill (H. R. No. 5575) providing for a public building at Jackson, Tennessee; and

Joint resolution (H. R. No. 211) to authorize the Librarian of Congress to accept the library offered to be donated to the United States by Dr. Joseph Merideth Toner, of Washington, District of Columbia.

#### LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. TOWNSEND, of Illinois, for two weeks, on account of important business.

To Mr. WASHBURN, for one week, to attend the funeral of his brother, the late General C. C. Washburn.

#### ORDER OF BUSINESS.

Mr. PACHECO. I desire to take from the Speaker's table a House bill with Senate amendments for the purpose of asking the House to concur in the amendments of the Senate.

The SPEAKER. The Chair thinks there will not be time.

Mr. HAZELTON. I rise to make a privileged report.

The SPEAKER. The gentleman will have to reserve it till tomorrow morning.

Mr. HAZELTON. I simply desire to have the resolution read and go on the Calendar. It is a report of the highest privilege from the Committee on Elections.

The SPEAKER. The time has arrived for a recess to be taken. In the absence of the Speaker the gentleman from Iowa [Mr. UPDEGRAFF] will occupy the chair this evening. The hour of five o'clock having arrived, by order of the House the Chair now declares the House in recess until half past seven o'clock this evening.

#### EVENING SESSION.

The recess having expired, the House re-assembled at 7.30 p. m., Mr. UPDEGRAFF, of Iowa, in the chair as Speaker *pro tempore*.

#### ORDER OF BUSINESS.

The SPEAKER *pro tempore*. The Clerk will read the order adopted this day under which the session of the House is held this evening.

The Clerk read as follows:

*Ordered*, That at five o'clock this p. m. the House take a recess until seven and a half o'clock p. m., for debate only on the bill (H. R. No. 4167) to enable national banking associations to extend their corporate existence.

#### EXTENSION OF NATIONAL-BANK CHARTERS.

The SPEAKER *pro tempore*. Pursuant to the order which has just been read, the House resumes the consideration of House bill No.

4167. The gentleman from Pennsylvania [Mr. BRUMM] is entitled to the floor.

Mr. BRUMM resumed and concluded his speech. [See Appendix.]

Mr. HASELTINE. Mr. Speaker, the bill under consideration proposes to extend the time in the discretion of the bankers during the next twenty years to control the issuing of paper currency. It will give the banks power to inflate or contract, and cause panics and hard times whenever they may choose to do so. Such legislation would place the American people at the mercy of a few national bankers. During the period of hard times, when silver was demonetized, and a large contraction of the currency caused by the destruction of the people's paper currency, the national banks contracted their circulation \$29,305,485. This contraction was from January 14, 1875, to May 31, 1878. In March, 1881, the bankers contracted their circulation \$18,000,000. This is the way they regulate the currency according to the demands of the people.

In the language of Jefferson, "We demand that the currency shall be restored to the Government, to which it belongs." We see no necessity for granting such special privileges to a few capitalists. Legal-tender paper currency, better than gold, should take the place of national-bank paper and stop all interest upon the bonds which now serve as the basis of the bank circulation. Pay the bonds, and restore to the people that currency which has been wrongfully taken from them. The gentleman from Massachusetts [Mr. CRAPO] says:

The pressing exigencies of the Government and the urgent condition of its finances, which prompted the creation of the banks, have not been forgotten; neither have the valuable and substantial benefits which through them were secured in the placing of the public debt and the maintenance of the public credit.

It was the "pressing exigencies" of bankers and money speculators, who were largely represented in Congress and who filled the lobbies, "which prompted" this creation, or rather, fastened this aristocracy of money speculators upon the American people during the last twenty years. There was but a very limited amount of bank circulation during the war. The Government issued notes after the establishment of national banks:

August 15, 1864.....	\$200,000,000
June 15, 1865.....	321,000,000
July 15, 1865.....	193,000,000

Amount..... 820,000,000

After the war the bankers were very brave in "maintaining the public credit," in influencing the Government to change the people's currency into an interest-bearing debt as the basis for national banks. Senator Wilson, on page 787 Congressional Globe, second session Thirty-seventh Congress, describes this class of public benefactors, when they were using their influence to cause depreciation of the people's currency by putting the word "except" in the greenback. He says:

I look upon this contest as a contest between the curb-stone brokers, the Jew brokers, the money-changers, and the men who speculate in stocks, and the productive toiling men of our country.

Thaddeus Stevens, in speaking of this class of patriots, says:

The banks took \$50,000,000 of 6 per cent. bonds and shaved the Government out of \$5,500,000 on them, and now ask to shave the Government 15 or 20 per cent. yearly to pay the interest on these bonds. They paid for the \$50,000,000 of bonds in demand notes, not specie, and now demand specie for their principal and interest.

This is the class of philanthropists who wanted national banks to issue the currency. The gentleman from Massachusetts [Mr. CRAPO] says:

I do not fear that the delusion which declares that a piece of paper stamped "one dollar" is equal to 25.8 grains of gold with the stamp, and which seeks by the despotic authority of law to create for it the same value and believes it can fulfill the same function in wiping out debt, will ever prevail with the majority in this country.

The depositing of gold coins in exchange for silver certificates, based upon eighty-eight cents standard fiat silver dollars, should be sufficient to satisfy the gentleman. (See official statements.)

TREASURY DEPARTMENT, SECRETARY'S OFFICE,  
Washington, D. C., September 18, 1880.

Until further notice the United States assistant treasurer at New York will pay out at his counter standard silver dollars or silver certificates in sums of \$10, or any multiples thereof, in exchange for like amounts of gold coin or gold bullion deposited with him.

JOHN SHERMAN, Secretary.

See page 10, report of the Treasury made to this House.

The Department has issued silver certificates at the several sub-treasury offices, upon a deposit of gold coin in like amount with the assistant treasurer at New York, and through this means certificates have been issued for nearly all the silver held by the Treasury. These certificates amount to about sixty-six million, and are now outstanding.

On the 1st day of November, 1881, the Acting Secretary of the Treasury suspended the issue of silver certificates in exchange for gold by issuing Department circular No. 108, as follows:

TREASURY DEPARTMENT, SECRETARY'S OFFICE,  
Washington, D. C., November 1, 1881.

Until further notice the exchange of silver certificates for gold coin deposited at the office of the United States assistant treasurer at New York will be suspended, and Department circular No. 75, of September 18, 1880, is hereby modified accordingly.

H. F. FRENCH, Acting Secretary

The fiat silver certificates are preferred to gold coins. The full legal-tender greenbacks are preferred to either. Why not authorize the Secretary of the Treasury to issue the full legal-tender paper currency in the place of the national-bank notes?

The gentleman from Missouri [Mr. BLAND] said:

Nature will supply these metals to this nation and to all nations alike, and hence the volume of money will be steady.

The gentleman would limit the currency of civilization to metal money, or paper based upon metal money. This would be an absurdity, to limit all business and all progress to the accidental discovery of certain metals. I will show this more fully in my subsequent remarks.

Mr. Speaker, the Constitution of the United States established a government. It has jurisdiction over all those general subjects of legislation and sovereignty which affect the interests of the whole people equally and alike, and which require uniformity of regulations and laws, as defined by the Constitution. No one doubts at the present day, nor has ever seriously doubted the power of the Government to emit bills of credit. It has been exercised by the Government without question for a large portion of its history. This being conceded, the incidental power of giving such bills the quality of legal tender follows as a matter of course.

Clause 2, section 8, of the first article of the Constitution, provides for borrowing money on the credit of the United States. The power to borrow money carries with it the power to give to the lender an evidence of the debt thus created, and to make the Treasury note as valuable as possible by giving it the power to perform all the functions of money. It should therefore be a legal tender at its face value for all debts and dues, public and private.

The existence of the war only increased the urgency of the Government for funds; it did not add to its powers to raise such funds or change, in any respect, the nature of those constitutional powers or transactions. Therefore that power which gave us prosperity in war may give us prosperity in peace.

Clause 3, section 8, of article 1, says:

Congress shall have power to regulate commerce with foreign nations, and among the several States, and with the Indian tribes.

Money is an essential element of commerce. It is as much the means or instrument of trade, as navigation or transportation is of intercourse; and is equally included in the regulation of commerce.

Therefore it is of the greatest importance that Congress should provide a uniform currency among all the States. Daniel Webster sustains this proposition in this language:

It is clear that the power to regulate commerce among the States carries with it, not impliedly, but necessarily and directly, a full power to regulate the essential element of commerce, namely, the currency of the country, the money which constitutes the life and soul of commerce. (Webster's speech on surplus revenue, 4th works, 315.)

Article 1, clause 5, section 8, says:

Congress shall have power to coin money and regulate the value thereof.

The words "to coin," a verb, as defined by Webster, "is to form, fashion, fabricate, or convert into money." "To regulate the value thereof" is to assign it a value; that is, to determine its denominations as money, and the amount necessary to promote the general welfare, without any regard or reference to the commodity value of the substance which shall thus be converted into money. That material is best which is most convenient in use and least expensive to government. Congress is not limited by the Constitution as to the materials that may be used for the purposes of money. The expression "to coin," as used in the Constitution, has no definite or fixed reference to any substance or commodity value. It is affixing the authority of the Government to the substance which is converted into money. The Constitution nowhere provides in express terms that Congress shall have power to make gold and silver a legal tender.

We ought to talk of coining notes, for though the design is impressed on paper instead of metal, the function of the note is exactly the same as that of a representative token.—*Jevons, Money and the Mechanism of Exchange*, page 318.

Anderson, in his *Manual of the Constitution*, page 110, says:

The power to coin money is an attribute of sovereignty, and is therefore properly placed with the General Government. Without doubt Congress would have possessed the power had the Constitution contained no specific grant to this effect. A subsequent section prohibits the States from coining money.

On this point the opinion of Daniel Webster, who won the title of "Constitutional Expounder," is timely and conclusive:

By denying the State all power of emitting bills of credit, or making anything but gold and silver a tender in payment of debts, the whole control over the standard of value and medium of payment is vested in the General Government. Delegating this grant to Congress and prohibition to the States, a just reading of the provisions is this: "Congress shall have power to coin money, emit bills of credit, and make anything besides gold and silver legal tender in payment of debts."

Franklin said that the statesmen of Europe could not understand how America carried on a war for several years without any specie.

The States possessed and exercised the power to make money out of other materials than the metals, and when they came into the confederation they did not relinquish the power, but when the people of all the colonies united "to form a more perfect Union," they took from the States the control of the money and gave it to the General Government. Congress has clearly defined constitutional power to declare what shall circulate as money within the United

States, in the regulation of commerce, a power which is exercised by all sovereign nations upon the earth.

The amount of the currency of the country should bear a certain proportion to its trade, revenue, population, and expenditures. The business of civilization cannot be limited in any degree to the accidental discovery of any metal, or to the selfish interests of any company of usurers, Shylocks, and sharpers. The best money for the American Republic is that which can be controlled by Congress in the quantity adapted to the increase of population and the increasing business of civilization, and which shall have the money power given exclusively by law, and controlled by the people through their representatives. The policy of the American statesman should be to gradually increase the currency to correspond with the increase of population, thereby stimulating the industries and increasing the stock of labor, in which consists all real power and riches.

Money is the legal measure and representative of value. There is no commodity value in money. The Supreme Court has truthfully said, "Value is an ideal thing;" and its measure must of necessity be ideal. Every sovereign power on the earth has established by law what shall be the legal representative of value. There can be no such thing as a standard of value. Value, strictly speaking, begins and ends with human desires. There can be a standard of anything which has weight, length, breadth, or thickness, but not of a thing which is ideal. The Supreme Court has said, "The gold or silver thing we call a dollar is in no sense a standard of a dollar. It is a representative of it."

The law power fixes this representative. Money is that which law requires the creditor to receive in payment for debts. The great political economist Say has shown that most of the European wars of the seventeenth and eighteenth centuries grew out of false principles relating to this subject. The destruction of the people's money in the American colonies by the English Parliament was one of the great causes of the American Revolution. The contraction of the currency in England in 1820 caused suffering, starvation, cries for bread, and shooting of the hungry people. The recent fearful suffering, labor strikes, and great destruction of property in this country were the result of a false financial policy. Governor Mosgrove recently said:

I suppose the teachers of no science have so much human misery to answer for or have assisted at so much fraud as the doctors of political economy.

Aristotle, the great Grecian philosopher, was right when he said, "Law makes money." And his pupil, the great Plato, said, "that is worth most for a nation's currency which is worth least to other nations." Our Franklin taught the same philosophy. Money issued wholly by the Government and not by bankers or interested parties would be perfectly safe from abuse, and it would put an end to that periodical fluctuation of prices, commercial crises, panics, paralyzation of industry, pauperism, and crime which have cursed every land where usurious Shylocks have controlled the issuing of currency in the interest of individuals independent of the government.

Mr. Calhoun, of South Carolina, said in the Senate, September 19, 1837:

It appears to me, after bestowing the best reflection I can give the subject, that no convertible paper, that is, no paper whose credit rests upon a promise to pay, is suitable for currency. \* \* \* I would ask, why should the Government mingle its credit with that of private corporations? No one can doubt but that the Government credit is better than that of any bank, more stable and more safe. Why then should it mix it up with the less perfect credit of those institutions? Why not use its own credit to the amount of its own transactions?

Thomas Jefferson, in his letter to Mr. Epps, said:

Bank paper must be suppressed, and the circulating medium must be restored to the nation to whom it belongs. It is the only fund on which they can rely for loans; it is the only resource which can never fail them, and it is an abundant one for every necessary purpose. Treasury bills, bottomed on taxes, bearing or not bearing interest, as may be found necessary, thrown into circulation will take the place of so much gold or silver, which last, when crowded, will find an efflux into other countries, and thus keep the quantum of medium at its salutary level.

Benjamin Franklin, in reference to our currency, said:

On the whole, no method has hitherto been found to establish a medium of trade, equal in all its advantages to bills of credit, made a general legal tender. Paper money, well founded, has great advantages over gold and silver, being light and convenient for handling in large sums, and not likely to be reduced by demands for exportation.

Mr. Calhoun also said:

I now undertake to affirm, and without the least fear that I can be answered, that a paper issued by Government, with the simple promise to receive it for all its dues, leaving its creditors to take it or gold or silver at their option, would, to the extent it could circulate, form a perfect paper circulation, which could not be abused by the Government; that it would be as uniform in value as the metals themselves, and I shall be able to prove that it is within the Constitution and powers of Congress to use such a paper in the management of its finance, according to the most rigid rule of construing the Constitution.

The framers of the Constitution had been accustomed to the use of legal-tender paper money. Each of the colonies issued its money of paper and made it a tender in payment of debts until the Parliament of England took from them this power. At the very beginning of the war Massachusetts and other colonies disregarded the prohibition, and again declared their bills a legal tender. (Bancroft's History, volume 7, page 324.)

From the formation of the union of the colonies in 1774 to the adoption of the present Constitution the money of the country was mostly paper. It was that paper that gave us a country, as it was the greenback that saved us as a nation.

The United States Supreme Court in December, 1870, (12 Wall.,) fully sustains our views, in the following language:

Indeed, legal-tender Treasury notes have become the universal measure of values. If, now, by our decision, it be established that these debts and obligations can be discharged only by gold coin; if, contrary to the expectation of all parties to these contracts, legal-tender notes are rendered unavailable, the Government has become an instrument of the grossest injustice; all debtors are loaded with an obligation it was never contemplated they should assume; a large percentage is added to every debt, and such must become the demand for gold to satisfy contracts that ruinous sacrifices, general distress, and bankruptcy may be expected. These consequences are too obvious to admit of question; and there is no well-founded distinction to be made between the constitutional validity of an act of Congress declaring Treasury notes a legal tender for the payment of debts contracted after its passage and that of an act making them a legal tender for the discharge of all debts, as well those incurred before as those made after its enactment. There may be a difference in the effects produced by the acts and in the hardship of their operation, but in both cases the fundamental question, that which tests the validity of the legislation, is: Can Congress constitutionally give to Treasury notes the character and qualities of money? Can such notes be constituted a legitimate circulating medium, having a defined legal value? If they can, then such notes must be available to fulfill all contracts (not expressly excepted) solvable in money, without reference to the time when the contracts were made.

Making the notes legal tenders gave them a new use, and it needs no argument to show that the value of things is in proportion to the uses to which they may be applied.

The case of *Veazie Bank vs. Tenno*, 8 Wall., 533, presents a suggestive illustration. Then a tax of 10 per cent. on State-bank notes in circulation was held constitutional, not merely because it was a means of raising revenue, but as an instrument to put out of existence such a circulation in competition with notes issued by the Government. There this court, speaking through the Chief-Justice, avowed that it is the constitutional right of Congress to provide a currency for the whole country; that this might be done by coin or United States notes or notes of national banks, and that it cannot be questioned Congress may constitutionally secure the benefit of such a currency to the people by appropriate legislation.

It was said there can be no question of the power of this Government to emit bills of credit; to make them receivable in payment of debts to itself; to fit them for use by those who see fit to use them in all the transactions of commerce; to make them a currency uniform in value and description, and convenient and useful for circulation. Here the substantive power to tax was allowed to be employed for improving the currency. It is not easy to see why, if State-bank notes can be taxed out of existence for the purpose of indirectly making United States notes more convenient and useful for commercial purposes, the same end may not be secured directly by making them a legal tender.

Concluding, then, that the provision which made Treasury notes a legal tender for the payment of all debts other than those expressly excepted was not an inappropriate means for carrying into execution the legitimate powers of the Government, we proceed to inquire whether it was forbidden by the letter or spirit of the Constitution. It is not claimed that any express prohibition exists, but it is insisted that the spirit of the Constitution was violated by the enactment.

Here those who assert the unconstitutionality of the acts mainly rest their argument. They claim that the clause which conferred upon Congress power "to coin money, regulate the value thereof, and of foreign coin," contains an implication that nothing but that which is the subject of coinage, nothing but the precious metals can ever be declared by law to be money, or to have the uses of money. If by this is meant that because certain powers over the currency are expressly given to Congress, all other powers relating to the same subject are impliedly forbidden, we need only remark that such is not the manner in which the Constitution has always been construed. On the contrary, it has been ruled that power over a particular subject may be exercised as auxiliary to an express power, though there is another express power relating to the same subject, less comprehensive. (*United States vs. Marigold*, 9 How., 560.) There an express power to punish a certain class of crimes (the only direct reference to criminal legislation contained in the Constitution) was not regarded as an objection to deducing authority to punish other crimes from another substantive and defined grant of power. There are other decisions to the same effect.

To assert, then, that the clause enabling Congress to coin money and regulate its value tacitly implies a denial of all other power over the currency of the nation is an attempt to introduce a new rule of construction against the solemn decision of this court. So far from its containing a lurking prohibition, many have thought that it was intended to confer upon Congress that general power over the currency which has always been an acknowledged attribute of sovereignty in every other civilized nation than our own, especially when considered in connection with the other clause, which denies to the States the power to coin money, emit bills of credit, or make anything but gold and silver coin a tender in payment of debts.

We do not assert this now, but there are some considerations touching these clauses which tend to show that if any implications are to be deduced from them, they are of an enlarging rather than a restraining character. The Constitution was intended to frame a government supreme in some particulars over States and people. It was designed to provide the same currency, having a uniform legal value in all the States. It was for this reason that the power to coin money and regulate its value was conferred upon the Federal Government, while the same power, as well as the power to emit bills of credit, was withdrawn from the States. The States can no longer declare what shall be money, or regulate its value. Whatever power there is over the currency is vested in Congress. If the power to declare what is money is not in Congress, it is annihilated. This may indeed have been intended. Some powers that usually belong to sovereignties were extinguished, but their extinguishment was not left to inference. In most cases, if not in all, when it was intended that governmental powers, commonly acknowledged as such, should cease to exist, both in the States and in the Federal Government, it was expressly denied to both, as well to the United States as to the individual States. And generally, when one of such powers was expressly denied to the State only, it was for the purpose of rendering the Federal power more complete and exclusive.

Why, then, it may be asked, if the design was to prohibit to the new Government, as well as to the States, the general power over the currency which the States had when the Constitution was framed, was such denial not expressly extended to the new Government as it was to the States? In view of this it might be argued with much force that when it is considered in what brief and comprehensive terms the Constitution speaks, how sensible its framers must have been that emergencies might arise when the precious metals (then more scarce than now) might prove inadequate to the necessities of the Government and the demands of the people, when it is remembered that paper money was almost exclusively in use in the States as the medium of exchange, and when the great evil sought to be remedied was the want of uniformity in the current value of money, it might be argued, we say, that the gift of power to coin money and regulate the value thereof was understood as conveying general power over the currency—the power which had belonged to the States and which they surrendered.

Such a construction, it might be said, would be in close analogy to the mode of constraining other substantive powers granted to Congress. They have never been construed literally, and the Government could not exist if they were. Thus the

power to carry on war was conferred by the power to "declare war." The whole system of the transportation of the mails is built upon the power to establish post-offices and post-roads. The power to regulate commerce has also been extended far beyond a letter of the grant. Even the advocates of a strict literal construction of the phrase "to coin money and regulate the value thereof," while insisting that it defines the material to be coined as metal, are compelled to concede to Congress large discretion in all other particulars.

The Constitution does not ordain what metals may be coined or prescribe that the legal value of the metals when coined shall correspond at all with their intrinsic value in the market. Nor does it even affirm that Congress may declare anything to be legal tender for the payment of debts. Confessedly the power to regulate the value of money coined and of foreign coins is not exhausted by the first regulation. More than once in our history has the regulation been changed without any denial of the power of Congress to change it, and it seems to have been left to Congress to determine alike what metal shall be coined, its purity, and how far its statutory value as money shall correspond from time to time with the market value of the same metal as bullion.

How then can the grant of a power to coin money and regulate its value, made in terms so liberal and unrestrained, coupled also with a denial to the States of all power over the currency, be regarded as an implied prohibition to Congress against declaring Treasury notes a legal tender, if such declaration is appropriate and adapted to carrying into execution the admitted powers of the Government?

We do not, however, rest our assertion of the power of Congress to enact legal-tender laws upon this grant. We assert only that the grant can, in no just sense, be regarded as containing an implied prohibition against their enactment, and that if it raises any implications, they are of complete power over the currency, rather than restraining.

We come next to the argument much used, and, indeed, the main reliance of those who assert the unconstitutionality of the legal-tender acts. It is that they are prohibited by the spirit of the Constitution, because they indirectly impair the obligation of contracts.

The argument, of course, relates only to those contracts which were made before February, 1862, when the first act was passed, and it has no bearing upon the question whether the acts are valid when applied to contracts made after their passage. The argument assumes two things: first, that the acts do, in effect, impair the obligation of contracts; and, second, that Congress is prohibited from taking any action which may indirectly have that effect. Neither of these assumptions can be accepted. It is true that under the acts, a debtor, who became such before they were passed may discharge his debt with the notes authorized by them, and the creditor is compellable to receive such notes in discharge of his claim.

But whether the obligation of the contract is thereby weakened can be determined only after considering what was the contract obligation. It was not a duty to pay gold or silver, or the kind of money recognized by law at the time when the contract was made, nor was it a duty to pay money of equal intrinsic value in the market. (We speak now of contracts to pay money generally, not contracts to pay some specifically-defined species of money.) The expectation of the creditor and the anticipation of the debtor may have been that the contract would be discharged by the payment of coined metals, but neither the expectation of the party to the contract respecting its fruits nor the anticipation of the other constitutes its obligation. There is a well-recognized distinction between the expectation of the parties to a contract and the duty imposed by it. (*Apsden vs. Austin*, 5 Ad. and Ellis U. S., 671; *Dunn vs. Sayles*, *ibid.*, 685; *Coffin vs. Landis*, 10 Wright, 426.)

Were it not so the expectation of results would be always equivalent to a binding engagement that they should follow. But the obligation of a contract to pay money is to pay that which the law shall recognize as money when the payment is to be made. If there is anything settled by decision it is this, and we do not understand it to be controverted. (*Davies*, 28; *Barrington vs. Potter*, Dyer, volume 81, folio 67; *Faw vs. Marsteller*, 2 Cranch, 29.)

No one ever doubted that a debt of \$1,000, contracted before 1834, could be paid by one hundred eagles coined after that year, though they contained no more gold than ninety-four eagles such as were coined when the contract was made, and this, not because of the intrinsic value of the coin, but because of its legal value. The eagles coined after 1834 were not money until they were authorized by law, and had they been coined before without a law fixing their legal value they could no more have paid a debt than uncoined bullion, or cotton, or wheat.

Every contract for the payment of money simply is necessarily subject to the constitutional power of the Government over the currency, whatever that power may be, and the obligation of the parties is, therefore, assumed with reference to that power. Nor is this singular. A covenant for quiet enjoyment is not broken nor is its obligation impaired by the Government taking the land granted in virtue of its right of eminent domain. The expectation of the covenantee may be disappointed. He may not enjoy all he anticipated, but the grant was made and the covenant undertaken in subordination to the paramount right of the Government. (*Dobbins vs. Brown*, 2 Jones, Pennsylvania, 75; *Workman vs. Miffin*, 6 Casey, 362.)

We have been asked whether Congress can declare that a contract to deliver a quantity of grain may be satisfied by the tender of a less quantity. Undoubtedly not. But this is a false analogy. There is a wide distinction between a tender of quantities, or of specific articles, and a tender of legal values. Contracts for the delivery of specific articles belong exclusively to the domain of State legislation, while contracts for the payment of money are subject to the authority of Congress, at least so far as relates to the means of payment. They are engagements to pay with lawful money of the United States, and Congress is empowered to regulate that money. It cannot, therefore, be maintained that the legal-tender acts impaired the obligation of contracts.

Nor can it be truly asserted that Congress may not by its action indirectly impair the obligation of contracts if by the expression be meant rendering contracts fruitless, or partially fruitless. Directly it may, confessedly, by passing a bankrupt act embracing past as well as future transactions. This is obliterating contracts entirely, so it may relieve parties from their apparent obligations indirectly in a multitude of ways. It may declare war or, even in peace, pass non-intercourse acts or direct an embargo. All such measures may, and must, operate seriously upon existing contracts, and may not merely hinder, but relieve the parties to such contracts entirely from performance.

It is, then, clear that the powers of Congress may be exerted, though the effect of such exertion may be in one case to annul and in other cases to impair the obligation of contracts. And it is no sufficient answer to this to say it is true only when the powers exerted were expressly granted. There is no ground for any such distinction. It has no warrant in the Constitution or in any of the decisions of this court. We are accustomed to speak for mere convenience of the express and implied powers conferred upon Congress; but in fact the auxiliary powers, those necessary and appropriate to the execution of other powers singly described, are as expressly given as is the power to declare war or to establish uniform laws on the subject of bankruptcy. They are not catalogued, no list of them is made, but they are grouped in the last clause of section 8 of the first article, and granted in the same words in which all other powers are granted to Congress. And this court has recognized no such distinction as is now attempted. An embargo suspends many contracts and renders performance of others impossible; yet the power to enforce it has been declared constitutional. (*Gibbons vs. Ogden*, 9 Wheat., 1.)

The power to enact a law directing an embargo is one of the auxiliary powers, existing only because appropriate in time of peace to regulate commerce, or appro-

priate to carrying on war. Though not conferred as a substantive power, it has not been thought to be in conflict with the Constitution because it impairs indirectly the obligation of contracts. That discovery calls for a new reading of the Constitution.

If, then, the legal-tender acts were justly chargeable with impairing contract obligations, they would not, for that reason, be forbidden, unless a different rule is to be applied to them from that which has hitherto prevailed in the construction of other powers granted by the fundamental law. But, as already intimated, the objection misapprehends the nature and extent of the contract obligation spoken of in the Constitution. As in a state of civil society property of a citizen or subject is ownership subject to the lawful demands of the sovereign, so contracts must be understood as made in reference to the possible exercise of the rightful authority of the Government, and no obligation of a contract can extend to the defeat of a legitimate Government authority.

Closely allied to this objection we have just been considering is the argument pressed upon us that the legal-tender acts were prohibited by the spirit of the fifth amendment, which forbids taking private property for public use without just compensation or due process of law. That provision has always been understood as referring only to a direct appropriation, and not to consequential injuries resulting from the exercise of lawful power. It has never been supposed to have any bearing upon or to inhibit laws that indirectly work harm and loss to individuals. A new tariff, an embargo, a draft, or a war, may inevitably bring upon individuals great losses; may, indeed, render valuable property almost valueless. They may destroy the worth of contracts. But who ever supposed that, because of this, a tariff could not be changed, or a non-intercourse act or an embargo be enacted, or a war be declared?

By the act of June 28, 1834, a new regulation of the weight and value of gold coin was adopted and about 6 per cent. was taken from the weight of each dollar. The effect of this was that all creditors were subjected to a corresponding loss. The debts then due became solvable with 6 per cent. less gold than was required to pay them before. The result was thus precisely what it is contended the legal-tender acts worked. But was it ever imagined that this was taking private property without compensation or without due process of law? Was the idea ever advanced that the new regulation of gold coin was against the spirit of the fifth amendment? And has any one in good faith avowed his belief that even a law debasing the current coin by increasing the alloy would be taking private property? It might be impolitic and unjust, but could its constitutionality be doubted?

Other statutes have, from time to time, reduced the quantity of silver in silver coin without any question of their constitutionality. It is said, however, now, that the act of 1834 only brought the legal value of gold coin more nearly into correspondence with its actual value in market, or its relative value to silver. But we do not perceive that this varies the case or diminishes its force as an illustration. The creditor who had a thousand dollars due him on the 31st day of July, 1834, (the day before the act took effect,) was entitled to a thousand dollars of coined gold of the weight and fineness of the then existing coinage. The day after, he was entitled only to a sum 6 per cent. less in weight and in market value, or to a smaller number of silver dollars. Yet he would have been a bold man who had asserted that, because of this, the obligation of the contract was impaired, or that private property was taken without compensation or without due process of law. No such assertion, so far as we know, was ever made. Admit it was a hardship but it is not every hardship that is unjust, much less that is unconstitutional; and certainly it would be an anomaly for us to hold an act of Congress invalid because we might think its provisions harsh and unjust.

We are not aware of anything else which has been advanced in support of the proposition that the legal-tender acts were forbidden by either the letter or the spirit of the Constitution. If, therefore, they were what we have endeavored to show, appropriate means for legitimate ends, they were not transgressive of the authority vested in Congress.

Here we might stop; but we will notice briefly an argument presented in support of the position that the unit of money value must possess intrinsic value. The argument is derived from assimilating the constitutional provision respecting a standard of weights and measures to that conferring the power to coin money and regulate its value.

It is said there can be no uniform standard of weights without weight, or of measure without length or space, and we are asked how anything can be made a uniform standard of value which has itself no value? This is a question foreign to the subject before us. The legal-tender acts do not attempt to make paper a standard of value; we do not rest their validity upon the assertion that their emission is coinage, or any regulation of the value of money; nor do we assert that Congress may make anything which has no value money. What we do assert is, that Congress has power to enact that the Government's promises to pay money shall be, for the time being, equivalent in value to the representative of value determined by the coinage acts, or to multiples thereof.

It is hardly correct to speak of a standard of value. The Constitution does not speak of it. It contemplates a standard for that which has gravity or extension; but value is an ideal thing. The coinage acts fix its unit as a dollar; but the gold or silver thing we call a dollar is in no sense a standard of a dollar. It is a representative of it. There might never have been a piece of money of the denomination of a dollar. There never was a pound sterling coined until 1815, if we except a few coins struck in the reign of Henry VIII, almost immediately debased, yet it has been the unit of British currency for many generations. It is, then, a mistake to regard the legal-tender acts as either fixing a standard of value or regulating money values, or making that money which has no intrinsic value.

But, without extending our remarks further, it will be seen that we hold the acts of Congress constitutional as applied to contracts made either before or after their passage. In so holding we overrule so much of what was decided in *Hepburn vs. Griswold*, 8 Wall., 693, as ruled the acts unconstitutional by the Constitution, so far as they apply to contracts made before their enactment. That case was decided by a divided court and by a court having a less number of judges than the law then in existence provided this court shall have. These cases have been heard before a full court and they have received our most careful consideration. The questions involved are constitutional questions of the most vital importance to the Government and to the public at large.

We have been in the habit of treating cases involving a consideration of constitutional power differently from those which concern merely private right. (*Briscoe vs. Bank of Kentucky*, 8 Peters, 118.) We are not accustomed to hear them in the absence of a full court if it can be avoided. Even in cases involving only private rights, if convinced we had made a mistake, we would hear another argument and correct our error. And it is no unprecedented thing in courts of last resort, both in this country and in England, to overrule decisions previously made. We agree this should not be done inconsiderately, but in a case of such far-reaching consequences as the present, thoroughly convinced as we are that Congress has not transgressed its powers, we regard it as our duty so to decide and to affirm both these judgments.

Congress issued bills of credit or Treasury notes in June, 1812, in February, 1813, in 1837, in 1846, in 1857, and February 25, 1862. There is no question in relation to the constitutional right of Congress to issue bills of credit or Treasury notes at any time in the discretion of Congress, whether in time of peace or in time of war. Upon this subject we have the opinions of the ablest American statesmen. We have the decision of the United States Supreme Court,

delivered in December, 1870, the highest judicial tribunal known in the civilized world. This opinion was delivered five years after the war of the rebellion, and fully established the constitutional right of Congress to issue legal-tender Treasury notes. But, in addition to all this, during peace, thirteen years after the war, we have the opinion of 177 to 35 members of this House, a majority in the Senate, and the signature of the President in May, 1878, fully committed to the legal-tender lawful money in the following language, to wit:

The bill was read. It provides that from and after the passage of this act it shall not be lawful for the Secretary of the Treasury or other officer under him to cancel or retire any more of the United States legal-tender notes, and that when any of said notes may be redeemed or be received into the Treasury under any law from any source whatever, and shall belong to the United States, they shall not be retired, canceled, or destroyed, but they shall be reissued and paid out again and kept in circulation, provided that nothing therein shall prohibit the cancellation and destruction of mutilated notes and the issue of other notes of like denomination in their stead, as now provided by law, and that all acts and parts of acts in conflict with this act are hereby repealed.—*Congressional Record*, April 29, 1878.

We now have all this Congressional legislation and these judicial decisions during the last one hundred years to fully sustain our proposition for the issuing of legal-tender Treasury notes. It is only a question whether \$250,000,000 gold and silver shall lie idle in the Treasury or be paid out to cancel bonds, stop interest, and go into the circulation as money, and whether non-interest-bearing legal-tender Treasury notes shall circulate as currency and encourage industry and enterprise, build railroads, build towns and cities, pay its just proportion of taxes, give employment to labor, make happy homes and a prosperous country, or shall the people continue to pay interest, continue in serfdom and slavery to the most ingenious system of oppression ever advocated in contempt of republican institutions and the just rights of the American people.

We said, fifteen years ago, take the robber's word "except" out of the greenback and there would be no depreciation; that it would be worth more than gold. History proves this fact. When thirty days previous to the time appointed for resumption an agreement was made with the banks to receive the legal tender for all purposes, equality was established, and no man wanted metal money. The distinguished Democratic Senator from Kentucky, [Mr. BECK,] in his speech upon the Sherman funding bill, said:

We are losing \$2,000,000 or \$3,000,000 a year by letting this large amount of money lie idle in the Treasury. There never has been a doubt, and the country understands it now, that the greenbacks would have been as good as gold eight years ago, if they had not been persistently refused at the custom-houses. If they had been received in 1875, before you passed your resumption law, at the custom-houses, as they were received in 1879, they would have been as good as gold then, and there would have been no necessity for selling a dollar of the \$95,500,000 of bonds, for which the Secretary paid  $\frac{1}{2}$  per cent. in order to lay away gold to pay them with.

The Secretary of the Treasury in his report for 1879-'80, volume 13, page 9, says:

No distinction has been made since that time between coin and United States notes in the collection of duties or in the payment of the principal or interest of the public debt. The great body of coin indebtedness has been paid in United States notes at the request of creditors. The total amount of United States notes presented for redemption from January 1 to November 1, 1879, was \$11,256,678. But little coin has been demanded on the coin liabilities of the Government during the same period, though the amount accruing exceeded \$600,000,000. Meantime coin was freely paid into the Treasury and gold bullion was deposited in the assay office and paid for in United States notes. The aggregate gold and silver coin and bullion in the Treasury increased during that period from \$107,558,734.19 to \$225,133,558.72, and the net balance available for resumption increased from \$133,508,804.50 to \$152,737,155.48.

In accordance with the position taken in the last annual report United States notes have been received since January 1 last in payment of duties on imports.

Here we have the official report, the testimony of a Democratic Senator and a Republican Senator and ex-Secretary, conclusively showing that no metal money is wanted, that the full legal-tender paper is better, is preferred by creditors, and that there is no necessity for holding hundreds of millions of dollars for years without use, when it should stop interest.

No man wants to move tons of metal. We have paid large sums for mintage, storage, and to force the metals into circulation. Business men deposit large sums of gold and take silver certificates and Treasury notes in preference. We have sold a large amount of interest-bearing bonds to purchase gold to lie idle in the Treasury.

A distinguished Senator from Delaware recently advocated such ridiculous absurdity in these words:

Now, sir, all must admit, the superior convenience of paper money as compared with real money, metallic coins; but to make such a system enduring it must be absolutely and instantly convertible at the will of the holder into real money, into coin of the standard value.

The United States Supreme Court answers such absurd sophistry, in regard to metal money. The Supreme Court says:

It is hardly correct to speak of a standard of value. Value is an ideal thing. The gold and silver thing we call a dollar is in no sense a standard of a dollar. It is a representative of it. Indeed, legal-tender Treasury notes have become the universal measure of values. Making the notes legal tenders gave them a new use, and it needs no argument to show that the value of things is in proportion to the uses to which they may be applied.

The language of the Supreme Court settles the whole question. This decision also determines what caused the equality of the greenback with gold. It was making it receivable for import duties and all other purposes the same as gold. The piling of the metals in the Treasury had nothing to do with it. The \$60,000,000 of legal-tenders first issued during the late war, when made legal tender for import

duties and other purposes the same as gold, were worth more than gold until the present hour. The legal-tender paper money is made "instantly" redeemable in all the commodities of commerce.

The sovereign law power requires all creditors to receive the same in payment of all debts. There are no other uses for any money. The political economist whose Senatorial vision appears to be limited to a State smaller in territory and population than many of our Western Congressional districts says:

To make such system [of paper money] enduring it must be absolutely and instantly convertible at the will of the holder into real money, into coin of the standard value.

The distinguished Senator seems to overlook the fact that the supreme law makes the legal tenders "absolutely and instantly convertible" into all commodities without the necessity of purchasing at the great expense of hundreds of millions of dollars and holding without use any single commodity. Such language is contempt of government, and was only used by Tories during the American Revolution and by the enemies of the Government during the late war. It would be ludicrous, if it were not morally criminal, to deceive and unnecessarily and unjustly tax the American people. The producers of wealth and the tax-payers have lost annually hundreds of millions of dollars because of this stupid ignorance and barbarous absurdity and unlimited fraud called "specie basis."

We have now used the legal-tender currency during the last twenty years. It has performed all the functions of money. The people prefer it to any other. In 1870 the Supreme Court declared that the legal-tender Treasury notes had become the universal measure of values. Twelve years have elapsed since that decision; the people have become accustomed to its use; it is worth more than gold not only in this country but in other civilized nations. The people have learned their constitutional rights: to have a legal-tender paper currency, "to regulate commerce, to establish justice, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity."

The objection to a specie basis is the same as that to specie alone, the impossibility of obtaining a sufficient quantity for a currency. If it could be kept uniform, and gradually increase in the proportion of increased wealth, commerce, population, and production, the principal objection then would be the unnecessary cost of material, its weight, and loss by wearing. But its supply depends on the mere chance discovery of metal, and this supply failing in Europe was the chief cause of the decline and fall of the Roman Empire, and the periodical panics of all nations. Its amount in the country at any one time depends on not only the supply from the mines, which is uncertain, but also upon the demand for foreign exportation.

Suppose we had a paper based on specie; a war on the continent of Europe would create a demand for the specie, and the commodity on which our currency would be based might be removed. The paper would have no adequate basis and a crisis would be the result.

This was the case in England in 1819, 1825, 1831, 1837, 1839, 1847, 1857, and 1866. Is it not better to base our currency on something that we can keep at home; at least something less desirable to foreign countries. Again, a paper based on specie would increase as the specie increased and decrease with its scarcity, which is the fruitful source of panics, crises, general want of confidence, bankruptcy, and ruin.

The contraction in England in 1838 of \$40,000,000 and in 1839 of \$5,000,000 caused their great panic there of 1839 and 1840, and bankruptcies doubled and the stagnation was most disastrous to the laboring classes, who were thus thrown out of employment. The historian Alison, speaking of this period, says, of interest on money, (volume 6, chapter 37,) "it raised by the 1st of August, 1839, to 6 per cent. from 3½ per cent., which it had been the year before. The great advance in the interest paid for money diminished the profits of trade." A great fall in the price of all articles of commerce was ruinous to the trades and in a high degree disastrous to the laboring classes. The bankruptcies, which had been very frequent ever since the abolition of small notes and consequent limitation of bank accommodation, became numerous in 1839 and 1840, nearly double what they had been five years before. The number of paupers increased in frightful progression, inasmuch that in the year 1840 they amounted to 1,721,000 of a population at that period not exceeding 16,000,000, showing that more than one-ninth of the whole population had become recipients of public charity. At the same time the paupers in Ireland were 2,285,000 and in Scotland 85,000, making a total of 4,081,000 in the British Islands.

Alison, in his History of Europe, (volume 6, chapter 35,) says:

In every one of the great monetary crises which have occurred every five or six years during the past thirty years from \$500,000,000 to \$750,000,000 have been destroyed.

Is the retention of gold worth purchasing at such a price? What is the use of it if it can only be retained by making the capitalists richer and all other classes poorer? In the next place, the experience of Great Britain during the French war demonstrates that by means of an adequate paper currency not only can calamity be averted but the highest degree of prosperity and national glory can be attained without any gold. To put this domestic currency on a proper footing it is indispensable that it should be issued by the government, and government only, and on the national security, and that every banker who chooses to deal in notes should not be permitted to usurp the king's prerogative and issue the current coin of the realm. And it may safely be affirmed that if the requisite change is not made the nation will continue to be visited every four or five years by a periodical calamity which will destroy all the fruits of former prosperity.

A specie-basis system is to the nation what the inhuman military laws of past ages were to the poor culprit who was condemned to receive his thousand lashes, brought out at successive times to receive a hundred, then wait for the wounds to heal before receiving the next round.

Speaking of contraction of the currency in the Roman Empire, Alison, in his History of Europe, volume 2, page 381, says:

The supplies of specie for the Old World became inadequate to the increasing wants of its population when the power of the emperors had given lasting internal peace to its hundred and twenty millions of inhabitants. The mines of Spain and Greece, from which the chief supplies were obtained at that period, were worked out or became unworkable from the exactions of the emperors; and so great was the dearth of the precious metals which thence ensued that the treasure in circulation in the empire, which in the time of Augustus amounted to \$1,800,000,000, had sunk in that of Justinian to \$400,000,000; and the golden aureans, which in the days of the Antonines weighed 118 grains, had come, in the fifth century, to weigh only 68, though it was only taken in discharge of debts and taxes at its original and standard value. As a necessary consequence of so prodigious a contraction of the currency, without any proportional diminution in the numbers or transactions of mankind, debts and taxes, which were all measured in the old standard, became so overwhelming that the national industry was ruined; agriculture disappeared, and was succeeded by pasturage in the fields; the great cities were all fed from Egypt and Libya; the revenue became irrecoverable; the legions dwindled into cohorts, the cohorts into companies; and the six hundred thousand men who guarded the frontiers of the empire in the time of Augustus had sunk to one hundred and fifty thousand in that of Justinian, a force wholly inadequate to its defense.

From the report of the silver commission, second session Forty-fourth Congress, page 49, we get the following:

By the end of the fifteenth century the currency had shrunk to less than \$200,000,000. During this period a most extraordinary and baneful change took place in the condition of the world. Population dwindled, and commerce, arts, wealth, and freedom all disappeared. The people were reduced by poverty and misery to the most degraded conditions of serfdom and slavery. The disintegration of society was almost complete. The conditions of life were so hard that individual selfishness was the only thing consistent with the instinct of self-preservation. All public spirit, all generous emotions, all the noble aspirations of man shriveled and disappeared as the volume of money shrunk and as prices fell.

History records no such disastrous transition as that from the Roman Empire to the Dark Ages. Various explanations have been given of this entire breaking down of the frame-work of society, but it was certainly coincident with a shrinkage in the volume of money, which was also without historical parallel. The crumbling of institutions kept even step and pace with the shrinkage in the stock of money and the falling of prices. All other attendant circumstances than these last have occurred in other historical periods unaccompanied and unfulfilled by any such mighty disasters.

It is a suggestive coincidence that the first glimmer of light only came with the invention of bills of exchange and paper substitutes, through which the scanty stock of the precious metals was increased in efficiency. But not less than the energizing influence of Potosi and all the argosies of treasure from the New World were needed to arouse the Old World from its comatose sleep, to quicken the torpid limbs of industry, and to plume the leaden wings of commerce. It needed the heroic treatment of rising prices to enable society to reunite its shattered links, to shake off the shackles of feudalism, to relight and uplift the almost extinguished torch of civilization. That the disasters of the Dark Ages were caused by decreasing money and falling prices, and that the recovery therefrom and the comparative prosperity which followed the discovery of America were due to an increasing supply of the precious metals and rising prices, will not seem surprising or unreasonable when the noble functions of money are considered.

Money is the great instrument of association, the very fiber of social organism, the vitalizing force of industry; the protoplasm of civilization, and as essential to its existence as oxygen is to animal life. Without money civilization could not have had a beginning; with a diminishing supply it must languish, and, unless relieved, finally perish. Symptoms of disasters similar to those which befel society during the Dark Ages were observable on every hand during the first half of this century.

In 1809 the revolutionary troubles between Spain and her American colonies broke out. These troubles resulted in a great diminution in the production of the precious metals, which was quickly indicated by a fall in general prices.

As already stated in this report, it is estimated that the purchasing power of the precious metals increased between 1800 and 1848 fully 145 per cent., or, in other words, that the general range of prices was 60 per cent. lower in 1848 than it was in 1800. During this period there was no general demonetization of either metal and no important fluctuation in the relative value of the metals, and the supply was sufficient to keep their stock good against losses by accident and abrasion. But it was insufficient to keep the stock up to the proper correspondence with the increasing demand of advancing populations. The world has rarely passed through a more gloomy period than this one. Again do we find falling prices and misery and destitution inseparable companions. The poverty and distress of the industrial masses were intense and universal, and since the discovery of the mines of America without a parallel.

In England the sufferings of the people found expression in demands upon Parliament for relief in bread riots and in immense chartist demonstrations. The military arm of the nation had to be strengthened to prevent the all-pervading discontent from ripening into open revolt. On the Continent the fires of revolution smoldered everywhere, and blazed out at many points, threatening the overthrow of states and the subversion of social institutions. Whenever and wherever the mutterings of discontent were hushed by the fear of increased standing armies the foundations of society were honeycombed by powerful secret political associations.

The cause at work to produce this state of things was so subtle, and the advance so silent, that the masses were entirely ignorant of its nature. They had come to regard money as an institution fixed and immovable in value, and when the price of property and the wages of labor fell they charged the fault not to the money but to the property and the employer. They were taught that the mischief was the result of overproduction. Never having observed that overproduction was complained of only when the money stock was decreasing, their prejudices were aroused against labor-saving machinery. They were angered at capital because it either declined altogether to embark in industrial enterprises or would only embark in them upon the condition of employing labor at the most scanty remuneration. They forgot that falling prices compelled capital to avoid such enterprises on any other condition, and for the most part to avoid them entirely. They did not comprehend that money in shrinking volume was the prolific parent of enforced idleness and poverty, and that falling prices divorced money, capital, and labor, but they none the less felt the shrinking metallic shroud that was closing around industry.

The increased yield of the Russian gold fields in 1846 gave some relief and served as a parachute to the fall in prices, which might otherwise have resulted in a great catastrophe. But the enormous metallic supplies of California and Australia were all needed to give substantial and adequate relief. Great as these supplies were,

their influence in raising prices was moderated and soon entirely arrested by the increasing populations and commerce which followed them. In the twenty-five years between 1850 and 1876 the money stock of the world was more than doubled, and yet at no time during this period was the general level of prices raised more than 18 per cent. above the general level in 1848. A comparison of this effect of an increasing volume of money after 1848 with the effect of a decreasing volume between 1809 and 1848 strikingly illustrates how largely different in degree is the influence upon prices of an increasing or decreasing volume of money. The decrease of the yield of the mines since about 1865, while population and commerce have been advancing, has already produced unmistakable symptoms of the same general distrust, non-employment of labor, and political and social disquiet, which have characterized all former periods of shrinking money.

It is a fact well established by the history of nations, that an increase of currency, well founded, always has and will cause prosperity for the laboring, manufacturing, mercantile, and producing industries of the country. And it is equally true that a contraction of the currency always has and always will cause high rates of interest and prostration of business; thereby causing universal bankruptcy, pauperism, ignorance and crime, human suffering and hard times.

During the panic of 1793, in England, William Pitt had the paper currency increased \$25,000,000. It stopped the panic and gave prosperity to the country. The drain of the money from England to carry on her Napoleonic wars threatened to ruin the kingdom, and on February 25, 1797, the Parliament of England authorized the Bank of England to suspend specie payments and to issue its bills without limit, and as legal tenders, and pursuant to this law the increase of \$50,000,000, stayed the panic and gave prosperity.

In 1811, when there was scarcely a metallic sovereign left in England, and 30 per cent. was paid to obtain coin to carry on its peninsular war, it again increased its legal-tender paper currency \$75,000,000. This increase of currency to about \$135,000,000 in 1815 revived all the industries of the country. Alison in his History of Europe speaks of the unparalleled prosperity it caused. This currency was increased on the suspension of specie again in 1817 and 1818, and the paper currency in England reached \$241,390,350. Of this period the historian speaks as follows:

The paper circulation of Great Britain had increased during the drain of the metals and compensated for their want. In 1818 the currency reached \$240,000,000 in England alone, a larger amount than in any previous year of the war. Hence the prosperity in this country which coexisted with the most serious pressure and distress on the Continent.—*Alison's History of Europe*, volume 1, pages 395-397.

The great paper currency guaranteed by all the allied powers, issued so plentifully during 1813 and 1814, and which had circulated as cash from the banks of the Rhine to the Wall of China, gave great prosperity to the whole country until 1817 and 1818, the period of contraction on the Continent.

*Fall of prices of wheat on the Continent from 1817 to 1819 caused by contraction of the currency.*

Localities.	Mar., 1817.		Sept., 1819.	
	s.	d.	s.	d.
Vienna.....	114	0	19	6
Munich.....	151	0	24	5
Norway.....	81	10	26	8
Venice.....	99	6	29	4
Lisbon.....	117	0	54	2
Udine.....	99	6	31	7

(See Alison's History, volume 2, page 393.)

The hard times on the Continent during 1817 and 1818, caused by contraction of the currency, during the same period that England was enjoying prosperity caused by inflation of the currency, is another of the many lessons of history showing the power of government to cause prosperity by inflation and to cause hard times by contraction.

Alison, in his History of Europe, says:

The contraction of the currency in England in 1819 to 1826 caused fearful suffering. It was a woful spectacle to see the streets of Manchester and the chief towns in its vicinity filled with vast crowds, sometimes 10,000 in number, whose wan visages and lean figures but too clearly told the tale of their sufferings, snatching their food from bakers' shops.

The legislation causing a contraction of the currency reduced the wages of laboring-men one-half. Yet the party in power declared that the hard times in England was caused by extravagant speculation. The historian says:

This affords an example of the ease with which a powerful party can succeed in deluding the public mind and conducting a nation amidst universal applause to the very measures most destructive to its prosperity.

That English historian continues:

The British Empire in the whole of 1818 and commencement of 1819 was beginning to taste the fruits of peace and prosperity; and industry revived, and supported by a currency at once adequate and duly limited, was flourishing in all its branches, and daily discovering new channels of profit and enterprise, at the very time when the scarcity of money on the Continent was involving all classes in unheard of distress.

But this flattering prospect was of short duration. Great Britain was soon doomed to experience in all its bitterness the disastrous effects of an ill-judged act of legislation, to prostrate all of her in-

dustries. Does not wise or unwise legislation make or destroy a nation's prosperity? At that period England required an increased currency to continue her prosperity, but the Parliament of England in 1819 required the Bank of England to resume specie payments. The industries of the nation, then so prosperous, were speedily congealed like the flowing stream by the severity of an Arctic winter. The circulation fell \$35,000,000 during 1819, and "distrust and discouragement was felt in every branch of industry." In the next two years they contracted the circulation \$75,000,000 more, and the historian paints the disastrous condition and fearful suffering of the people of England.

Between 1818 and 1821 the paper of England was contracted from \$240,000,000 to \$150,000,000, or \$90,000,000, and the exports and imports lessened, as all business declined and laboring-men could find no employment. The following tables from Alison's History of Europe, volume 2, page 399, will show the decrease of currency from 1818 to 1822, (Tooke on Prices, 2, 129:)

BANK AND BANKERS' NOTES.

Years.	Bank of Eng-land.	Country bank-ers.	Total.	Money coined and issued at the mint.
1818.....	£27,771,000	£20,507,000	£48,278,070	£3,438,652
1819.....	25,227,100	15,701,328	40,928,428	1,270,817
1820.....	23,569,150	10,576,245	34,145,395	1,797,233
1821.....	22,471,450	8,256,180	30,727,630	9,854,444
1822.....	18,172,170	8,416,430	26,588,600	5,388,217

The following table (Alison's History of Europe, volume 2, page 400) shows the decline in prices of the products of labor from 1818 to 1822:

Year.	Wheat, per qr.	Cotton, per lb.	Iron, per ton.	Rice, per ton.	Silk, per lb.	Tea, per lb.	Wool, per lb.	Sugar, per cwt.	Beef, per tierce.
1818.....	s. d. 80 8	s. d. 2 0	s. d. 9 0	s. 45	s. d. 30 0	s. d. 3 1	s. d. 6 0	s. 70	s. 100
1819.....	66 3	1 11	8 10	43	30 0	2 10	5 0	66	115
1820.....	54 6	1 5	9 0	32	24 5	2 0	4 0	58	130
1821.....	49 0	1 1	7 10	36	24 0	2 4	3 3	58	115
1822.....	38 11	1 0	6 10	33	25 1	2 8	3 6	42	80

The following table from Alison's Europe, chapter 97, appendix, shows the depressed condition of the industries by the falling off of exports, and the destitution of the people by the falling off of their imports:

Year.	Exports—declared value.	Imports.
1818.....	£45,180,150	£35,845,340
1819.....	34,252,251	29,081,640
1820.....	35,569,677	31,515,222
1821.....	35,823,127	29,769,122
1822.....	36,176,867	29,432,376

Mr. Vansistart gave the following table in his report to the Parliament of England in 1811, to show the necessity of a further increase of paper currency, which was adopted. He said:

The amount of currency must bear a proportion to the amount of trade, public revenue, and expenditure. The average value of exports and imports, revenues and expenditures, and bank-notes of Great Britain, for three years previous to 1797 stood thus, (official value):	
Imports and exports, average of three years.....	\$263,760,000
Revenues, including loans.....	185,000,000
Expenditures.....	214,000,000
Bank notes in circulation.....	53,410,000

The same average for three years, ending January 5, 1811, was as follows:

Imports and exports.....	\$389,955,000
Revenue and loans.....	365,500,000
Expenditures.....	411,025,000
Bank notes in circulation.....	97,745,900

These figures show the same fact as the others, that with an average of nearly double the paper money in the country for each period of three years, it nearly doubled its business as a nation.

It was by adopting the theory of Vansistart to increase the paper money that England was successful in war and prosperous in peace. Our country was prosperous in war by the adoption of the same theory. By the adoption of the theory of bullionists in 1819 in England riots were caused by hungry men seeking employment and bread. The contraction policy in this country from 1865 to 1873 placed the debtor classes at the mercy of Shylocks by shrinking values, thereby doubling the indebtedness, discouraging industry, filling the land with bankrupts, paupers, tramps, and criminals. It stopped the building of railroads; it stopped the tide of immigration; it cursed



all the States with hard times; it forced hundreds of thousands of able-bodied men to beg for work and for bread; it caused labor strikes, riots, and destruction of property. A land blessed with bountiful harvests was filled with unrest, the deepest gloom, and sadness.

The following table from Poore's Railroad Manual for 1880 shows that the building of railroads and employment of men corresponded to the inflation and contraction of the currency in this country:

Year.	Miles in operation at the end of each year.	Miles constructed each year.
1871.....	60,293	7,379
1872.....	66,171	5,878
1873.....	70,278	4,107
1874.....	72,383	2,105
1875.....	74,096	1,713
1876.....	76,808	2,712
1877.....	79,089	2,281
1878.....	81,776	2,687
1879.....	86,497	4,721
1880.....	97,671	8,174
1881.....	102,913	8,242

There was an increase of currency from January 1, 1879, to November 1, 1881, of \$400,274,983.

It will be seen that when our currency was contracted in 1875 we built only 1,713 miles of railroad, yet after the remonetization of silver in 1878, and ordering \$346,631,016 of legal-tender paper money to be continued in the circulation, with also a large increase in bank currency and in gold and silver, there was a corresponding increase in the building of railroads.

Some people speak of gold and silver as money of the world. This is an absurdity based upon ignorance. There never was any such thing as money of the world.

The following table shows the different nations using gold and silver. Some use no gold, some no silver, as currency. Each nation has its peculiar method of coinage not common to others. Nearly all of these nations use mostly a paper currency. About 97 per cent. of all currency is paper; therefore, if it were possible to speak of money of the world, the nearest approach to such money would be paper. The United States received \$110,575,497 of metal money and bullion during the year 1881 from other nations. Of this sum \$9,419,872 was American coin, and \$101,155,625 was foreign coin and bullion. Nearly all of the foreign coin and bullion were melted and stamped as American coin. Our coin taken to other nations is weighed and taken at its commodity or commercial value, the same as wheat. Our bars of gold are frequently worth a premium over our coin in European cities.

The countries using metal money in 1870 were as follows, (Jones's Resumption and the Double Standard, page 111):

	Population.
In 1870, those using both gold and silver:	
United States.....	39,000,000
France.....	36,000,000
Italy.....	26,000,000
Spain.....	17,000,000
Belgium.....	5,000,000
Switzerland.....	3,500,000
Greece.....	1,500,000
Peru.....	4,000,000
New Granada.....	3,000,000
Ecuador.....	1,000,000
Those using silver alone:	
India.....	200,000,000
China.....	250,000,000
Russia.....	82,000,000
Germany.....	41,000,000
Austria.....	36,000,000
Mexico.....	9,000,000
Sweden and Norway.....	6,000,000
Denmark.....	2,000,000
Holland.....	4,000,000
Central America.....	2,500,000
Countries using gold alone:	
United Kingdom.....	31,000,000
Turkey.....	36,000,000
Brazil.....	10,000,000
Portugal.....	4,000,000
Chili.....	2,000,000
Australia.....	2,000,000

The following table shows the amount of gold and silver coin and bullion in the United States mints and New York assay office was \$123,006,188.21. (See report, pages 36, 38, 30, of the Director of the Mint, 1881.)

Coinage executed during the fiscal year ended June 30, 1881:	
Gold coins.....	\$78,733,864 00
Silver coins.....	27,649,967 75
Five cents, three cents, one-cent pieces.....	405,109 95
Total coinage.....	106,788,940 70

The following statement shows the expenditures of the United States mints and assay offices for the fiscal year ended June 30, 1881:

Salaries of officers and clerks.....	\$199,765 02
Wages of workmen.....	809,636 62
Contingent expenses not including wastage and loss on sweeps.....	287,869 69
Parting and refining expenses.....	268,256 75
Expense of distributing standard silver dollars.....	90,476 38
Wastage of operative offices.....	45,343 98
Loss on sale of sweeps.....	22,926 17
Expense of distributing minor coins.....	23,763 46
Loss on bullion shipped to the Mint for coinage.....	23 85
Total expenditures.....	1,708,161 92

There were coined at the Carson mint during the year previous to June 30, 1881, 592,189 pieces, valued at \$883,590; expenditures, \$131,037.03; average cost of coinage at that mint during the year, twenty-two cents and one mill for each piece coined.

Bill passed the House February 19, 1882, appropriating for constructing, repairing, enlarging, and renting vaults and safes for the use of the Treasurer and assistant treasurer of the United States, \$75,000.

All these unnecessary expenditures, together with the commodity value of the metals used, would be saved to the people by using the legal-tender paper currency. We would save the expense of purchasing metals, of coining, of the loss of wear, and expense of distribution, if we were to use legal-tender fractional paper currency. Is not the paper more convenient in use, and redeemed when worn by new issues, more desirable than fractional silver? We have paid 5 per cent. interest on \$50,000,000 of bonds since 1876 to purchase silver to force upon the people in place of the paper fractional currency.

The above table shows that the people paid \$90,476.38 for distributing standard silver dollars within the year previous to June 30, 1881. It also shows that the people paid \$23,763.46 for distributing minor coins during the same year. These are expenditures in addition to the interest paid annually upon the bonds used to purchase the silver bullion. Will some specie-basis banker who must have what he calls "real money" please rise and tell the American people how much money was ever paid for coinage, for interest, and for distribution upon the legal-tender paper dollars and fractional paper currency? Will the bullionists please explain why it is so difficult and expensive to get this (so-called) world's money into circulation? Why the people are taxed to pay for safes and storage for this gold and silver money which the people make haste to deposit in exchange for paper?

Principal and interest of the public debt from 1873 to 1880.

[Statistical abstract of the United States, 1880, third number, pages 6, 7, and 8, prepared under the direction of the Secretary of the Treasury.]

Year ended July 1—	Total interest-bearing debt.	Interest.	Cash in Treasury July 1.
1873.....	\$1,710,483,950	\$104,750,688 44	\$129,020,932 45
1874.....	1,738,930,750	107,119,815 21	147,541,314 74
1875.....	1,722,676,300	103,093,544 57	142,243,361 82
1876.....	1,710,685,450	100,243,271 23	119,469,726 70
1877.....	1,711,888,500	97,124,511 58	186,025,960 73
1878.....	1,794,735,650	102,500,874 65	256,823,612 03
1879.....	1,797,643,700	105,327,949 00	249,080,167 01
1880.....	1,723,993,100	95,757,575 11	201,088,622 85
1881.....	1,639,567,750	82,508,741 18	249,363,415 35

NATIONAL-BANK CIRCULATION.

January 14, 1875.....	\$351,861,450
May 31, 1878.....	322,555,965
Contraction.....	29,305,485
Amount legal tender January 14, 1875.....	382,000,000
On May 31, 1878.....	346,684,016
Contraction from January 14, 1875, to May 31, 1878.....	35,318,984
Contraction of paper currency in two years and five months.....	64,624,469

(See Comptroller's report, 1881, page 146.)

The above tables show that under the deceptive pretense of specie resumption our specie-basis financiers contracted the legal-tender currency \$35,318,984 during the three years from 1875 to 1878. The national banks contracted their circulation \$29,305,485 during the same period. The national interest-bearing debt was increased \$72,000,000 during the same period. All this contraction of the currency and increase of the interest-bearing debt was made while there was a continual increase of population, and the people were suffering hard times caused by previous contraction of paper money and the demonetization of silver. Who shall be held responsible for this specie-basis absurdity, this pagan idolatry which annually robs the people of millions of dollars called interest, and withdraws from the circulation hundreds of millions, the life-blood of industry?

The above table shows the increase of the total interest-bearing debt from 1873 to 1880 to be \$13,509,150. The table also shows the hundreds of millions of dollars held out of the circulation during seven years, while the people were suffering hard times for the want of that money and paying millions of dollars of unnecessary interest

upon the bonds. The Secretary of the Treasury in his annual report, November 1, 1881, says the amount of outstanding bonds bearing  $3\frac{1}{2}$  per cent. interest, payable at the pleasure of the Government, is \$563,380,950. The Secretary also reports cash in the Treasury, \$249,363,415. The Director of the Mint reports \$123,006,188 at the mints and assay offices in coin and bullion.

We have coined a portion of that material into money; the remainder we hold in bars ready for the commerce of barbarous nations. It is our right to use these accumulated metals to stop interest upon bonds. They are adapted to the intelligence and demands of the bondholders of 1869; make them take the metal or legal-tender paper, and stop interest. Give the creditor the option of metal or the legal-tender non-interest-bearing paper, and we have such confidence in their intelligence and civilization that we have no doubt that our interest-bearing debt would be paid, with as many millions of gold and silver dollars left in the Treasury as at the present hour.

#### CONTRACTION IN THE UNITED STATES.

The silver commission, composed equally of Democrats and Republicans, and presided over by a distinguished Republican Senator, Mr. JONES, of Nevada, say concerning the effect of this contraction, on page 59 of their report:

If all the debts in this country had been doubled by an act of legislation, it would have been a far less calamity to the debtor and to the country than the increase in their real burden already caused by a contraction in the volume of money. And infinitely more disastrous in every sense than an unjust increase in the burden of debt is the universal stagnation of industry and commerce, resulting from the same cause.

Senator SHERMAN, on the 27th of January, 1869, predicted this very result in the following language:

It is not possible to take this voyage [of contraction] without the sorest distress to every person except a capitalist out of debt, or a salaried officer or annuitant; it is a period of loss, danger, lassitude of trade, fall of wages, suspension of enterprise, bankruptcy, and disaster.

Silver commission, pages 25, 10, 115, 35, 187, 4, volume 2, for 1876-'77:

A shrinking volume of money and falling prices always have had and always must have a tendency to concentrate wealth, to enrich the few, and to impoverish and degrade the many. This tendency is subtle, active, and portentous throughout the world to-day. \* \* \* An increasing value of money and falling prices have been and are more fruitful of human misery than war, pestilence, or famine. They have wrought more injustice than all the bad laws which were ever enacted. \* \* \* It is one of the admitted advantages of our present system of irremediable paper that it shelters us from the recurring demands for gold by the Bank of England. \* \* \* Nothing can be more certain than that the production of the precious metals bears no scientific relation to the increase or decrease of population or commerce, which alone should govern the increase or decrease of the stock of money. \* \* \* If Congress can demonetize silver it can demonetize gold, or both gold and silver, and can monetize any substance or any form of paper. Narrowing money to gold is for the intended although really doubtful advantage of creditors, but they have more to lose than to gain by affirming a power which can so easily be used in a different direction and to their ruin. \* \* \* Manifestly the real reason for the demonetization of silver was the apprehension of the creditor classes that the combined production of the two metals would raise prices and cheapen money unless one of them was shorn of the money function. In Europe this reason was distinctly avowed.

The silver commission of the second session of the Forty-fourth Congress, page 55, says:

When the money stock is diminishing and prices are falling the lender not only receives interest but finds a profit in the greatly increased value of the principal when it is returned to him. A loan of money made in 1869, if repaid in 1843, would have been repaid with an addition of 145 per cent. in the purchasing power of principal and interest besides all the interest paid. Those who have loaned money to this Government since 1861 have already received nearly as much in the increased value of their principal as in interest; and all the probabilities are, in respect to the 4 per cent. thirty-year national bonds now being negotiated, if they are redeemed in gold, that more profit will be made by the augmentation in the value of principal than through interest. Indeed the signs of the times are that the bonds of a country possessing the unbounded resources and staple institutions of the United States payable in gold at the end of thirty years without any interest whatever would, through the increase of the value of that metal, prove a most profitable investment.

#### EFFECTS OF A SHRINKING VOLUME OF MONEY ON PRODUCTIVE INDUSTRY.

The worst effects, however, economically considered, of falling prices is not upon existing property nor upon debtors, evil as it is, but upon laborers whom it deprives of employment and consigns to poverty, and upon society, which it deprives of that vast sum of wealth which resides potentially in the vigorous arms of the idle workman. A shrinking volume of money transfers existing property unjustly and causes a concentration and diminution of wealth.

It also impairs the value of existing property by eliminating from it that important element of value conferred upon it by the skill, energy, and care of the debtors from whom it is wrested. But it does not destroy any existing property, while it does absolutely annihilate all the values producible by the labor which it condemns to idleness. The estimate is not an extravagant one that there are now in the United States three million persons willing to work, but who are idle because they cannot obtain employment. This vast poverty-stricken army is increasing and will continue to increase as long as falling prices shall continue to separate money capital, the fund out of which wages is paid, from labor, and to discourage its investment in other forms of property. Under the false pretense that the legal-tender money depreciated because of the amount in circulation, the specie-basis doctors enacted a law in 1865 providing for the contraction of the currency, which caused a contraction in three years of \$372,354,779, according to the Treasurer's report in 1868.

President Grant, in his message of December, 1873, said:

During the last four years, (from 1869 to 1873) the currency has been contracted by the withdrawal of the 3 per cent. certificates, compound-interest notes, 7-30 bonds, outstanding on the 4th of March, 1869, all of which took the place of legal tenders in the bank reserves to the extent of \$630,000,000.

We have had a history of shrinkage of values and universal paralysis of industry, of hard times, of bankruptcy, pauperism, fearful suffering and crime, similar to that of all other nations, when metal-money idolaters, usurers, and Shylocks have contracted the currency in the interest of the few to rob the many.

The mercantile agency reports show the number of failures in business in the United States increased in proportion to the shrinkage of the currency. In 1865, with the most liberal currency, at the close of the late war, we only had 540 failures, with liabilities equal only to \$8,579,000. The number of failures increased annually with the shrinkage of the currency. In 1868 there were 2,608 failures; in 1869, 2,733 failures; in 1870, 3,551 failures; in 1872, 4,060 failures; in 1873, 5,183 failures; in 1874, 5,830 failures; in 1875, 7,740 failures; and in 1878 there were about 10,000 failures, with liabilities of \$234,000,000. The extensive railroad strikes; the riots at Pittsburgh, Chicago, Saint Louis, and other large cities; the universal suffering and unrest among the people; the organization of the laboring classes to discuss the great subjects of taxation, transportation, and finance, and to learn why the wealth-producers were struggling under mortgages upon their homes, paying high rates of interest, deprived of the comforts of life, while the number of millionaire money-speculators were increasing in the Eastern cities, all these influences, together with the organization of a new political party, called the attention of Congress to the fact that the people were becoming too intelligent to be made slaves under the pusillanimous pretense of contracting the currency to establish specie resumption.

During a period of years previous to contraction the people had been prosperous without gold or silver. They had learned too much to again submit quietly to the sham pretenses of bankers and specie-basis schemes.

In 1878 Congressmen began to read the handwriting upon the wall. They stopped the destruction of the people's money, upon which they were paying no interest to bankers. They remonetized silver in spite of the wonderful wisdom of the Secretary of the Treasury and the veto of the President; they began to increase the currency, and there has been a corresponding prosperity since 1878. The education of the people has caused more favorable legislation for the industrial classes of the country. The people discovered that hard times were caused by unjust laws.

David Hume, in his correspondence with the Abbé Morellet, said:

In our colony of Pennsylvania the land itself, which is the chief commodity, is coined and passes into circulation. A planter immediately on purchasing land can go to a public office and receive notes to the amount of half the value of his land which notes he employs in all payments, and they circulate through the colony by convention. To prevent the public being overwhelmed by this representative money there are two means employed: first, the notes issued to any one planter must not exceed a certain sum, whatever may be the value of the land; secondly, every planter is obliged to pay back into the public office every year one-tenth of his notes. The whole is, of course, annihilated in ten years, after which it is again allowed him to take out new notes to half the value of his land. This was the monetary system under which the American colonists prospered to such an extent that Burke said of them, "Nothing in the history of the world is like their progress." It was a wise and beneficial system, and its effects were most conducive to the happiness of the people. Take the case of a family, industrious and enterprising, driven by persecution or misfortune to seek a refuge in the wilds of the New World. With their scanty means they purchased a tract of land. Many years of hard labor, privation, and anxiety would have been necessary to bring that family into a state of decent competency had they been required to purchase gold and silver by labor and by the produce of labor before they could effect other improvements of their property. But half the value of his land was advanced to the head of the family in notes, which circulated as money. With these notes he could hire labor and purchase implements of husbandry and cattle, and thus where without these notes one acre could be cleared, cultivated, and stocked in a year, ten would, by the assistance of the paper money advanced, be reclaimed from the forest and rendered productive.

Thus hope entered the dwelling of the poor emigrant. Ten years found him with the whole of his debt to government discharged, the proprietor of a happy home; and the kind hand of a paternal government was stretched out still to advance to him again one-half of the increased value of his land, and thus enable him to clear more of the forest and to settle his children in new homes. Such was the system by which a people called by the British "a set of miserable outcasts" were converted in a short space of time into happy, contented, and prosperous colonists.

A prosperous people are generally well satisfied with the form of government under which they live. When, in 1776, Dr. Franklin was examined before a committee of the whole House of Commons, he was asked, "What was the temper of America toward Great Britain before 1773?" He answered, "The best in the world. They submitted willingly to the government of the Crown, and paid in all their courts obedience to acts of Parliament. Numerous as the people are in the several old provinces, they cost you nothing in forts, citadels, garrisons, or armies to keep them in subjection. They were governed by this country at the expense only of a little pen, ink, and paper. They were led by a thread. They had not only a regard but an affection for Great Britain, for its laws, its customs, its manners, and even a fondness for its fashions that greatly increased its commerce. Natives of Britain were always treated with particular regard; and to be an Old England man was of itself a character of some respect, and gave a kind of rank among us."

The British Government took away from America its representative money, commanded that no more paper bills of credit should be issued, that they should cease to be a legal tender, and collected the taxes in silver. This was in 1773. Now mark the consequences. This contraction of the circulating medium paralyzed all the industrial energies of the people. Ruin seized upon these once flourishing colonies; the most severe distress was brought home to every interest and every family; discontent was urged on to desperation, till at last "human nature arose and asserted its rights." In 1776 the American Congress first met in Philadelphia; in 1776 America became an independent state.

The paper currency of the colonies, issued by the people in the interest of the whole people instead of a few conspirators, laid the foundation of great prosperity, and eventually gave birth to the great American Republic. The immense population of the Chinese Empire has used a similar paper currency for the last thousand years. The

currency of the Venetian Republic was also based upon the credit of the people. Let the gold idolaters who teach that paper money "must be instantly redeemable in the single commodity of gold" learn from the history of the Venetian Republic that, during a period of several hundred years, the credits of that people, without any specie basis, were worth 20 per cent. more than the purest gold.

VENETIAN MONEY.

The historian says:

In 1171 the Republic of Venice was engaged in one of the periodical contests with the Emperor of Germany, Frederic I, otherwise known as Frederic Barbarossa, and at the same time it had to equip a fleet against the Emperor of Greece. Rich as the republic was, it now stood sorely in need of money. After much deliberation in the Council of Ten, as to the best way of raising the necessary funds, it was determined to levy a forced loan upon its most opulent citizens. The money thus collected was used to stock a bank, called the Bank of Venice, each contributor becoming a shareholder and entitled to a 4 per cent. annual dividend on his loan to the state. These forced loans were entered in a book; and as, in course of time, some contributors found themselves pressed for money, they proposed to transfer to their creditors their credits on the books of the bank in lieu of money payment. In this way such transfers gradually became recognized as a very convenient way of settling accounts; and this facility of transfer, coupled with the security, guaranteed by the power and wealth of the republic, led to a very rapid circulation of the loan. Gradually all the chief merchants and capitalists of Venice desired to have a share of it. The subsequent operations of Banco Del Giro of Venice, as a means of interchange, are thus described by Mr. Colwell, page 295:

"If there were a thousand accounts opened in the bank by the chief men of trade in Venice they would be all paying as well as receiving, and the sums to be paid would be mainly to each other. There would, therefore, be a vast sum in the aggregate, payable yearly by persons in Venice to persons in Venice. If the whole number of such persons be taken by conjecture, as above, at a thousand, then nearly the whole sum owing by them would be receivable by all of them.

"It would, to a large extent, be a mutual debt among the thousand, each one having to pay to others not far from the same amount he receives. If the whole sum to be paid and received annually was a hundred and twenty millions the monthly payment would be ten millions, and the daily over three hundred thousand. The amount of bank funds which would be sufficient to meet such a daily, monthly, or yearly aggregate, experience and time alone could teach. It would depend on the rapidity of the movement, or the regularity with which the paper matured; on the degree of confidence subsisting among the parties which would lead them to favor each other by short loans, &c. The whole fund of the bank would thus move in a circle among its customers, each one receiving and paying yearly according to the extent of his business."

There was, however, another element of dissatisfaction with metallic money or coin which must be mentioned in this connection, and which contributed greatly to the popularity not only of the Bank of Venice but of all the other banks that subsequently arose and followed in its footsteps, though more or less enlarging its original functions. This element of dissatisfaction was that the difficulties encountered in the use of coins had become too great and manifold for endurance. Robbery, shipwrecks, and piracy threatened the possessor of coin in every way. Besides, there was the secret and nefarious practice of abstracting from the value of the coins by plugging, gutting, and sweating, not to mention the art of counterfeiting, which had an easy time of it with metallic coins. But, worse than all, there was inexorable time, subject to no arrest, indictment, or punishment, which deteriorated those coins within a few years from 10 to 20 per cent. by their mere use as a circulating medium, and thus destroyed their legal-tender quality.

Paper transfers were attended by no such risks. If in the shape of checks or bills of exchange, they could easily be concealed so as to escape the eye of the most practiced thief, and if they were payable to the order of the holder, they could not be stolen and transferred without his indorsement. Time could not touch them and deprive them of their original value; for if worn out they could be replaced, and if burnt or sunk in the seas, they could be reissued. Nor was it an easy matter to clip paper money profitably; and as for counterfeiting, it is a well known fact that a well-engraved bank note is far more safe against it than the purest gold or silver coins. The best coin counterfeiters ever made in this country were of the old Mexican dollars, which were of unusual silver purity. This is the reason why in China the use of coins, except when weighed by Government officials, is altogether prohibited, and that the use of paper money has been substituted in lieu of it. In short, the very ground why gold and silver are commonly esteemed superior money, namely, that they are supposed to be of great intrinsic value, is one of the reasons which makes them useless for the purposes of circulating money. It is that intrinsic value which spoils their usefulness by inviting theft, counterfeiting, clipping, plugging, gutting, and sweating.

Soon after the first issue, the paper transfers of Venice were made a legal tender, and the effect was to make this paper the most desirable currency without any specie basis.

During a period of six hundred and twenty-six years, from 1171 until the country was conquered by Napoleon in 1797, this paper currency was the best money of the republic. The historian says:

Neither book, nor pamphlet, nor speech have we found in which any merchant or dweller in Venice ever put forth any condemnation of this money. The facility of payment in this money made it the admiration of Europe, honorable at once to the government and merchant of Venice, and a support to the pride and power of its people consisted in substituting as a medium of payment the debt of the republic for current coin.

"It was perfectly understood that no coins passed, neither any right to any, on a transfer in this currency." This money was worth 20 per cent. more than gold coin during a period of over four hundred years, notwithstanding "the Venetian gold ducat was held in high repute, far and wide, for its purity."

The historian says:

To comprehend this extraordinary fact of a credit on the books of a bank, with no money in its vaults, and not bound to make that credit good in later times, even by the payment of interest, or to reduce it in any way, having been for hundreds of years at a high premium over gold and silver, we need only remember that these credits were the funds in which debts were chiefly paid. (See Darius's History of Venice, volume 3, page 72; Caldwell's Credit System, page 288; B. A. Hill's Absolute Money.)

Our credits, \$346,681,016, made a full legal tender, are worth more than gold. We have shown this by the testimony of the Secretary. We have shown our constitutional right to use this legal tender. Will the bullionists, specie-basis bankers, their attorneys, and sub-

sidized presses please give some reason why the American people should not be allowed to use more legal-tender currency in the place of national-bank paper and the interest-bearing bonds? Is it repudiation to pay in this credit money, preferred by creditors and worth more than gold? Is not the credit of thirty-eight American States with fifty million of people and \$40,000,000,000 of wealth as good as that of the little Venetian Republic?

Specie basis has always been a delusion and an absurdity—that is, the specific redemption in a single commodity. A legal tender for all purposes is a currency redeemable in gold, silver, and all other commodities. No foreign wars can remove its basis, no panics, no revolutions in trade can possibly affect it. Its legal value, established by the sovereign power of a great nation which controls all products and all commodities, will not be questioned by loyal American citizens who have become familiar with the history of their colonial ancestors, whose prosperity was identified with their legal-tender paper money, and who gave us a nation without gold. Remove the legal-tender character of metal money, and it becomes irredeemable. Gold is not redeemable in the greater part of Asia. Silver is not redeemable in Turkey, Brazil, and many other countries. It was demonetized in this country from 1873 until 1878.

The following statement shows the profits of banking, (Tooke on Prices, volume 6, page 749:)

The net profits of all the banks in the United States:  
 In 1836, 15 per cent.  
 In 1837, 13 per cent.  
 In 1838, 18 per cent.  
 Between 1838 and 1852 the net profits only once fell as low as 8 per cent. That was in 1840.  
 In 1852 the net profits reached 19 per cent.  
 In 1853 the net profits reached 32 per cent.

Yet these banks during sixty years previous to the late war caused a financial crisis and hard times as often as once in eight or ten years. The people had become accustomed to being robbed and ruined periodically. This grand system of swindling was called specie-basis banking. The people were told by subsidized presses that this was a subject that common people could not understand; that the volume of currency would regulate itself. Webster said:

There never has been devised by man a plan more specious by which labor could be robbed of the fruits of toil than the banking system. The people not only take bank paper as money, paying interest on it at enormous rates, but when the banks suspend the people lose the discount, while the bankers gain it. The people wonder why financial panics occur so frequently. I can tell them why. It is to the interest of the bankers and brokers that they should occur. It is one of the specious methods by which these despotic and utterly useless knaves rob the producing, the manufacturing, and the mercantile classes of their honest earnings. It is one of the chief plans by which this infamous ring is riveting the chains of slavery upon the limbs of labor. It is one of the chief means adopted to build up a money aristocracy that shall live in idle luxury and ape the pretentious airs of European nobility.

Capital and net earnings of national banks from 1869 to 1881. (Comptroller's report for 1881, page 61.)

	Capital.	Total net earnings.
September, 1869.....	\$401,650,802	\$29,221,184
March 1, 1870.....	416,366,991	28,996,934
September 1, 1870.....	425,317,104	26,813,885
March 1, 1871.....	428,699,165	27,243,162
September 1, 1871.....	445,999,264	27,315,311
March 1, 1872.....	450,693,766	27,562,539
September 1, 1872.....	465,676,023	30,572,891
March 1, 1873.....	475,918,683	31,926,478
September 1, 1873.....	488,100,951	33,122,000
March 1, 1874.....	489,510,323	29,544,120
September 1, 1874.....	489,938,284	30,036,811
March 1, 1875.....	493,568,831	29,136,007
September 1, 1875.....	497,864,833	48,800,217
March 1, 1876.....	504,209,491	23,097,921
September 1, 1876.....	500,482,271	20,540,231
March 1, 1877.....	496,651,580	19,592,962
September 1, 1877.....	486,324,860	15,274,028
March 1, 1878.....	475,609,751	16,946,696
September 1, 1878.....	470,231,896	13,658,893
March 1, 1879.....	464,413,996	14,678,660
September 1, 1879.....	455,132,056	16,873,200
March 1, 1880.....	454,080,090	21,152,784
September 1, 1880.....	454,215,062	24,033,250
March 1, 1881.....	456,844,865	24,452,021
September 1, 1881.....	458,934,485	29,170,816

The estimated losses to creditors from the failures of national banks during the eighteen years since the passage of the act, is \$6,270,000. (Comptroller's report, page 3, 1881.) Making an estimate from the net profits as shown by the above table, if the banks were to issue all the currency, what time would be required to absorb all national wealth? Would there be any loss to creditors, would there be any necessity for paying high salaries to thousands of bank officers and agents, if all money were issued by the Government?

SPECIAL PRIVILEGES GRANTED TO NATIONAL BANKS.

1. The Government holds their bonds in safe-keeping for them without charging them a cent for the favor.
2. It collects the interest on their bonds from the people and pays it over to them free of charge.

3. It furnishes them with \$900 of bank notes as a free gift to loan out for every \$1,000 of bonds they deposit with the Government.

4. It allows them to draw interest on their bonds (i. e. the people's bonds) and their own bank notes at the same time—a twofold interest.

5. It imposes no tax either on their bonds or on their money, but exacts that much more off the people.

6. It places \$800,000,000 of the people's money, called "the deposits," in their possession to speculate on and establish banks on.

7. It allows them to draw interest both on what the Government (the people) owe them and what they owe the people.

8. It authorizes the Treasurer to pay them one year's interest in advance, that they may have it to speculate on.

9. A law enacted for their special benefit on June 20, 1874, authorizes them, after they have flooded the country with their notes, and inflated prices of all property to high figures, to suddenly contract their circulation, and thus contract and prostrate business and ruin the country.

10. The law (January 19, 1875) authorizes them, after they have invested very largely in the property they have thus reduced to half price, to inflate their circulation again and raise prices so that they can make larger fortunes by selling at high prices the property they had bought up for a trifling sum.

Has the Government bond, upon which the national bank is based, any better security than the legal tender?

The people have been educated upon the currency question within the last six years as never before. They demand their own legal-tender money in preference to any other. It has been ascertained by a careful estimate of gold coins in circulation in various countries that the loss by wear is equal to one-fiftieth every year. There is no redemption for this loss. The legal tender when worn is redeemed with a new issue. The constant wear of the circulating coin currency and the immense increase of population and the increasing business of civilization make it impossible for statesmen, with a reasonable allowance of business intelligence and integrity, to advocate any limitation of the business of the world to any metal. It is estimated by some statisticians that every dollar of gold raised in the mines of California has an average cost of \$2 to get it.

One very intelligent lawyer, like the distinguished Senator from Delaware, proposes to prohibit marriages and limit the population to the metals. This would be no more absurd or ludicrous than all other arguments of specie-basis men. Rome fell into barbarism because the population outgrew the metals. The pretense of specie basis of any kind is a fraud. The promise to pay in specie is generally a lie. The system teaches people to deceive, to be dishonest. It is a confidence game from first to last. The growth of population, of civilization, and of business by means of labor-saving machinery, of the discovery and utilization of steam, within the last sixty years, has been fifteen hundred to one, while there has been no such corresponding increase of gold and silver. As well attempt to move the freights of the world with ox-carts instead of freight-trains and steamboats as to talk about limiting the commerce of the world in any degree to any metal. It is not only disrespect for government but it is an insult to the intelligence of the American people. Harvey, an English political economist, pages 34 and 39, says:

The plain fact is that the vast commercial and industrial transactions of this country cannot, by any ingenious contrivance, be carried on securely for any length of time with a circulation based upon or even nominally convertible into gold. There is not gold enough in the world. With a gold standard all the energies of the country are circumscribed and overpowered.

These public debts, if looked into closely, are only a machinery for mortgaging the labor of generations unborn, adding to the constantly increasing power of the moneyed or creditor interest.

In 1830 the contraction of the currency in France caused hard times and the organization of the communes. In 1847 the contraction of the currency caused a reorganization of the communes and the revolution of 1848. In 1870 the French people had a war with Germany. They were whipped in war, but victorious in peace. They issued \$620,000,000 additional paper currency, made a full legal tender, kept at par with gold without specie basis; employed their population in the manifold industries of the country. The immense increase of the products of the country for exportation enabled them by these products to purchase bills of exchange to pay this stipend of \$1,000,000,000 to Germany within twenty-seven months from June 1, 1871, completing the payment of their national debt September 5, 1873. The large products of industry, the fruits of a full legal-tender paper currency, continued to bring gold from other nations and gave prosperity to France.

On the other hand, Germany was victorious in war and whipped in peace. She contracted her paper currency and demonetized her silver, paralyzed her industries by such contraction, filled Germany with unemployed and hungry men. Thousands sought employment in prosperous France. Our own history is similar to that of Germany. We were victorious in war, but most unmercifully whipped by the specie-basis conspirators in peace. A large portion of our paper currency was destroyed, our silver demonetized, and an unnecessary interest-bearing debt spread over the American people. This was not the result of accident or of ignorance; it was premeditated legislation in the interest of the few to enslave the many.

Partisan leaders seem to learn nothing from history. The gentle-

man from New York, [Mr. HEWITT, Democrat,] says, (CONGRESSIONAL RECORD, March 30, 1882:)

The resources of the country had been overstrained and exhausted by the expenditures of the war, and by the "delirium" of an "inconvertible paper currency," which produced an unnatural exhilaration in the industrial system. The reaction was necessarily severe. It did not and could not cease until the currency was placed on the solid basis of convertibility into gold, the universal standard of value in the world of commerce.

Now, the result of the cessation of the era of depression, stagnation, rest, and recuperation which followed the panic of 1873, and of the revival of business was due to the substitution of good money for bad money.

Will the gentleman please tell us what he means by the substitution "of good money for bad money?" Does he mean the remonetization of silver and the coinage of about \$100,000,000 of those silver coins which he called "inferior, cheap, and cheating fiat dollars" in his speech of February 19? Or does he mean the many millions of gold coins which have been deposited in the Treasury in exchange for legal-tender paper money or silver certificates redeemable in those "cheap and cheating" fiat silver dollars? Does he mean that the \$346,681,016 legal-tender paper ordered into the circulation as permanent money in 1878 and now worth a premium over gold was the good money which gave us greater prosperity? Was the receiving of legal-tender paper for import duties, which made the paper worth more than gold, what the gentleman means by "substitution of good money for bad money?" Does not the gentleman understand that the \$400,000,000 added to the currency since 1878 has given corresponding vitality to every industry? That it was contraction of the currency that caused hard times and inflation that has given us renewed life and energy?

The honorable gentleman from Iowa, [Mr. KASSON, Republican,] in his speech of March 28, 1882, said:

But, say gentlemen, how about the disaster of 1873! I see the question in the smiles on the faces of my friends over the way. The answer to that is very evident, that under the influence of overproduction both at home and abroad extravagant enterprises were inaugurated, in railroads especially, with great inflation of credit. The first great railroad that broke down took others, the whole iron industry, and the whole system of credit down with it. Then commenced the toppling of connected industries and credits, and one after another all went down. The same disaster went over free-trade England and all Europe, for the same overproduction was there. But now mark the sequence of the history of that disaster. Which was the first country to recover? Was it a European free-trade country, like England? On the contrary, we were the first country that began to recover from that disaster of overproduction.

The gentleman from New York [Mr. HEWITT] says:

We can all recollect such periods in our history, and know what depression, distress, and general disaster such a surplus of products not needed for consumption is sure to entail; our very abundance becomes the source of our misery.

The most skillful Democratic and Republican bank and bullion doctors, after many years of legislative experience and philosophical research, have at last solved the great problem, and philanthropically donate to the world their most profound conclusions.

We give the explanation of the cause of hard times and good times, as taken from the speeches of two distinguished party leaders. From these speeches we learn that the American people suffered during many years because of "the delirium of an inconvertible paper currency," and because of the great "disaster of overproduction." The people are informed that they suffered hunger because they had too much food; that they were ragged and barefooted because they had too many boots and clothes; that all industries were paralyzed and the land filled with tramps because we had a surplus of products and too much "inconvertible paper currency." If the victimized people should happen to discover that they were not made "miserable" by a "surplus of products" and too much "bad money," (that is, money that does not pay toll to money-kings,) but that they were made to suffer hard times because of special laws made in the interest of capitalists, the people might be willing to retire such law-makers, as these statesmen have provided for retiring our Army officers on large salaries after they are sixty-two years of age.

That the people are made "miserable" by "a surplus of products," the "great disaster of overproduction." Hence the legitimate conclusion of both political parties, that the laboring classes and producers of wealth are made happy and prosperous by making laws granting special privileges to large manufacturers for high protective tariffs; to railroad companies unlimited charges; bullionists and bankers high rates of interest, in order to remove the great burden of "bad money" and "surplus products" from the people. That the people may not be made "miserable" with "surplus products" and too much "cheap and cheating money," as the gentleman from New York calls it, \$300,000,000 will be kept idle and the people compelled to pay interest upon bonds and to pay high tariffs to keep them from being afflicted by another great "disaster of overproduction." The policy of these political leaders appears to be to permit the capitalists of Wall street to take a large proportion of those "surplus products" (the honest earnings of the laboring classes) and allow a few millionaires only to suffer the "misery" caused by the "great disaster of overproduction."

In regard to "inconvertible paper currency," General Grant says, in his message of December 1, 1873:

The experience of the present panic has proven that the currency of the country, based as it is upon the credit of the country, is the best that has ever been devised. Usually in times of such trials currency has become worthless, or so much depreciated in value as to inflate the values of all the necessities of life as compared

with the currency. Every one holding it has been anxious to dispose of it on any terms. Now we witness the reverse. Holders of currency hoard it as they did gold in former experiences of a like nature.

The gentleman from New York will please notice this testimony. "Inconvertible" paper money in 1873. No specie basis. Paper money, "based as it is upon the credit of the country, is the best that has ever been devised." This was before the enactment of a law for specie resumption. This is the kind of "bad money" together with "surplus products" that caused hard times, according to the latest teachings of modern Democracy.

We would call the attention of the gentleman from New York to the language of the political economist, Colwell, page 101. He says:

Among savages the precious metals are, no doubt, directly compared with the articles for which they are bartered. With them it is literally so much of one thing for so much of another. It is not so in civilized life, where commodities are very seldom sold with any thought of payment being exacted in gold or silver.

Civilization settles the question that "money is that which the law requires the creditor to receive in payment for debts."

We see that the legal-tender, fully sustained by the Supreme Court, has saved the expense of purchasing bullion, \$346,681,016, and has saved in simple interest upon the 5 per cent. bonds to purchase bullion, in twenty years, \$346,681,016, an aggregate saving to the people of \$693,362,032. If we had used bank paper, \$350,000,000, based upon bonds at 5 per cent., the cost in interest upon bonds would have been \$350,000,000.

If we had used gold the cost of bullion would have been \$350,000,000, and the simple interest at 5 per cent. upon the bonds to purchase the bullion during twenty years, \$350,000,000 more, making an aggregate cost of \$700,000,000.

If we had used standard silver dollars costing eighty-eight cents each for the bullion, saving twelve cents on each dollar by "fiat," the \$350,000,000 of money would have cost the people \$308,000,000 for the bullion and \$308,000,000 more for the interest upon bonds during the twenty years, making an aggregate of \$616,000,000 for that amount of currency during twenty years. This would have saved to the people \$84,000,000 by the use of fiat silver; \$66,000,000 of silver certificates, redeemable only in this "cheap and cheating fiat" silver money are in circulation as money; \$38,000,000 of gold coin have been deposited in exchange for such silver certificates, business men preferring the certificates based on this "fiat, cheating" money to gold coins. According to the report of the Director of the Mint, page 36, the people gained by "fiat" profits on standard and silver dollars coined during the year previous to June 30, 1881, the sum of \$3,346,949.99, and "fiat" profits on the manufacture of minor coins \$274,423.73.

Would not bullion certificates, which are preferred to either coin, and which would save the expense of coinage, and also the loss by wear or abrasion, be better for the people than either gold or silver coins? The people prefer the legal-tender greenback currency which pays no tolls to bullionists or bankers. The idea of any necessity for commodity value in money, belongs to an age of barter, and not to an age of civilization. The people will see what kind of money pays them best, that which gives freedom and prosperity, or that which makes them serfs and slaves to a capitalistic aristocracy.

It is morally criminal to place the producers of wealth at the mercy of capitalists by special legislation, as was done in this country during a period of years from 1865 to 1878, contracting the currency hundreds of millions of dollars under the false pretense of reaching a specie basis. The American people hold those specie-basis legislators responsible for the financial crisis of 1873, for the hard times during ten years previous to 1878. The people hold those men responsible for the sacrificing of the homes of hundreds of thousands of industrious and innocent people and for filling the land with thousands of bankrupts, paupers, and criminals.

The people hold those legislators responsible for the unjust laws which caused 3,000,000 able-bodied men to be thrown out of employment and forced to beg for work and for bread during those long and fearful years of suffering. The silver commission estimated the number of tramps at 3,000,000. If those men could have been employed at \$1 each per day, three hundred working days each year, \$900,000,000 per year, equal to \$7,200,000,000 in eight years, a sum of money would have been realized sufficient to purchase a country 1,000 miles in width and 1,125 miles in length, at \$10 per acre.

Those legislators should be held responsible for railroad strikes and destruction of property, for the suffering and starvation of thousands of men, women, and children. Those specie-basis legislators should be held responsible for unjust laws designed to make the rich richer and the poor poorer. They should be held responsible for the thousands of disheartened bankrupts and paupers who fill the graves of suicides. No language can express the just indignation of a long-suffering people, through a period of many years of hard times, caused by a series of special laws designed for special purposes.

Table showing the increase of currency in the United States since 1878.

There was an increase of currency from January 1, 1879, to November 1, 1881, of—

Gold coin.....	\$284,258,845
Silver coin.....	79,463,562
National-bank paper.....	36,552,576
Amount of increase within two years and ten months.....	400,274,983

(Comptroller's report, December 5, 1881.)

	January 1, 1879.	November 1, 1879.	November 1, 1880.	November 1, 1881.
Gold coin.....	\$278,310,126	\$355,681,532	\$453,882,692	\$562,568,971
Silver coin.....	106,573,803	126,009,537	158,320,911	186,037,365
Legal tender.....	346,681,016	346,681,016	346,681,016	346,681,016
National bank.....	323,791,674	357,181,418	343,894,107	369,244,250
Total.....	1,055,356,619	1,165,553,503	1,302,718,726	1,455,631,602

The large increase of money in the United States since 1878, as shown by the Comptroller's report, has given new vitality to all the industries of the country. As contraction of the volume of money caused hard times, so inflation gives us prosperity. This is the simple repetition of the history of all nations in all ages. Those millions of unemployed and hungry men who were scandalized and imprisoned, and who were put in chain-gangs as tramps, by those who had robbed and starved them through unjust legislation, have been awakened to new life and hope as honest and industrious Americans. During the year 1880 those industrious people built 8,174 miles of new lines of railroad, and in 1881 an additional amount of 8,242 miles of road, and all other enterprises have been developed in proportion. Should not those heartless specie-basis law-makers be held responsible for the contraction of the currency during ten years? With the pages of history open to every American child, shall those men be allowed to plead ignorance in justification of such national wrong?

When we read of the James brothers, of the outlaws of the mountains wrecking occasionally a railroad train, we are struck with horror at such human depravity. But how much more alarming are the consequences when all of our industries are paralyzed, a whole nation prostrated in fearful gloom during a period of years by a series of premeditated unjust laws? Can there be any just retribution for the dwarfed childhood and crushed manhood caused by this specie-basis idolatry?

A few years since chattel slavery was the corner-stone of the American Republic. To doubt the divinity of this institution was a heresy not to be tolerated. To-day the Rothschilds and their agents in Wall street dictate reverence to their gods of gold, the limitation of commerce, and American civilization to their system of paganism, by means of which the nations have been cursed and enslaved. A grand army of 500,000 brave, conscientious, and intelligent voters, with the flags of Jefferson and Franklin, are moving fearlessly and rapidly upon the enemy's works. We say to those specie-basis conspirators, who stopped the growth and progress of the American States during a period of many years, and caused hard times in spite of God's sunshine and rain and bountiful harvests—the past is yours, but the future is ours.

In behalf of the American people, who have confidence in a government by the people and for the people, we demand that the people's currency, unjustly taken from the people and destroyed, or put into an interest-bearing debt, shall be restored to the circulation as currency instead of drawing interest in bonds or stored at great expense for safes and watchmen lying idle in the Treasury, while the people are compelled to pay interest upon hundreds of millions of dollars of unnecessary bonds.

We have shown by the testimony of the Secretary of the Treasury that the creditors prefer the legal-tender paper to gold or silver. Why not let them have it and stop interest? We had an immigration equal to 593,703 people during the year 1880, and 720,045 during the year 1881. We have reason to expect even a larger immigration in future years. We demand an increase of the currency equal to the increase of population and the increasing demands of business.

We question the policy, the wisdom of Government purchasing hundreds of millions of dollars' worth of gold, silver, iron, lead, wheat, cattle, or any other commodity and holding it without use at great expense to strengthen the credit of our Government. The producers of wealth, the tax-payers, intelligent Americans, students of Jefferson and Franklin, want no such unjust legislation in the interest of money speculators, bankers, usurers, Shylocks, and Tories.

History proves that gold was never the money of a people struggling for freedom. The gold of King George paid armies to butcher, scalp, murder, and burn, during seven long years. Their bayonets were driven from this land without gold. When a few years since English pirate-ships preyed upon our commerce, they were driven from the seas without gold. During the fearful trials of the late war our soldiers were paid without gold.

This coin-idolatry has cursed this land, as it has cursed all lands, with periodical panics, hard times, and human slavery.

It affords an opportunity, a deceptive pretense, for a few men to control all the wealth and to absorb all the products of industry. Relieve the people of the absurd idea of the necessity of a commodity value in money, of the barter trade of barbarism; teach them that governments have supreme power to establish legal values for all of the exchanges of civilization, and you strike down the chains of slavery and remove the opportunity for the few to rob the many. This would allow the people to use that money which is now idle, to stop interest, to increase the circulation equal to the demands of business, and give employment to labor, develop the resources of the country, give greater encouragement to those who produce all wealth, and elevate our American people to a higher civilization.

Mr. BURROWS, of Missouri. Mr. Speaker, if Congress had one single mind and if its opinions could be uttered through the medium of one tongue, I would like to listen to the answer which this Congress would give to the questions which are suggested by the bill under consideration. This bill (H. R. No. 4167) is the result of a complex process of gestation in the Committee on Banking and Currency, and bears the title of "a bill to enable national banking associations to extend their corporate existence." As such it is a matter of serious import to the people I represent, as well as to the people of the United States at large; and I propose, Mr. Speaker, to discuss briefly, in a somewhat Socratic method, some of the salient features of this bill. The antithesis of the measure before us is the cornerstone of the National party, which I have the honor to represent in part on this floor.

The measure before us is the rock of offense of both the old parties of the country against the welfare and wishes of the people.

Were I to include, as I very properly might, upward of sixty Democrats and nearly a score of Republicans, with the little group of Nationals on this floor who owe their selection as Representatives here to their antagonism to the purposes of this bill, I might claim that no one measure, not even the tariff, had so vital a hold upon public sentiment, had so much to do with the character of this House and has so much to do with the character of the next two Congresses that are to meet here, as the measure which is being driven through this body with unbecoming and inconsiderate haste at the bidding of the favored few, the privileged class, the potent plutocrats, the commercial cliques, and the corporate cabals who demand the passage of this bill in their interests, with as little discussion as possible, and with all the speed that the fear of an awakened and growing public sentiment can urge to the flying feet of the financial pirates who are getting to their castle with the plunder of twenty years upon their backs, and seeking to have Congress bar the door against their pursuers by slipping the bolt of this bill as a law to guard their treasure for twenty years to come.

What, Mr. Speaker, I ask, is the reason for this bill? Speaking for the people generally who do not own banking franchises, and for the people of my own State and district in particular, I ask this Congress, What do you mean to do by passing this bill? Who ask for its passage? What interests are to be conserved? What evils are to be averted? What errors are to be corrected? And what benefits are to result, and to whom are the benefits to accrue from the passage of this bill? The bill proposes to extend the existence of a class of corporations that exist not for the purpose of producing anything, not for agricultural, manufacturing, educational, charitable, or even strictly commercial business purposes.

A class of corporations that add not a dime to the wealth or intelligence of the people; a class of corporations that in the present state of civilization do not contribute to society as much as a traveling circus that amuses the multitude, nor add to the security of our finances half as much as a modern iron safe that scarcely demands even the tithing of a patent royalty for a service that is actually greater than that of the associations known as incorporated banks throughout the whole Union; such a class of corporations are here demanding the sanction of Congress for a further lease of power for twenty years—to do what? Why, they propose to furnish the people with a paper currency that is as much superior to the old State bank currency as that was superior to the cowry of the African coast, says the representative of these banks.

I admit it; but I ask what of it? As the lawyers say, I demur to this statement. I wish to know why these corporations should be chartered to do that for the people which they can do so much better for themselves?

I would like some of the many gentlemen on this floor who are either the officers, directors, or stockholders of some of these national banks, and who will vote on this measure in which they have a direct pecuniary interest, or I would ask even those more judicial members, who favor this bill without a direct pecuniary interest, if they can give me one reason, just one good and valid reason, why they ask for the existence of a chartered monopoly or class to be created or perpetuated between the people and their Government that shall have delegated to it the sovereign power of issuing that which passes current as money in this country when the Government itself issues a paper currency as much superior to the notes or current debts of these national banks as their notes, when indorsed by the Government, are superior to the old State-bank notes?

Nobody wants, nobody argues for, no one dreams of a return to the old system of paper currency that existed prior to the rebellion. There has not been heard in this Congress, nor for years before it, the voice of a solitary member on this floor advocating a return to the old State-bank system of currency; and when I see, as I constantly do, that gentlemen in the advocacy of this bill are constantly throwing up the false cry of "State banks or national banks," and asking us if we who oppose the national banking system would be willing to return to the old State-bank currency, I am compelled to declare that these gentlemen not only misrepresent the national party, but are raising a false issue to divert attention from the real issue now before the people.

The issue is not between the old State banking system and the present national banking law, any more than there is an issue between the old wooden plow of a century ago and the steam gang-

plow of steel to-day, or between the dug-out boat of the savage and the steel steamer of our day. Men are not so conservative as to forever cling to that which has been supplanted by a better thing.

We no longer insist on wampum and con-skin currency, although we know that at a time in our history they were the best and most acceptable in general use. So, too, we have relegated to the lumber-room and museum of the past the old State-bank money of 1860, and we who oppose national-bank currency have no more intention of using it again than the cotton factories or fabric-makers of to-day have of abandoning the inventions of Arkwright and Jacquard for the old spinning-wheels of our grandmothers in the forgotten attics of our older homesteads.

Where, then, Mr. Speaker, is the issue? Clearly not between the best and the worst, but between the better and the best; not between the effete and the useful, but between the useful and the improved or more useful.

Steam no longer competes with horse-power, its supremacy being conceded; but electricity is beginning to dispute many fields with steam.

So, too, the Treasury-note is competing with the national-bank note for recognition in law of the supremacy that is already conceded to it by popular estimation.

The issue is between the United States and the favorite class of bankers for whom the Government has been indorsing for twenty years.

The people propose to go into the business for themselves, instead of indorsing for an ungrateful and greedy class, who demand and receive pay from the indorser, upon whose credit they thrive.

The constitutional prohibition against any of the States making anything but gold and silver a legal tender is accepted in good faith by the party most earnestly opposing national-bank currency, and with it we accept in the same spirit the fact that the Constitution has made the General or Federal Government the sole power to issue or coin lawful money of the United States, whether of metal or of paper. The power to coin or make money having been delegated by the States to the Federal Government is exclusively vested in the General Government; and as if to emphasize the perpetual or irrevocable nature of this grant of supreme power by which the States, for the common welfare and convenience of all, divested themselves of those parts of their sovereignty which they conferred upon the Federal authority to create the nation, the tenth amendment to the original Constitution declares that "all powers not herein granted are reserved to the States or to the people thereof."

Like the powers to levy taxes, duties, and imposts, the powers to declare war, to make treaties, to maintain an army and navy, to establish post-offices and post-roads, the power of making, coining, or issuing the money of a nation is one of its most important sovereign attributes. These are powers that every nation guards with zeal, and which none allow to be infringed upon with impunity. Why, therefore, should we create, countenance, or continue a favored class of citizens, or of artificial persons known as corporations, to whom we unlawfully and unconstitutionally delegate one of the sovereign attributes and functions of the Government?

What excuse have we for giving to corporations the power to issue money or currency any more than to create another class of corporations, like the great manufacturing companies, to levy the tariff, or a part of it; or to still other corporations, like the railway and express companies, to establish post-offices and post-roads; or to give to combinations of merchants duly incorporated the power to make treaties; or to lawyers the power to declare war, or confer upon the Grange organizations the function of regulating taxation or the issue of patents?

There is not a whit more reason or excuse for the one than for the other of these methods; and since the preposterous character of an entire government by corporation, worse than the old guilds of London, is apparent to every one, and since we have by indirection and maneuver already far too much of government by corporations, it becomes every man in this House and in this land to see to it that he take his stand on the solid ground of popular rights and of constitutional government in this issue as against class privileges and the incongruous government by corporations that the present anomalous financial laws of this country now exhibit.

That portion of our currency that consists of coin, even to the paltry copper and the almost intrinsically worthless three-cent nickel coin, is so jealously regarded as the sole issue of the rightful authority of the General Government that the severest penalties are visited upon all persons or corporations who issue tokens, coins, or currency in imitation of these issues. Why should not the Government guard with still greater jealousy its exclusive right to issue the paper money of the land? Why not treat as counterfeiters all banks of issue that purport to issue any money other than "lawful money of the United States," or the standard coins of its mints? Surely the plea of convenience cannot be raised, for the Government prints and furnishes all the national-bank notes as well as the Treasury notes, and can therefore furnish enough. Besides, the plea of convenience would not avail the counterfeiter, or even the miner or assayer of bullion, were they to issue coin of equal or greater fineness and value than that of the authorized mints of the Government; and the penalty of a violated law would be inflicted on those who had usurped

this attribute and function of Federal sovereignty, even though no injury had actually resulted.

But the gentlemen who urge the passage of this bill tell us that banks are a necessity of our civilization and of our commerce.

I admit it, but I most emphatically deny that it is a necessity of commerce or of civilization that the debts or notes of these banks should be authorized to circulate as currency, and to take the place of real money of the Government, especially under the conditions that now exist to favor these institutions.

Banks of exchange, discount, and deposit we must have at present, but banks of issue should be suppressed as counterfeiters in the interest of commerce, justice, and labor's rights to uniform standards which shall not be made to fluctuate according to the caprice or greed of the capitalist classes who control banking corporations.

But, again say these gentlemen, if you admit the convenience and usefulness of banks of discount, exchange, and deposit, you must know that without the power to issue money or emit bills of credit or circulate their notes as current funds these banks could not or would not exist.

This proposition I utterly deny, and it is so far from true that I have only to cite the fact that in the State of New York alone there is an increasing number of State banks that now reaches nearly one hundred and fifty that do a profitable banking business without issuing a dollar of currency or notes of their own to pass for money. In fact not one-third of the banks and banking institutions of this country are banks of issue. Comptroller Knox, the special advocate of these national banks, shows, on page 25 of his report for December, 1880, that there were then 6,532 banks and banking houses and institutions in the United States, of which but 2,076, or not one-third, were national banks; that while the banks that do a legitimate business and issue no currency had deposits to the extent of \$1,319,009,000, the national banks held, through the partiality of Government deposits, &c., only about \$420,000,000 less than the other banks.

These figures at least offered us ample ground for denying the claim of the national-bank advocates on this floor and elsewhere, that the unconstitutional and dangerous function of issuing as currency the notes of these banks is essential to existence or prosperity of legitimate banking in this country, and for declaring that it is a claim that is as devoid of merit as it is false in fact and vicious in policy. Besides this, let me cite a few figures to show that our banking system does not need the royalty and profitable business of issuing money to sustain it in affluence and security such as the most conservative man, if a patriot, would take no alarm at. The annual report of the Secretary of the Treasury on the state of the finances for 1881, over the signature of Secretary Folger, shows that upon a capital of \$463,821,985, and with an aggregate circulation of \$360,344,250, the national banks then in existence, numbering 2,132, managed to have outstanding loans amounting to \$1,169,022,303. That is to say, they managed to get more than \$3 due to them for every dollar of circulation they had by loaning the currency over and over again, and thus making \$1 do the work that \$3.50 should have done in the commercial and business transactions of the country. This they did by "loans and discounts," the profits of which depend largely and mainly upon the scarcity of current funds. The scarcity of current funds, under existing law, depends or is made to depend so largely upon the caprice of the banker that the power to retire or to inflate the volume of currency, which is at all times in the hands of the non-producing class, represented by the Bankers' Association, that is forever seeking to get out of the producers the largest possible share of the fruits of labor, has become a daily danger to all classes of producers.

The present bill does not propose to remedy this evil in any manner or to any extent, and the people are to be left to the tender mercies of the cunning old spiders who spin the nets to entangle the honey-laden bees of labor through the devices of bank currency, bank discounts, and bank "shaves."

It is true that some of the gentlemen on this floor, having rather more of both intelligence and of conscience in this regard than their more thoughtless and more avaricious fellows, have been put to the blush of shame so often by having this power of shortening or lengthening the currency possessed by the banks constantly complained of, that they have been known to favor and to advocate some limitation or restriction upon the banks in this regard; but I warn gentlemen who may be appealed to for votes to pass this bill upon the ground that any such modification may be ingrafted upon it as an amendment, or that any such provision would accomplish one iota of gain for the people, that just so long as the banks have the power of issuing currency the danger inheres in them, notwithstanding you forbid them to increase or diminish their currency save upon a notice of three, six, or twelve months.

Should Congress seek to insist on this restriction and still give the banks the power to issue money there would arise a new system of subsidiary and ephemeral banks, constantly organizing and going out of existence, merely to avoid the hampering of this proposed restriction and to play into the hands of the great banks the game of circumventing the popular will.

Nor will it do for us to sugar-coat this dose of poison by any other amendments that do not cut off the head of the organized swindle of the whole national banking system by striking out the enacting clause of the bill before us.

The distinguished gentleman from New York, [Mr. FLOWER,] who seeks to throw a tub to the whale of popular indignation over the threatened passage of this bill by allowing the banks to be sued in the State courts and by compelling them to give three months' notice in retiring currency, must be fully aware of the worthlessness of rude palliatives in curing the evils of the national banking system. How, for instance, could he explain to the people of the Empire State in his projected gubernatorial campaign that the three months' notice amendment was of any real value, when the intelligent people of that State, as of the whole Union, are fully aware that the Bankers' Association, which meets at Saratoga every year, acts as one man, and can agree to give the required notice just in time to shorten up ready funds when the autumn crops need gathering or moving, or just in time to catch the spring opening of business and exact the big shaves on currency that are regulated by the morality and avarice of the bankers and all other monopolists, whose limit of extortion is avowed by them to be "all that the traffic will bear?"

Certainly the gentleman from New York does not believe that the people, who generally have no money to waste in lawsuits against rich and unscrupulous corporations, would be pacified in their indignation against a perpetuity of the national-bank swindle by the convenience of the boon he would accord them of prosecuting in the State courts their cases against these banks. Nor will the proposition of the gentleman from North Carolina, [Mr. SCALES,] which would vouchsafe to the dear people the privilege (?) of pledging their lands to the national banks, so far neutralize the poison that lurks in this cup now held to the lips of Congress by the Bankers' Association, who demand that we swallow this bill, as to make it either a pleasing or a safe dose. Neither do I see safety or reason in the proposed amendment of my colleague, [Mr. BUCKNER,] which would require the national banks to keep their reserves in gold and silver. This proposition, coming from a distinguished Democrat, proves how heartily united the two old parties are in the interest of hard money, tightly locked up from circulation, and hard times tightly bound to the chariot-wheels of the capitalist class by the bond of oppressive class legislation.

The very thing for which many of our Democratic brethren, in common with the Nationals, denounced Senator Sherman when Secretary of the Treasury, the lock-up plan, which asked Congress to appropriate \$100,000 to build a new vault to hold the overflow of coin from the glutted Treasury of a nation that owned over a thousand millions of dollars, is now proposed as a Democratic panacea for the rechartered banks. Verily, when this Shermanizing policy is added to the national-bank system, I hardly think the offensive carcass of this public cancer will smell one whit sweeter to the offended public nostrils. But the proposition of the gentleman that these banks shall issue no currency of a less denomination than \$10 is merely good in so far as it cuts off the power to issue other smaller notes, but it is bad inasmuch as it does not altogether cut off the power of these banks from issuing currency.

My other colleague and fellow National [Mr. HASELTINE] has offered an amendment, which, like that of the gentleman from Pennsylvania, [Mr. BRUMM,] strikes at the root of the evil, and takes away at once the foundation and the necessity for these national banks.

The appropriation of the hundred or two hundred millions of dollars that lie in worse than idleness in the national Treasury from year to year toward the payment of the national debt is both in accord with honesty and a wise public policy; and the proposition of my distinguished colleague to issue non-interest-bearing Treasury notes to pay off the remainder of the bonded debt that may be due or optional is both just and statesmanlike, and would prove a greater blessing to our land than all the legislation of this Congress or the labors of those of the past twenty years have been able to achieve. No rational argument can be made against its lawful or its equitable character. If the credit of the nation be good in the bond it issues, surely it is better in the currency it would substitute for those bonds, as the substitute would be free from the burden of interest, and might be made taxable.

If the credit of the nation be good only because its Treasury holds coin, then the power of the Government over taxation, titles, property, life, and liberty, are but metaphysical myths to the minds of those who worship only at the glittering altars of mammon; and the government that pays out coin is committing financial suicide. Away with such rubbish! Prate of wisdom to the brutes if the end of government be held to be the hoarding up of treasure! While no man of you who favor this absurdity of a few grains of gold being the only standard of labor's reward, and of hoarded stores of gold in the national Treasury being necessary for any purpose beyond current expenses, dare carry out your financial logic to the absurd end to which it clearly leads, not one of you can successfully deny that the result of your policy is precisely that which I have indicated.

No, Mr. Speaker and gentlemen of this Congress, it will not do to attempt to gild this legal crime by trifling amendments. It will not turn away the growing wrath of the injured public for you to curb this financial monster by gentle stays or small fences in its onward path toward unbridled supremacy in national politics and legislation. You must kill it or it will kill you! You must put the un-taxed, privileged class of bondholders, who are already insisting that we are paying off the debt too fast and taking away their bonds

and privileges, upon the level with other citizens. Already the banks are talking of their "vested rights," and as the gentleman from New York [Mr. FLOWER] assures us in his remarks, they do not need this bill to enable them to continue their existence, but merely to facilitate the continuation of their existence.

If they possess the power to recharter themselves, or if they have a quiet understanding with the Comptroller of the Currency that they can be renewed or rechartered by going out of business and commencing again for twenty years just before their charters expire, then why do these corporations deign to ask any action on the part of Congress at all? Such is their position, in fact, and they gloss over their impudence by formally procuring the sanction of Congress to this bill—just to cover contingencies—in order to avert an outburst of public wrath. I implore Congress and the people to wake up and throttle this monopoly, or the Government of the people will become the slave of the money-power.

The only safety is to cut off wholly the power to issue money which these banks possess; and upon that I stand, whether the present iniquitous special privileges of the national banks be retained or cut off. But, say these gentlemen, the banks need the currency privilege to sustain themselves. In denying it I have shown that they reap profits from each dollar equal to the ordinary profits by loans and discounts on \$3.50; but this by no means exhibits the full amount of the profits of these banks.

Out of 2,298 banks existing September 1, 1880, the profits of 2,072 of them above all losses for the six months previous to that date is shown, on page 48 of the annual report of the Comptroller of the Currency, dated December 8, 1880, to be \$24,033,250, and for the year prior to that date, \$45,186,034. On page 45 of the same report the losses of 1,360 of these banks is shown for the same periods as respectively \$7,142,519.96, and \$14,706,406, which very largely increases the percentage of profits on their business in order to leave as net gains over \$45,000,000 as the result of a year's work.

The Comptroller of the Currency tells us that the national banks have lost in five years, from 1876 to 1880, inclusive, the sum of \$100,551,475.45 in their business transactions, and yet he shows that in the same period they have declared dividends to the tune of \$199,592,902, and in addition thereto have accumulated a surplus reserve fund of upward of \$130,000,000, which they now hold as the "balance of power" in this gigantic struggle between these corporations and the people.

Now, in speaking of this surplus fund we touch the most sensitive part of this vast cancer on the body-politic, and find the nucleus of the organized power of these favored classes by which they are here as a unit clamoring for the practically indefinite extension of their lucrative privileges, which this bill secures if passed.

Comptroller Knox, in his special plea for these banks, called his annual report, dated December 6, 1880, page 47, says that—

The law provides that a surplus fund shall be accumulated by setting aside before the usual semi-annual dividend is declared one tenth part of the semi-annual net profits of the bank.

And he adds:

In some cases this legal surplus now exceeds the capital of the bank.

To remember that this vast accumulated surplus of over \$130,000,000 is but one-tenth of the net profits of the banks above the regular large semi-annual dividends, and that the banks held at the date of the Comptroller's report the additional item of \$46,139,690 of "other undivided profits" and \$3,452,504 of "unpaid dividends," we are confronted in the midst of this legislation by the visible power of an accumulation of \$180,000,000 held by less than 2,200 corporations as a club over the heads of the people and Congress to beat down opposition to the scheme they have concocted for securing to themselves indefinitely the perpetuity of their still more valuable charters and privileges.

I do not speak carelessly when I say that this vast accumulation in a few hands is held as a club to drive or coax legislation, nor do I mean to be understood that such vast sums are used or are intended to be used to bribe or corrupt legislators; but I do mean that we have heard it distinctly stated by members of this House, by bankers, and by the subservient and subsidized press of the great cities that a failure to recharter these banks would precipitate a financial revolution through the compulsory distribution to the stockholders in these banks of the vast sums thus kept out of use in ordinary business, and that such a jolt or shock to the *statu quo* of financial circles would demoralize capital, unsettle business, and divest the favored few of much of the mighty power they now possess over the many.

Fools and scoundrels, timid speculators, and conservatives destitute of foresight may, with the rich oppressors of labor and parasites of production, whose swollen coffers would, if justice were done, render up to the rightful owners this fund, be frightened at such an act of justice; but the unlocking of these vast sums would place in more numerous hands the funds to promote general business in other channels than the shaving of paper, the loaning of bank credits, and the "bearing" of the money market by vast lock-ups of the currency of the country.

In the interests of business, and in the desire to protect popular rights, agricultural labor, and mechanical industries from the dangerous power of this gigantic banking octopus that holds, in addi-

tion to its vast and valuable chartered powers, Government favors, and associated advantages, this vast sum of nearly \$200,000,000 of extra, reserve, unexpended, or undivided profits as the result of a few years of money monopoly, (during which they have paid right royal dividends besides,) I demand that the power of this unproductive system be trampled out of existence by the will of every patriot who hopes to leave to his children at least a chance to prosper in the race of life without becoming forever a slave in the treadmill of bank-credit and bank-currency combinations against labor and productive enterprise.

If gentlemen in this House are to-day afraid of the consequences of distributing to its individual owners the present surplus held by these national banks, with what abject slavish submission would they not contemplate the increasing accumulation of this fund through the years and decades that are to follow an extension of their bank charters? If the vaunted statesmen and pseudo-statesmen of to-day stand aghast or tremble in awe before the threatened jolt or jar or disturbance in business which these banks threaten if their demands are not met by this Congress, how clearly must it appear to the man who sees the future or who comprehends the present that we are already bound in the chains of a banking oligarchy and moneyed aristocracy that simply regard the people, the toiling, producing masses, as their legalized prey, and who resent all efforts of a few brave men in Congress to rescue this fair land from the harpies who, under the guise of most benevolent bankers and capitalists, are enabled through the iniquitous laws which this bill would perpetuate to reap all the richest results of the labors of every class of citizens without even claiming to render an equivalent to society for these advantages.

It has not been my purpose, Mr. Speaker, in these remarks to reiterate the familiar evils and oft-cited absurdities of our present banking law, which allows these banks to issue as currency that which is not in law or in fact lawful money, which compels the Government of the United States to pay a few rich men, as soon as they apply for and receive a bank charter, interest on bonds that have been practically redeemed, and royalties to corporations whose notes they indorse, which enables the associated money-kings of the country to form a plutocracy that defies the popular desire to restore to the Government the power of controlling the volume and character of the currency.

I have not attempted to amuse, nor to recite bombastic platitudes to array rich against poor, or labor against its creature and natural servant, capital; but in entering my solemn protest against the continuance of this wicked financial system of our present national banks, that has grown so fat, impudent, and domineering as to threaten the people who would curb its power after the first twenty years of its existence, I have sought to show to the country and to the legal minds of this House that the present system should not be extended or perpetuated, because—

1. It is unconstitutional.
2. It is unnecessary.
3. It is too costly.
4. It is too powerful to be given a further lease of power.
5. It is of neither use nor benefit to any one except the small and favored class who are the recipients of its extravagant favors.
6. It is a vast political machine whose influence is so great on this floor in 1882 that a continuation of its power may be well regarded with apprehension by the people in all parts of the country.

Every man, Mr. Speaker, who sees, as all may see who will look, that with our ever-increasing aggregation of great wealth in our great cities there is an ever-increasing amount of want and crime, of scarcity and hardship among the workers, an increase of underpaid and discouraged farmers and a vast increase in the tendency of our young men to shirk work for the fields of the gamblers, money-changers, and other parasitic classes that are so influential in this country at present; all, I say, who see these things must feel that unless we do something to prevent this centripetal aggregation of wealth; something to restrain the present tendency to disinherit the many and to give all to the few; something to soften or mitigate the sharpness of the contrast that is forever rising higher and higher between the two chief products of the Democratic-Republican financial policy of to-day, namely, millionaires and paupers; unless we do some of these things there is and will be dangers to our institutions, to our families, and to our very lives, which will surely come in the same or worse forms, as it will come from the same causes in more modern form, as the terror of the French Revolution of 1789.

Industry will not be forever wronged, robbed, injured merely to gratify the greed of the moneyed class. Agriculture will not be forever the bond-maid of banking and railway rings. Manufacture and invention will not remain indefinitely and unquestioningly the serfs and beggars of the money lenders, who hold them under this financial system at the mercy of the ignorance, cupidity, or timidity of those who control capital.

Mr. Speaker, you know these things are true. The very gentlemen who ask us to pass this bill know these things are true.

Gentlemen who profess to be anti-monopolists, who can see the evils of railway monopoly, of gas monopoly, of water monopoly, of shipping or manufacturing monopolies, shut their eyes at the command of the banker who exacts tribute from them under guise of doing them the favor to shave their notes or discount their paper



credit, and obediently refuse to see the size or iniquitous character of the master monopoly of them all, the parent monopoly of all the rest, that of the money or currency monopoly of these national banks.

It is against this monster monopoly that the people are fighting. It is to resist its further encroachments that they have organized, stood by, and are extending the power of the National party which I have the honor in part to represent here. Knowing these things as you do, knowing that the substitution of Treasury notes for the present volume of national-bank notes would be hailed as a boon by all the farmers, workers, and producing classes of this land, both because it would give us a better currency of real money and because it would be a saving of many millions of dollars annually to the whole people; knowing that the votes you give here on this measure, the record you will make on this bill, cannot be obliterated by excuses to your outraged, awakened, and indignant constituents when they shall find themselves bound, gagged, and sold to the money-changers by your act in the passage of this bill—I ask you, in the name of justice, in the name of the American people, and of our country's best interests—

How dare you pass this bill? When its indefensible provisions, its ridiculous subserviency to the power of the "reserve fund" and the "other undivided profits" are exposed before your constituents, as they surely will be; when the appeal is taken from your action here to the people whom you by this bill propose to keep enslaved to the money-kings; when the faithful Greenbackers go to the hustings to expose to the people the full extent of this crime against their rights and best interests, as we surely will do; when, finally, want, oppression, monopoly, and enlightened public opinion combine to bring to justice or to scourge with stripes the men who chose to obey the money-kings rather than the people, you who vote for this bill will be praying for the mountains to fall on you and the waves of a political oblivion to hide you forever.

Upon no ground can the passage of this bill be defended with success. For no valid reason can a vote be asked for it.

It is one of the most wicked, defenseless, inexcusable, flagrant cases of a popular swindle that ever came before Congress, not excepting the land-grant, Credit Mobilier, granite contract, river and harbor, whisky bill, or other swindles that have disgraced the Congressional legislation of the past or threaten it at the present moment. Here and now gentlemen must make their record and choose their fate. They know whether they will serve the people who are opposed to this bill and to the national banking system, or whether they will obey the commands of the Shylock Radicals and Bourbon Democrats who conspire to pass this measure. The crisis has come, and the old dodge of Bourbons and Radicals talking against the national-bank swindle in their districts to get votes and voting with the political harlots who think they conceal their acts from their distant constituents can be played no longer with any hope of success.

In conclusion, I ask, in all candor and seriousness, why should we, how can we, and how dare we pass such a bill as this? Let the bank charters expire. Banking will not cease. Over two-thirds of the banks and banking of the country is already done without these bank charters. Let the charters expire, and put all the banks on a level. Let the charters expire, and put the Government again in sole and exclusive possession of its rights. Let the charters expire, and put the vast revenue accumulations in the bank-vaults into trade, commerce, business, and productive enterprises. Let the charters expire, and behold "the best banking system the world ever saw" thereby superseded by the best currency and most equitable financial system that man has ever devised. Let the charters expire, and forbid with the spirit of Andrew Jackson the rechartering of banks by the Government or by any authority which shall claim the right to empower them to issue currency! Let the charters expire, and the end of monopoly will be in full view! Let the charters expire, and let the people live freed from the national-bank incubus that now assumes to be their master.

Could we have a financial Peter the Hermit to thunder over the land his anathemas, and to preach a new crusade against these banks, his cry at this moment would be: The national banks must go! Let the charters expire!

Mr. ANDERSON. Mr. Speaker, I am surprised that when such an attack on the national banking system as is proposed by this bill is made on this floor no voice has been raised from the Republican side of the House in defense of that system, one which was distinctively a Republican measure and one which owes its great success to the wise legislation of that party. This is a bill to enable the national banking associations to extend their corporate existence. The present law upon that subject was passed in 1863 and was amended in 1864. Under that law, as bearing upon this present question, two important provisions were made. The first was that the charters of the associations should endure for a period of twenty years from the date of issue, and the second that an association might be formed at any time. Hence all of the 393 banks whose charters expire before the 25th day of February, 1883, can, under the terms of the present law, reorganize and continue their business. The result is that the object proposed to be accomplished by this bill is in no possible way material to the present national banking system. Whether the bill passes or whether it does not pass, the present system continues, and

the banks may organize or reorganize hereafter as they have done heretofore under the existing law. And the pretense that this measure is inherently a part of the national banking system, or something that beneficially affects that system, is in my opinion a false pretense. It has no foundation in fact.

On the other hand, this bill proposes that you shall change our national banking system by amending the acts of 1863 and 1864 so that the corporate existence of any national bank may last forever! That is the whole of it, when you boil it down. In other words, that we shall depart from the historic policy of the grandest party that has ever won a place in the annals of the nation, the Republican party, and retrace the steps which have been productive of the greatest benefit to all classes of our people in connection with the wisest system of banking that the world has ever seen.

Looking, Mr. Speaker, to the beneficent results which have been produced by this system, the Republican party certainly has a right not only to self-congratulation but a right to demand the highest praise for establishing a system, the perfection of which has not been questioned, and for the maintenance of which it has fought foes on every hand.

During the war the national banking act had two effects: the first was to preserve the national credit, because, if I remember correctly, greenbacks were then at a discount of 60 per cent. We had neither gold nor silver coin in circulation and the national-bank notes in giving to the country a currency prevented the further depreciation of the greenback. Another effect was that it enabled the nation to place upon the market a large amount of its bonds. The Government, being without credit or money, was by this system alone enabled to borrow money which otherwise men would have refused to loan. Any one looking at the results of the system in these days must concede that it was both wise and beneficent.

Since the war it has given to this country a uniform currency that is good in every State, in every county, and in every Territory; a currency that has the same value in the East that it has in the West and from the extreme North to the South. It has furnished a currency which, as compared with the old wild-cat and rag-tag-and-bob-tail State-bank money will be forever lustrous.

Another thing which it gives to the holder of a national-bank note is absolute security. Gentlemen come here and claim that the banks themselves afford this security. They do not. As a rule the real confidence which men have in these notes is inspired by the fact that a great nation stands behind them. While the banks attribute to themselves a great deal of credit in this respect, the true credit belongs to the system itself, and not to the banks. And the credit of originating the system belongs to the Republican party. And another thing is the security that the system gives to deposits and depositors, of which I need not speak.

Now, Mr. Speaker, there was a very wise foresight in the provision inserted in the organic act that the charters of these banks should expire at the end of twenty years from the date of issue; because that provision was designed to be a defense against the tendency of all moneyed institutions to perpetuate their existence and enhance and aggrandize their power. And, mark you, that provision was inserted by the Republican party in 1863. That was enacted in the days that tried men's souls, and then it was that the party won its greatest renown. Those were days when we had such men as Lincoln and Seward and Chase, when men's souls were purified by patriotism and fired with such love for the nation that they looked far into the future, and, so looking, declared that in twenty years the charters of these national banks should cease. That declaration was the edict of the Republican party in 1863. It has been the principle of our party ever since. It is true Republicanism now, and by it I for one shall stand to-day.

The twentieth year has come; 1863 has passed into 1883; and now—what? The Republican party, in time of profound peace and unexampled prosperity, is asked to change its historic policy and its sagacious forethought by continuing the life of a banking association indefinitely, perpetually, and in contravention of the provisions inserted by the wisdom of the fathers. That is what you are asked to do. That is precisely what this bill means.

I am surprised at the glamour which has somehow been gotten over the eyes of gentlemen, especially on this side of the House. The adroit advocates of this bill have not only sought to make an impression but have succeeded in creating the general impression that because the Republican party, from the very nature of its principles and the very nature and breadth of its sagacity and patriotism, is in favor of the national banking system, therefore it must be in favor of permitting national bankers to change that system. Such a proposition is absurd upon its face. But yet that is the impression which certainly has been made upon this side of the House.

I have tried to show that our national banking system is a Republican measure, and that the Republican party is not only proud of it but has a right to be proud of it. There is no other measure, among the many that will stand bright for all time to come upon the page of our history, which will be more glorious and which will always grow brighter than exactly the financial policy which established this national banking system. But, Mr. Speaker, bankers are not the system. That is the point I want to make. And the Republican party, while in favor of the system, is not necessarily to be in

favor of the bankers who derive the benefits from the system. And I for one, as a Republican, do not propose either to desert the traditional policy of the party on the one hand or, on the other, to be made a cat's-paw of by any set of men anywhere upon this or any other question.

I think it is not necessary to show further that this bill is no part of the national banking system. If it means anything in the world, it is seeking to change the system. In other words, it is an attack on the system. It would not be here unless its advocates desired in some way to modify the system. And when you come to look at it you find that it is for the benefit—of whom? Of the note-holders? Of the depositors in the banks? Not at all. Of the credit of the Government? Not at all. It is for the direct benefit of the owners and officers of your national banks, and for the benefit of no other parties that I can see.

The reasons which are urged for the adoption of this measure are—and if I do not state them fairly I ask to be corrected—first, to give the banks the advantage of their present organization. That is well enough if it does not cost too much. When an association has for twenty years so conducted its affairs that it not only has won, but deserved to have won, the confidence of the people among whom it exists, and whose deposits it holds, then certainly upon the ordinary principles of equity such a bank has a right to the credit it derives therefrom. And, as I stated before, unless it costs others too much every fair-minded man is willing that the association should continue to enjoy its established name and reputation.

The second reason is to spare the stockholders the expense and trouble of making new investments. And that, too, is well enough if it does not cost too much. No one maliciously desires to put them to any additional trouble or to any unnecessary expense.

A third reason is to prevent what is alleged as a contraction of the currency, and which I deny as being at all probable. If a contraction in any sense, certainly it will be but a temporary contraction, and yet this is the main point that is urged in support of the bill. These are the three reasons, so far as I have been able to pick them up, why gentlemen advocate the passage of this bill?

Now, I wish to state another reason which I have not heard suggested, though it may have been, and which to my mind is the real reason; it is the milk in the cocoanut; namely, the desire to save the banks the expense of reorganization, and possibly in some cases to save them the exposure of insolvency. What would probably be the expense of reorganization? Take a bank of \$100,000 capital. We will say that the premium on its bonds would be \$2,500; that the new plates for printing its notes would cost \$1,000; that books and sundry expenses of reorganization would cost \$500. There you would have a total of \$4,000. About 65 per cent. of the banks have a capital of over \$100,000; so that this estimate for premium on bonds would be too small, and you can safely put the average expense of reorganization at \$5,000 per bank; and I fancy that would be low.

There are somewhere in the neighborhood of 2,200 national banks, so that the total expense of reorganization to them would be about \$11,000,000, and I fancy that these \$11,000,000 constitute the cat in the meal-bag. There is the gain which I see to the stockholders, and there may be a still greater gain to them in the saving of premium on bonds, because all of these banks will not liquidate this year, and the longer your bonds run the higher they get. And I say nothing of the profit to them of retaining their existing reserved funds.

On the other hand, it is alleged by these gentlemen that there is a gain for the country, and I wish fairly to state it.

The report of the Comptroller of the Currency shows that between April 11, 1882, and February 25, 1883, the charters of three hundred and ninety-three banks will expire; that these banks own bonds, now on deposit in the United States Treasury, amounting to \$75,768,700, and that their notes in circulation aggregate \$68,070,980. Now, the allegation is that the withdrawal of these \$68,000,000 of notes from the circulation will produce such a contraction of the currency as to cause a panic.

I wish fairly to meet that proposition. I deny it, and for two reasons. The first is that less than 6 per cent. of the entire business of the country is transacted by the use of money in any form. Out of every \$100 of business exchanges \$94 are transacted without the use of "money." I take from the very able speech of my very pleasant friend from Massachusetts [Mr. CRAPO] this statement: that the amount of silver coin in use consists of .17 of 1 per cent., and the amount of gold coin in use consists of 1.38 per cent.—

Mr. CRAPO. Not in use. What I meant by that table was that in the monetary exchanges of all the banks, both those in New York City and those throughout the country, during a given period of time, .17 of 1 per cent. was transacted in silver, 1.38 per cent. was transacted in gold, 4.36 per cent. was transacted in bills, greenbacks, and bank-notes, and the balance was transacted by checks.

Mr. ANDERSON. I am much obliged to my friend; I understood it in that way. Of course I take the experience of banks in this matter of effecting exchanges as a fair standard of what is probably the experience of the whole country.

Mr. CRAPO. I think that is fair.

Mr. ANDERSON. The legal tenders used in these transactions amount to 2.16 per cent. My friend from Massachusetts [Mr. CRAPO]

gives the aggregate of the legal-tender notes and of the bank-notes. I have separated them upon the basis of the amount of the two kinds of notes in circulation. I may be wrong in that, but the aggregate is right.

I suppose that the percentage of business transacted by legal-tender notes is 2.16, and the percentage transacted by bank-notes is 2.20. In other words, where any exchange is made, taking the entire business of the country into account, of every \$100 of exchanges made only \$5.91 of that entire amount of business is settled by the use of silver coin, gold coin, legal-tender notes, and bank-notes combined.

My recollection is that in the transactions of the New York clearing-house about 5 per cent., and in some years only 3 per cent., of the entire business of that institution is performed by money in any shape. Now if that be true, and it undoubtedly is true—

Mr. BRUMM. Will the gentleman allow me ask him a question at this point?

Mr. ANDERSON. With pleasure.

Mr. BRUMM. The gentleman says that about 6 per cent. of all the business of the country is transacted by means of money.

Mr. ANDERSON. Less than 6 per cent.

Mr. BRUMM. Well, we will put it at 6 per cent. Then 94 per cent. is transacted by means of private bills of exchange of different kinds, drafts, promissory notes, &c.?

Mr. ANDERSON. Yes, sir.

Mr. BRUMM. The question I want to ask the gentleman is this: If there was a sufficient amount of the national medium of exchange in the country to do business with, would not these private bills of exchange, promissory notes, &c., be relatively less than they are now?

Mr. ANDERSON. I think not, and for this reason—

Mr. BRUMM. One moment; you can give the reason afterward. Then how can you account for the fact that in France, where the volume of currency, relative to the population, the purchasing power of the dollar, and the square miles of territory has been variously calculated as high as 50 per cent. greater per capita than it is here—of course it is not that if you take the population alone, but I am taking all the elements—the volume of currency there is much greater than here; yet there they hardly know anything about a check, bill of exchange, or promissory note, except in large transactions between large cities and with foreign nations? Now, how does the gentleman account for that?

Mr. ANDERSON. I account for it on the same principle that they yet wear wooden shoes. In other words, they are behind the times by two centuries.

Mr. BRUMM. But they are a very successful people.

Mr. ANDERSON. They are behind the times for all that.

Mr. BRUMM. But they could pay the German war debt in a remarkably short time.

Mr. PRESCOTT. They never paid it.

Mr. ANDERSON. My friend from New York [Mr. PRESCOTT] says they never paid it; I do not know how that is. But my answer to the gentleman is that the American nation in inventions, facilities of business and transmission of intelligence, in finance, and in commerce is to-day head and shoulders above France. And the experience of France on that point would have no weight with me, although undoubtedly it would have weight with my friend from Pennsylvania, [Mr. BRUMM.] It is the difference of opinion between us.

In other words, I do not believe that the fact that 6 per cent. say, of our commercial exchanges are settled with money, at all alters the fact that men will prefer their own credits or the drafts of institutions which they know to be sound in preference to gold coin, silver coin, silver certificates, legal-tender notes, national-bank notes, or any other form of money. A check or draft is a more convenient instrument of exchange than the bank-note and can be better identified. It is less liable to loss. For this reason I imagine that the true elasticity of our exchanging medium arises not from the national-bank note, not from the legal-tender, not from coin, but from the confidence which American merchants and traders have in American institutions. In other words, your whole system of exchange is based simply upon credit; and when that credit is good men care nothing whatever about your money. From my State we will not send you gold or silver or bank-notes or greenbacks; we will send you a bank-draft.

Mr. CRAPO. How does the gentleman explain the great apprehension of financial trouble that existed in the country a year ago by reason of the withdrawal of \$18,000,000 of currency?

Mr. ANDERSON. I am glad my friend has mentioned that matter. I explain it simply in this way: the moment you shake credit you shake as a matter of course the whole commercial means of exchange, including the draft of every bank. The contraction of currency of which the gentleman speaks was, if I recollect aright, brought about as a threat of these identical national banks, which affected the confidence of men in each other all over the nation. It is precisely for this reason that I for one wish to see the power to make such threats taken out of the hands of the banks, and if it belongs anywhere put it in the hands of the United States Government—certainly not in the hands of a set of men who at that time

did "bulldoze" this nation and this Congress. There is no doubt about that. [Applause.]

Mr. CRAPO. My inquiry is this: Did not the withdrawal of that \$18,000,000 of currency, whether from fear or according to the gentleman's view as a threat, affect disastrously the monetary affairs of the country for a while?

Mr. ANDERSON. Mr. Speaker, my friend has had much more experience upon this question than I have had. If he says that it did, I take his statement. I have no doubt it would have that effect, for this reason: it would be, in my notion, exactly analogous to the example of a dozen banks; when one of them breaks you look out for the rest. In this case you find, let the motive be what it may, that a contraction is suddenly and unexpectedly produced, it takes place in a flash, showing that somebody is losing confidence. The inevitable effect must be to make other men doubtful. This alone would account for a lack of confidence everywhere.

But the point which I think the gentleman wants to make is this: that whenever there is a contraction there must be a shaking of confidence. I do not see the matter in that light at all. Suppose that this bill be not passed. Suppose the country knows months beforehand that on the 25th of February, 1883, two hundred and ninety-seven banks must go into liquidation, and must retire \$54,000,000 of currency. The point of my friend is that because so much currency is to be retired therefore everybody would lose confidence and there would be a panic all over the country. I think not, for this reason: we know months beforehand that this retirement of currency and the consequent contraction is to take place. Therefore we are not shaken at all. It does not disturb my confidence in my banker, or your confidence in your merchant, or anybody's confidence in real estate. Why? Because you know beforehand that this withdrawal of circulation must come and that it will be but temporary. The idea that a mere contraction necessarily produces a lack of confidence and a panic seems even to me, who am not at all a financier, very absurd.

Mr. HASELTINE. Will the gentleman allow me to ask him one question?

Mr. ANDERSON. With pleasure.

Mr. HASELTINE. Could not Congress protect the people against any damage from contraction of the currency by authorizing the Secretary of the Treasury to issue legal tenders equal to the amount of contraction caused by the withdrawal of the bank-note circulation?

Mr. ANDERSON. Most undoubtedly. And in the last Congress I introduced as an amendment to the funding bill a proposition that currency notes, not legal tenders, be issued by the Government in the denominations and to the amount of the retired national-bank notes. Most undoubtedly any contraction could be prevented in that way, if it were necessary.

But the question is whether you have not money enough to-day. Is it not quite probable—to my mind I am frank to say that it is certain—that the danger to the country to-day is not from having too little money, but because we have too much? In other words, I believe that a contraction, so far as it goes, will do good. But, as I said, I am not a financier.

Mr. HASELTINE. May I ask the gentleman another question?

Mr. ANDERSON. With pleasure.

Mr. HASELTINE. Has the gentleman in his experience or observation ever known a community that suffered from too much money?

Mr. ANDERSON. Well, yes. I hope my friend makes the distinction between property and money. Money is simply a tool with which to effect exchanges and settle balances. Whenever money becomes so plentiful that you cannot obtain a fair interest for it—when the rate of interest runs down, we will say, to 1 per cent. per annum—when nobody is willing to pay anything for the use of money—then I fancy you have too much of it.

If my friend means to ask whether I ever saw a country where the people had too much property, where each individual had too much wealth, I am very frank to say, Mr. Speaker, in looking at my own sad experience I never saw that country or that individual. But there is a vast difference between property on the one side and money on the other. Money is simply a convenient instrument with which you settle the balance of your exchanges. It serves as a wheelbarrow; that is all your money is or does.

Mr. HASELTINE. Will the gentleman permit me to ask him another question?

Mr. ANDERSON. With pleasure.

Mr. HASELTINE. Do not the political economists understand to-day distinctly that it is high-priced money in the United States which prevents our maintaining our shipping upon the high seas in competition with the cheap money of other countries?

Mr. ANDERSON. My friend asks for my opinion as to the views of political economists on that point. Of course I may be mistaken, but my opinion is that the real reason why we have no commerce on the high seas is because somebody else is carrying our freights cheaper than you will carry them. It is because the wages of the European sailor are cheaper than those of the American sailor, and because English mechanics in ship-yards work for lower wages than do our mechanics.

Mr. HASELTINE. Is it not because of the cheap money and cheap labor of other countries?

Mr. ANDERSON. I think the trouble is not as to the cheap money, but mainly because of cheaper labor.

Now, Mr. Speaker, returning to the alleged danger of contraction, I desire to suggest again that the present supply of money is more than sufficient for a safe business. I do not say it is more than sufficient for financial skylarking, which inevitably results in ruin, but it is sufficient for safe, prudent, legitimate business. You had on hand November 1, 1881, \$562,568,971 of gold, \$186,037,365 of silver, \$346,681,016 of legal tenders, and \$360,344,250 of bank notes, an aggregate of \$1,455,631,602. Certainly that is money enough for the transaction of 6 per cent. of the whole business of the country. The trouble with me is that I have nothing to sell. There is money enough scattered around if I only had something to exchange for it. And my point in reply to the alleged danger of contraction is simply this: the gentlemen advocating this bill say that the withdrawal of \$60,000,000 of currency for a few weeks will produce a panic. What percentage is that \$60,000,000 of the \$1,455,000,000 of gold, silver, and notes? It is somewhere about 4 per cent., and if this nation has gotten into such a tremulous condition that the withdrawal of less than 4 per cent. of that which it uses as money will produce a panic, then in God's name let us have a panic, because then we must be financially rotten. I am not frightened a particle by this bugbear of contraction, even if it were more than a myth. But the fact is that the withdrawal of so small a relative amount will not produce contraction. After your 393 banks have withdrawn their circulation there are 1,700 other national banks which remain and can increase their issues. If bank notes are scarce, men will willingly pay for them. The existing banks will make money by increasing their issue, and the result will be that this increased issue will prevent contraction.

Then comes the final proposition, that the vast bulk of the exchanges of the country do not depend on the amount or kind of money you have, but that 94 or 95 per cent. of your exchanges are effected by your drafts and checks and your credits on books.

Mr. Speaker, it seems to me that the naked issue presented by this bill is an issue between the owners and the officers of the present national banks on the one side, and the American Congress with a Republican majority on the other. The Republican party, as the father and defender of our national banking system, is bound by all its traditions to oppose this issue. There is the only point. And when gentlemen come here and, alleging this to be a Republican measure, ask me as a Republican to support it or to observe silence, I utterly deny their allegation and protest against so gross an attempt to use the party for such a purpose. I prefer to be a Republican of the old and true school. When you unearth this scheme you find that it is the owners and the officers of the banks attacking the grandest financial system the country has ever seen, and for which the Republican party is responsible. That is all there is of it, in my judgment.

Mr. HASELTINE. Will the gentleman let me ask him another question?

Mr. ANDERSON. Certainly.

Mr. HASELTINE. Did not the Republican party give us the greenbacks?

Mr. ANDERSON. Yes, sir.

Mr. HASELTINE. Could we not afford to get more of them to fill up any contraction caused by the withdrawal of the national banks?

Mr. ANDERSON. My friend and I differ about the danger of contraction. I have no apprehension of it. We have more money than we need; but if the gentleman will reproduce the circumstances under which the greenback was given to the country he will find that the same vivid patriotism would recreate the greenback. That note was simply the pledge of the nation, in the hour of its dire distress and poverty, that some day, no man could say when, but somewhere along the line of an unknown future, it would redeem its promise to pay the dollars named. It was only the evidence of the plighted honor of a great nation to repay money borrowed. And in due time every syllable and letter of that promise was made good. That was the greenback, a Republican every inch of him, from the inner soul, glowing with patriotism and integrity, to the hair of his head, now golden with the halo of faith perfectly kept and pledges fully redeemed, as you look at him in history.

But my friend will excuse me for saying that this greenback is not what I think is in his mind when he talks of "fiat" money. It was simply the nation's note given for the payment of its obligations, as my own note or the note of any other individual would be given.

Mr. HASELTINE. Has not the Supreme Court of the United States, the highest tribunal in the country, decided that it was the lawful right of the American Congress to stamp any material in its possession in peace or in war as its currency?

Mr. ANDERSON. I do not now remember what the Supreme Court may have done in that connection. My present familiarity with its utterances is derived from a recent reading of some decisions in railroad cases, and I then thought that somebody ought to have pounded into that august body either some common sense or common honesty. I do not care what they say one way or the other as to the power

of a nation to issue fiat money. But the greenback was simply a note to pay the obligations of the nation; and if ever again in the history of this country a period should come similar to that which called forth the greenback, you will find the same faith and the same credit given to it that the Republican party gave to it in the days when it was first issued. But that day is not here now. This nation does not need to issue a depreciated currency at this time. The simple point in this bill is whether you shall give to these national banks an indefinite life and save to them many millions of dollars, and that is the whole of it.

But to be frank with the gentleman and answer his question more fully, I will say that there are three functions which may be exercised by banks: first, that of discount and deposit; second, that of exchange; and, third, that of issue. So far as continuing the national banks as banks of deposit and of exchange, I do not believe that any country will ever have a better system than the present. None can be better for the customer and the whole people.

But I am frank to say that in all sincerity I question the policy or wisdom of this Government giving to anybody, to the banks or to anybody, the power to issue paper that shall be used as money. And I would infinitely rather see a piece of paper issued as a Government note, payable on demand by the United States Government, backed by its resources, to be made good by its integrity, than I would the notes of any bank, though supported and secured by the promise of the Government to make them good in the event of failure by the bank.

Mr. BURROWS, of Missouri. Will the gentleman permit me to ask him a question?

Mr. ANDERSON. With pleasure.

Mr. BURROWS, of Missouri. The Government issues the legal-tender notes, does it not?

Mr. ANDERSON. Yes, sir.

Mr. BURROWS, of Missouri. The Government also issues the national-bank notes?

Mr. ANDERSON. No, sir; the banks issue them.

Mr. BURROWS, of Missouri. They do?

Mr. ANDERSON. Yes, sir.

Mr. BURROWS, of Missouri. I supposed it was the Government.

Mr. ANDERSON. The Government prints them.

Mr. BURROWS, of Missouri. Well, the Government is responsible for them. Now I want to know what is the difference between a note issued directly to the people by the Government or indirectly through these corporations?

Mr. ANDERSON. In time of peace, none; but in times of war an immense difference, as our experience proved.

Mr. BURROWS, of Missouri. Then, another question. In what is the national-bank note redeemable, in coin?

Mr. ANDERSON. Yes, practically, now, and if the Government has no greenbacks.

Mr. BURROWS, of Missouri. Then it is redeemable in greenbacks?

Mr. ANDERSON. It is redeemable in the lawful money of the nation.

Mr. BURROWS, of Missouri. Can you demand coin?

Mr. ANDERSON. Strictly you can only demand legal-tender notes. When these are at par you can demand coin, so that now you could demand and receive either greenbacks, silver, or gold. But when the greenback was at a discount you could not demand coin from the Government in redemption of a bank note. It was just this fact which makes the vast difference between war and peace periods.

Mr. HOLMAN addressed the House. [See Appendix.]

Mr. HARDENBERGH obtained the floor, and yielded to Mr. CRAPO, who moved that the House adjourn.

The motion was agreed to; and accordingly (at nine o'clock and forty-five minutes p. m.) the House adjourned.

#### PETITIONS, ETC.

The following petitions and other papers were laid on the Clerk's desk, under the rule, and referred as follows:

By Mr. ERRETT: The letter of Thomas A. Douglass, relative to the bill for the relief of sufferers by the explosion of the Allegheny arsenal in 1862—to the Committee on Claims.

Also, the petition of manufacturers and dealers of matches of Pittsburgh, Pennsylvania, in opposition to the proposed repeal of the tax on matches—to the Committee on Ways and Means.

By Mr. HOGE: The petition of William Gray and others, citizens of Marion County, West Virginia, asking an appropriation for educational purposes—to the Committee on Education and Labor.

By Mr. MOREY: Papers relating to the claim of Barrington Behmer—to the Committee on War Claims.

By Mr. SPARKS: The joint resolutions adopted by the Legislature of Illinois, in relation to the imprisonment of American citizens in British jails—to the Committee on Foreign Affairs.

By Mr. WARD: The petition of honorably discharged soldiers and sailors of Delaware County, Pennsylvania, for the enactment of a law granting to soldiers and sailors of the late war bounty in money in lieu of bounty land-warrants—to the Select Committee on the Payment of Pensions, Bounty, and Back Pay.

#### SENATE.

WEDNESDAY, May 17, 1882.

Prayer by the Chaplain, Rev. J. J. BULLOCK, D. D.

The Journal of yesterday's proceedings was read and approved.

#### EXECUTIVE COMMUNICATION.

The PRESIDENT *pro tempore* laid before the Senate a communication from the Secretary of War, transmitting a report from Captain William Ludlow, Corps of Engineers, of an examination of Indian River, Delaware, from its mouth to Millsborough, made in compliance with provisions in the river and harbor act of March 3, 1881; which was referred to the Committee on Commerce, and ordered to be printed.

#### PETITIONS AND MEMORIALS.

Mr. DAVIS, of West Virginia, presented a petition of citizens of Circleville, Pendleton County, West Virginia, praying for an appropriation by the General Government to aid free schools in the States; which was referred to the Committee on Education and Labor.

Mr. HARRISON presented a petition of ex soldiers and sailors of Indiana, praying for the passage of the House bill granting one hundred and sixty acres of land to each of the volunteer soldiers of the late war; which was referred to the Committee on Public Lands.

Mr. SHERMAN. I present the petition of Mrs. Betty B. Bassett, of the State of Virginia, setting out that she is the owner by descent of the family Bible of the father of George Washington, which is undoubtedly true. She desires to sell it to Congress at such price as they may think proper to allow her, stating that she thinks so interesting a memento should be owned by the Government and that her circumstances are rather necessitous for her to donate it. I move the reference of the petition to the Committee on the Library.

The motion was agreed to.

Mr. BROWN. I present a petition of citizens of Gilmer County, Georgia, in favor of a liberal appropriation for the education of the people of the different States, and as it is very short I ask consent that it be read.

The petition was read, and referred to the Committee on Education and Labor, as follows:

We, the undersigned, citizens of the county of Gilmer, State of Georgia, deeply impressed with the dangers which threaten our institutions because of the appalling illiteracy of the voting population, as revealed in the last census, for the enlightenment of whom many of the States are unable to make adequate provision; and believing it to be the duty of Congress to provide for the public safety no less in time of peace than in time of war, and that the enfranchisement of the freedmen by the United States Government imposes upon that Government the obligation to afford liberal aid to the States in their effort to prepare this class of citizens for the duties of citizenship, do earnestly pray that our Senators and Representatives in Congress assembled will take prompt and efficient measures to avert this danger; that moneys raised in adequate amount, and from such sources as Congress may, in its wisdom, deem best, shall be distributed among the States and Territories on the basis of illiteracy and for the support of common schools conducted under local laws, under such guarantees as shall secure their application to this object, with equal justice to all classes of citizens.

Mr. BLAIR presented a resolution of the city government of Manchester, New Hampshire, praying for an appropriation to improve the navigation of the Merrimac River in accordance with the report of General Thom, United States Engineers; which was referred to the Committee on Commerce.

He also presented the memorial of Andrew J. Chambers, praying the passage of the bill providing for a commission of colored citizens to inquire into the condition of their race in this country; which was referred to the Committee on Education and Labor.

#### REPORTS OF COMMITTEES.

Mr. JACKSON, from the Committee on Claims, to whom was referred the joint resolution (H. R. No. 190) to refer certain claims to the Court of Claims, reported it without amendment; and submitted a report thereon, which was ordered to be printed.

Mr. JONES, of Florida. I am instructed by the Committee on Naval Affairs, to whom was referred the bill (H. R. No. 5387) providing for the pay of Rear-Admiral Roger N. Stembel, to report it favorably. A bill similar to this was heretofore reported by me from the same committee. I ask that that bill be indefinitely postponed, and that the bill now reported be placed on the Calendar in lieu thereof. The Senate bill was passed over without prejudice the other day when it was reached on the Calendar.

The bill (S. No. 339) providing for the pay of Rear-Admiral Roger N. Stembel, was indefinitely postponed.

Mr. ROLLINS. What position will the bill now reported occupy on the Calendar?

The PRESIDENT *pro tempore*. If there be no objection it will take the same place on the Calendar as the bill which was postponed indefinitely.

Mr. ROLLINS. I do not know that I have any objection to that, but I should like to be present when the matter is called up for consideration.

Mr. JONES, of Florida. I certainly shall interpose no objection to the presence of the Senator from New Hampshire. He can be present if he wishes.

Mr. ROLLINS. I fear my objection would not avail if I were present; but I should like to have the Senator refrain from calling the bill up when I am not present. I am generally here.