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MONEY IS POWER;

A

SCIENTIFIC, HISTORIC, AND PRACTICAL TREATISE ON THE SUBJECT OF FINANCE, WITH OVER SIXTY STATISTICAL TABLES ILLUSTRATIVE OF THE HISTORY AND POINTING THE ARGUMENTS EMBRACED IN THE WORK.

ALSO, A

REVIEW OF AUTHORS.

BY R. W. JONES.

ST. LOUIS:
DAVIS & FREEGARD.
1878.

St. Louis:
Davis & Freegard, Printers.

ERRATA.

Page 97: In fifth and sixth lines from top of page, it should be "\$1 to 4" (not \$4), and "$\$\frac{8}{10}$ to 4" (not \$4).

Page 138: Total footing of first column of figures in the table should be "\$1,772,500,000."

Page 143: Total in Europe should be "\$2,400,000,000" in the footing.

Page 168: In the 13th line from top of page the figures should be "\$2,000,000,000."

Page 358: Ninth and tenth lines from top of page ought to read: "The important point with them is *more a* safe repository," etc.

AUTHOR'S PREFACE.

When the author commenced the investigation of the subject of Money he did it simply for information. During the progress of his researches, extensive notes were made, and when he had got through he found ample materials had been collected for a book; and believing the statistical facts and monetary history collected would be useful and interesting to the public, he arranged them in systematic form and submits them, together with the results of his reflections, to the candid reader. Finding that discussions of the subject had often been contracted in view, and superficial in character, the author, to avoid those defects, constantly endeavored to gather within the range of his inquiries all the forces which affect the material interests of a people; find out the prime causes of national prosperity and adversity; discover the true nature, laws, and functions of money, and assign to the latter its true powers, in an economic point of view, as a force contributing to the development and proper application of man's mental and physical powers. Such a course has resulted in bringing him in conflict with many writers who have preceded him.

The nature of the work made it necessary for him to review and criticise the theories of those who differ with him—a duty he fain would have avoided, but one which he endeavored to discharge in a candid and courteous manner.

At the conclusion is a monetary system deduced from fundamental truths which have been established and are sustained by monetary commercial, and industrial history through a long course of years.

The work was prepared for the perusal of all classes, and is, therefore, as plain and simple in language and style as the author could make it in the time he was engaged on it. Whatever repetition may be discovered, was purposely inserted to keep constantly before the mind of the casual reader certain important truths.

Notwithstanding the differences in theory which may exist between the author and reader, yet the historic and statistical portions of the work cannot fail to interest the latter, because they are authentic—being collected from the most reliable sources.

If the work should result in throwing any light upon the subject treated, which is now being discussed from Maine to California, and from the Lakes to the Gulf of Mexico, the author will be satisfied, and consider himself compensated for his labors.

MONTGOMERY CITY, MO.,

March 1st, 1878.

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PREFATORY—CHAPTER FIRST.

REVIEW OF AUTHORS.

No subject has been more discussed, during the 19th Century, and less understood than that of Money. Money, like every other subject of economic science, is affected and its forces are modified or intensified by a myriad of things. The peculiar civilization of a people; their temperament; their manners; their habits and customs; the state of the industries and commerce; the method and facility of transportation; the soil, climate, harvests, war, peace, floods, famine, pestilence,—all the conditions of man, and the nation's intercourse with other nations,—are conditions or forces constituting great factors in determining the nation's economic powers, and modifying or intensifying the influence of other forces—such as money, new discoveries, and the like. For instance, if Russia's volume of money were doubled, the immense territory over which the inhabitants are scattered, the devotion of the peasantry to agriculture, the slow and plodding habits and phligmatic character of the people, and the tardy means of transportation, would render impossible so quick an impartation of vitality to trade and the industries as an equal increase of money in the United States would do here, on account of the commercial habits and mercurial character of the people and the rapid means of transportation. The failure of students of the subject to trace the hidden causes of monetary phenomena through all the conditions of the industries, commerce, and nations to their sources, has resulted in such an accumulation of errors that the truth itself embraced in the various theories is so infected with error as to be scarcely perceptible.

The only correct method of studying the subject is that of learning and observing the facts and conditions previous to and contemporaneous with financial phenomena, and tracing out their relations with each other.

Speculative philosophy has in the past entered largely into economic science, and its fruits exist in the form of a myriad of theories embracing a compound of truth and error.

Aristotle, who wrote over two thousand years ago, embraced both the speculative and inductive methods of investigation. His propositions were generally deductions from phenomena. This was evidently true in his essay on money, wherein he expressed some truths which lie at the foundation of every correct monetary system. One of these truths is that, the use of a thing, no matter what it may be, as money, is a use entirely different from the use of it as a commodity. Another is that, money is a medium of commercial exchanges. A third is that, money is not the ultimate object of men—the *end* of business, but is a *means* of business, by the use or handling of which men supply themselves with the necessaries of life and develop wealth.

No mind, without embracing these ideas, can frame a correct monetary system or comprehend its phenomena. The failure of statesmen and writers on political economy to observe these truths has filled the world with vicious theories pregnant with the seeds of financial disease and inimical to the growth of wealth and the highest development of civilization.

The financial distresses of England from 1689 to 1696 have been referred to often by that class of thinkers who clamor for a uniform standard of values, as conclusive evidence of the evils of debased coins. They claim John Locke as the champion of standard coins, because he proved to the world that equal weights of silver were equal in value to equal weights of equal fineness; that is, that equal things are equal to each other. This astounding triumph of logic will certainly meet the approbation of all men. But it by no means establishes the point sought to be gained by them. If England had debased all her coin alike it would not have left the country as the purer coins did during that time, and yet Mr. Locke's philosophy would have applied to the debased coins as well as to the standard ones. In 1696 a re-coinage took place under the act of Parliament, restoring the metal money to standard weight and fineness. In the autumn of that year the financial distress began to disappear. The advocates of a uniform standard seize upon this fact as an irrefutable argument to prove that the restoration of the standard coins removed the distress. But they fail to consider the powerful effect the notes of the Bank of England produced upon the country. The Bank was chartered in 1694 and by 1696 had got into full operation, and her issues had doubtless largely increased. Of the monetary condition of the last named year, Lord Macaulay wrote, "The upper classes seem to have lived to a great extent on credit. Even an opulent man seldom had the means of discharging the weekly bills of his baker and butcher. A promissory note, however, subscribed by such a man, was readily taken in the district where his means and character were well known. The notes of the wealthy money-changers of Lombard street circulated widely. The paper of the Bank of England did much service. * * The directors soon found it impossible to procure silver to meet every claim which was made on them in good faith. They then bethought them of a new expedient. They made a call of twenty per cent. on the proprietors, and thus raised a sum which enabled them to give every applicant fifteen per cent. in milled money on what was due to him. They returned him his note, after making a minute upon it that part had been paid." It will be seen from this that the notes of the Bank of England, of the wealthy money changers, and opulent citizens, served the place of coin, and to them is attributable more than to anything else the return of prosperity. The depletion of the money of the country, which had taken place just prior to this time, had of necessity so reduced values in England as to stop the outflow of coin and turn the balance of trade in her favor. This also greatly aided in restoring the monetary conditions to a healthful state. The re-coinage had a beneficial effect, not in making the coins standard in weight and fineness, but in making all in the kingdom uniform. Mr. Locke understood the powerful effect of foreign balances on a nation's finances, but did not show how such balances were produced in a nation's favor or against it.

John Law enunciated the truth that nothing, including the precious metals, has a value except for the use to which it is applied. The failure of many to apply that truth has led them to not understand the cause of the depreciation of silver since its demonetization in Europe and the United States. Bullionists hold, that the precious metals are worth, as money, exactly their value in the arts. In other words, they hold that the monetization or demonetization of them does not affect their value. This cannot be true in the very nature of things, because the one increases and the other decreases its uses, this increases or depreciates demand for it and this necessarily appreciates or depreciates its value.

Mr. Law said, "Money is not the value *for which* goods are exchanged, but the value *by which* they are exchanged." It is true that money is not the ultimate object of business. Even the capitalist enters into his transactions, not for the purpose of getting and hoarding money like the miser, but to invest it in bonds or stocks, or property for profit. Yet exchanges made by money are made immediately for money, the ultimate object being to use the money as a *means* of obtaining other things and of producing wealth. He held that a nation's money need not be such as would circulate in other nations. The truth of this has been amply proved since his day by Russian, Italian, French, and United States financiering.

Law's great error was that paper money should be based on and redeemable in something; that any valuable property would serve as the redemption fund, and land, being the most substantial and useful of all property, was the safest of all bases. Hence, his disastrous land money scheme. Neither the paper money issued on the land, nor the land nor titles being a legal tender, the paper itself came no nearer being money than the public mind made it. Hence, when men refused to take it for debt and in exchange for property, it became in a manner worthless.

Paper money ought to be absolute, irredeemable legal tender money like gold and silver. Otherwise, a reduction, depreciation, or destruction of the redemption fund injures or destroys the value of the money. And when a nation's money is supplied by banks of issue, not only the success of those institutions, but the welfare of millions depends upon the wisdom or folly, the economy or profligacy of those who may happen to direct the affairs of the banks, and upon the accidents and incidents of foreign trade.

David Hume asserted that the greater or less plenty of money was of no consequence. This assertion alone shows the looseness of his reasoning and the casuality of his observations. He failed here to consider the effects of supply and demand. At another place he asserts that, "The greater plenty of money may even sometimes be a loss to the nation in its commerce with foreigners. * * * And in general, the dearness of everything, from plenty of money, is a disadvantage which attends an established commerce, and sets bounds to it in every country by enabling poorer States to undersell the richer in all foreign markets."

This is true where the money is gold and silver or paper redeemable in them, and to this fact is attributable the recurring financial crises which have vibrated from nation to nation in the past, where such money constituted the medium of exchange. But that result does not, cannot flow from irredeemable paper currency, because, no matter how much it may be inflated, it does not inflate coin prices, and, hence, does not, on account of prices, produce a bad influence on commerce. Because of the above named phenomenon of plenty of money, coin and redeemable paper, inducing foreign balances against the nation or reducing its exports, Mr. Hume doubted the propriety of having banks and questioned the advantages of abundance of money.

In another place he asserts that without an increase of the volume of mony in a nation whose population and business increase, a gradual fall of prices will ensue. This is true.

Adam Smith held the truth that, "Gold and silver, like every other commodity, vary in value; are sometimes cheaper and sometimes dearer, sometimes easier and sometimes of more difficult purchase." That as a standard or measure of values their capacities are always changing. He, however, held the absurd theory that labor was the true measure of values. He properly distinguished the nominal from the exchange value of money. He also held that money did not constitute the revenues of society; that it was but the exchange medium; the thing which puts industry in motion. He considered paper money issued by banks economic, inasmuch as they would, as he supposed, supplant an amount of gold and silver equal to their issues. This would be true in some cases, and in some cases not. So long as the total sum of a nation's money, coin and paper, remains inadequate to advance the coin prices in that nation above those of other nations the coin would not be exported unless it bore a high premium over the paper. Otherwise it would be exported.

Dugald Stewart held that the commodity value of gold and silver was different from the money value thereof; that commodity value was not necessary to money. This idea has been constantly fought by bullionists, but its truth has been irrefutably established by the financial histories of several nations.

The advance of gold premium and the stringency of money matters in England in 1809 and 1810 caused alarm. The House of Commons appointed a committee of twenty-one members, many of them distinguished statesmen, "To inquire into the cause of the high price of gold bullion, and to take into consideration the state of the circulating medium, and of the exchanges between Great Britain and foreign parts." The report of that committee, submitted June 8th, A. D. 1810, is pregnant with truth and error. They said:

"It is important to observe that when the bank was bound to answer its notes in specie on demand, the state of foreign exchanges and the price of gold did most materially influence its conduct in the issue of its notes. * * * The Directors of the Bank, having their apprehensions excited by the reduction of their stock of gold, and being able to replace their loss only by restricted purchases of bullion at a very losing price, naturally contracted their issues of paper, and thus gave the remaining paper as well as the coin for which it was interchangeable, an increased value."

They comprehended the powerful effects of foreign balances upon the finances of a nation using coin or a paper redeemable in coin, and the equally powerful effect of such a paper on the foreign balances. They saw that the reduction of the amount of specie in the vaults of the banks of issue necessitated a contraction of the currency and that this reduced prices and increased the purchasing power of both coin and paper by reason of the reduction of the aggregate volume of money. They erroneously attributed the coin premium to the quantity of paper money, when, in fact, it resulted from the war and the great scarcity of the precious metals in the kingdom caused by the exportation of large quantities of them for grain and for the support of the armies on the continent. The bank directors and some of the merchants who testified before the committee held that, so long as the bank issued and loaned money on real commercial transactions to be paid in a short time, there could not by that means be an over-issue. The committee looked upon this "as pregnant with dangerous consequences in practice." The history of such issues proved to be very beneficial to the country during suspension of specie payments. The doctrine of the bank directors and merchants above referred to could be mischievous only when applied to issues of redeemable paper. The committee held the opinion that there was too much currency, and the most unquestionable symptom of it was the high price of bullion and the low state of continental exchanges. The history of that time pointedly refutes this opinion. The imports of 1810 were £7,-000,000 more and the exports £3,000,000 less than for the preceding year. This was caused in part by the failure of the crops in England, necessitating the exportation of large sums of coin to pay for grain. This, with the heavy demand for coin to support the armies on the continent, advanced the price of gold regardless of the quantity of paper. That the quantity of paper money in circulation did not cause the advance of coin premium is evidenced by the fact that £6,000,000 exchequer bills were issued and Bank of England issues increased £2,300,000 simultaneously with a considerable decline of gold premium in 1811. ·

The committee held that a proper reduction of the quantity of irredeemable paper would produce a par of it with gold. This would result under some circumstances and under others it would not. With a firmly established government, in peace, when there was no demand for coin to meet foreign obligations or balances, or to pay for imported goods, the committee's rule would apply to such paper; but if the government were seriously threatened, of if there were heavy demands for coin to meet foreign obligations and an inadequate supply of it, no amount of reduction of the volume of such currency would immediately bring it to par with coin, for the simple reason that the paper would not be redeemable in coin. This committee, and after them Henry Thornton and many others, entertained a distinction between what is called real and fictitious bills, intimating that paper money issued upon the latter, not representing merchandise, inflates and becomes vicious. The idea advanced by them is that an inflation, so produced, enhances prices, induces larger imports or smaller exports, or both, causes foreign balances against the country, consequent exportations of coin, reduction of bank reserves, and a collapse. This is true only of a redeemable currency, and then only when the inflation is sufficient to advance prices above those of other nations. Whether the banks might thus inflate their issues on sufficient or insufficient reserves of coin, would make but little difference in the effects on foreign commerce, but it would ultimately materially affect the value of the paper.

There is no such thing as paper money representing merchandise. All money, paper as well as coin, is an absolute power and represents nothing except when it is redeemable money, in which case it may be said to represent the redemption fund, but nothing more. Lord King, in 1803, stated the following important truth:

"The use of a paper currency in any particular country, so far as it displaces coin, which would otherwise be employed, diminishes the demand for gold and silver for the purpose of coinage, and has precisely the same effect in reducing their general value as an actual increase of their quantity to the same amount. On the supposition, therefore, of the whole quantity of gold and silver remaining the same, they must, in a certain degree, be rendered cheap by every increase of paper currency."

This is an important truth, but many fail to distinguish the value of the precious metals with reference to property from their value with reference to paper money. A par of paper and gold does not indicate that the latter is cheap; it indicates the exact opposite. When gold is now but 2 per cent. premium many people imagine it is cheap; it is not true. A dollar in gold is 100 per cent. dearer than it was ten years ago, because it will buy twice as much property now as then.

Mr. Huskisson held that, "It is of the essence of money to possess intrinsic value." If he meant intrinsic value as money, that is, that it must possess qualities fitted to use as money, then he was correct. But if he meant that it must possess commodity value, he uttered a vicious error which has led nations into much distress. It is evident, however, that his idea was that money must possess a commodity or property value, from his holding that paper currency was not money, but the representative of money. Those theories of his have been so effectually refuted by history as to scarcely need an answer. The legal tender currency of the United States possesses no commodity value; before the Resumption Act was passed it did not represent coin, but was then and is now money to all intents and purposes. He held the truth that, if a country's money consisted of gold exclusively, and if the quantity were so increased as to advance prices there above those of other nations, the result would be importations of merchandise into, and exportations of coin from, that nation until prices there should be reduced to about the same as those in other nations. He held that the same result would follow an increase of the paper money of a nation, with the addition that it would cause gold to rise to premium.

This proposition is true only in part. If the paper were redeemable paper, that result would follow with the exception that under certain conditions gold would not rise to a premium. If the paper were irredeemable legal tender, prices would advance, but the inducements to import would not be increased, and gold would, under some contemporaneous conditions, rise to a premium, and under others it would not. If a nation reduce the quantity of pure metal in its units of value below the quantity in its standard unit of the same denomination, the latter will generally be at a premium over the former, but in all other respects the same laws of value or purchasing power govern the depreciated coin and its effects on internal business and foreign commerce that apply to irredeemable legal tender paper money.

David Ricardo thought that the seignorage charged by governments, no matter how much, would make the coin equal in value to an equal weight of the precious metal in the form of bullion, provided the quantity of the precious metal supplied by alloy in the coin should not exceed in value the seignorage charged. He attributed the value assumed by paper money to the same cause—seignorage. It is remarkable that so acute an observer should so grossly misunderstand the causes which produce value. It is the fitness of a thing for use that is properly called intrinsic value; this brings it into use and its use gives it a money value. Hence, in so far as debased coins and paper may serve the purposes of money, they will be valuable. But if there be a special use for pure metal, or a standard coin, which cannot be served by debased coin or paper, then the standard coin and bullion will be at a premium unless the supply of them is as nearly equal to the demand for them as the supply of the cheaper money is to the demand for it. Mr. Ricardo held that by a nation's issuing paper which would take the place of coin, the country, thereby, would become richer to the extent of the coin so supplanted by paper. This would be true only if it were irredeemable paper, because in that case no coin would be required to redeem it. The coin would be exported and merchandise brought in and yet the nation would have as much money as before. But if the paper were to be redeemed, it would be a debt to discharge which the coin supplanted would have to be replaced.

Lord Liverpool, in a letter to the Bank of England, attributed the crisis of 1825 and distress of 1826 in England to speculation. This is not true. It is true that the heavy investments of capitalists in the South American mines caused the exportation of vast amounts of coin to meet their obligations; but it was the depletion of the bank reserves of coin, caused by the exportation of gold, causing a heavy contraction of the currency, which precipitated the crisis and continued the distress. If the currency had been a legal tender, the exportation of the coin and the speculations referred to would not have produced the terrible and general financial distress of 1825-26. He and numerous others have with great approbation referred to the successful operation of the Scotch banking system, but none of them assign satisfactory reasons for the success of those banks. Those banks are savings banks as well as banks of deposit and issue. Thus, nearly all the money of

Scotland passes through them, and they, in a great measure, control it. They issue small notes, thus accommodating the people with a currency suited to the myriad small transactions of the country. The directors and officers have been uniformly honest and sagacious. Scotland is not the center of the world's commerce as England is. Much of her heavy foreign transactions are done through English houses. Her money settles her dealings with English houses and thus the latter form a breakwater for Scotch banks against the adverse tides of financial affairs. These several facts, especially the latter, constitute the principal reasons of the uniform success of the Scotch banking system.

Mr. Tooke, in his evidence before the Parliamentary committee of 1832, said that, "All paper money should be issued by the government on the same ground that coin is." He understood two great evils of banks of issue, to-wit: that depletion of their reserves would affect the volume and value of their issues, and that they are unnecessarily expensive institutions. The Parliamentary committee of 1832 threw very little light on the subject of money. The principal result of their labors was not the establishment of a system upon sound principles, but a patching up of banking laws and regulations.

There were committees again in 1844 and 1847, the results of whose investigations, as usual, were disquisitions upon banking rules and regulations, rather than an investigation of the fundamental laws of monetary science. No fundamental change of system was made.

Thomas Tooke, Mr. Wilson, and many others, held that the quantity of currency did not affect prices. This error has been so effectually refuted by financial and commercial history that it needs no answer.

J. R. McCulloch held that the value or purchasing power of any kind of money, in limited supply, was determined by the law of supply and demand, but that when its supply was free, its value was determined by the cost of its production. The first rule would have been true if he had said that the value, or purchasing power, of money always depended upon the demand for it and the supply of it. His second rule named is not true from the fact that if there was no demand at all for the money it would be worth nothing, no matter what the cost of its production might be. He held that the circulation of redeemable bank paper was dependent upon confidence in the ability of the issuers to redeem it. This is true only of those who take it to present for redemption. The great body of the people of a nation take bank paper simply because they believe others will take it also in exchange for commodities or in payment of debts. He held that that which made an irredeemable currency circulate was the law making it a legal tender, and that such a paper might be kept at par with coin by properly contracting the issues, as inflation might be indicated by the state of the exchanges.

The idea of the great importance of par has distressed the minds of most recent writers on the subject of money, and the numerous schemes and efforts to produce and sustain a par of coin and paper have cursed the nations for generations. Between an irredeemable paper currency and coin, par may have an accidental but not a scientific connection; and with a redeemable paper, the effort to produce and sustain par subjects the currency to constant mutations and inflicts upon nations financial panics and crises. He also held that paper money was cheaper for a nation than gold and silver money.

John Stuart Mill held that an increase of the volume of money would advance prices in the same ratio. This is not true. An increase of money increases both production and consumption, but the former more than the latter. This is proven by the rapid increase of improvements and substantial wealth in a nation, following an increase of money. The increased volume of money circulates to a wider extent and fills innumerable reservoirs (the pockets of laborers and the poor) before it flows freely and continuously through the channels of trade. Thus the increase of property and the wider scope of the circulation modifies the force of the volume of money on prices. He also held that the values of everything, gold and silver included, were determined by the cost of production. This is an error common to political economists. It is not true in anything. Go into the corn and wheat districts. In years of plenty, corn is worth scarcely anything. In many places it is sometimes so far from being worth the cost of production that it cannot be sold at any price at all. It has frequently been burnt in the West to get rid of it. In years of failure, the lucky farmer who produces a good crop realizes two, three, or four times the cost of producing his grain. The successful operators in silver lodes and gold mines amass immense fortunes from the *profits* on production, while the less favored sink ten dollars for every one produced.

Examine the markets of the United States, find out the prices of articles, ascertain the cost of their production and then judge of the causes which fix prices. The markets fluctuate during the four seasons. If cost of producing a crop of cereals, cattle, codfish, cranberries, cotton, sugar, or any other thing, fixed prices, then there could be no change in the market prices of things until a new crop came in, and then the change could apply only to the new crop, because the cost of producing the old crop had previously been fixed and could not be changed. The changing demand and supply, and prospective demand and supply fix values. He held that credit acted upon prices—that an increase or decrease of credits, other things remaining the same, would appreciate or depress prices. This is true, because credit facilitates, increases exchanging of property, thus performing the functions of money in a limited degree, and thus far it affects prices.

Mr. Mill held substantially the same views of inconvertible paper that J. R. McCulloch did, and fell into the same error about the importance of par and the methods of producing and sustaining it. He stated, in regard to an inconvertible paper, that, "The rise of prices (produced by it) will not, as in the cases (of convertible paper) before examined, stimulate import and discourage export The imports and exports are determined by the metallic prices of things, not by the paper prices; and it is only when the paper is exchangable at pleasure for the metals that paper prices and metallic prices must correspond."

H. D. Macleod held that money represented debt. This is even a more glaring absurdity than that paper money is symbolic, representing merchandise. Money, no matter what the form or kind, does not *represent* anything. It is an absolute distinct power performing its functions according to its own nature.

Henry Fawcett held that, "General prices depend upon the quantity of money in circulation compared with the wealth bought and sold with money, and also upon the frequency with which this wealth is bought and sold before it is consumed."

The correct statement of the effect of money on prices is, that the quantity of money as compared with the quantity in kind (not value) of property in a nation and the conditions of the country and the people fix prices. The frequency of exchanges is not a cause but an effect of the quantity of money or credit, or both. He failed to consider the powerful effects of the accidents, incidents, and changing conditions of a nation on prices. He believed that an inconvertible currency might, under exceptional circumstances, be made to serve all the purposes of a redeemable currency, for a short time, and not disturb the finances of a country, if kept within proper limit. He referred to the depreciated currency of the American Revolution as an example of the abuse of such currency.

There are two reasons why no money that might have been issued by the United States then, except gold and silver, could have been received with favor or worth much: 1st, The bond of union was of such a slack character that the United States possessed scarcely any political or legal powers and consequently had no adequate means of enforcing the acts of Congress. It had no power to make paper money a legal tender. Certain of the States made their *pro rata* part of the paper a legal tender, but this gave it the character of local currency, and, outside the borders of each State, that portion of the paper so made a legal tender therein was not a legal tender, hence, worthless when it got abroad, except in so far as confidence of the general public in the ultimate success of the revolution gave it value. 2nd, The vicissitudes of the war, the adversities of the new republic, the almost hopeless and often apparently futile effort to establish the independence of the States, the general want of confidence in a successful result of the war created a suspicion of failure in every State effort and act. Hence the worthlessness of the Continental money. That these were the true causes of the depreciation of that money is evident from the fact that the issuance by Congress of a new kind of money in the latter part of the war, redeemable in coin, met with scarcely any better success than the other kind. No candid man will, understandingly, bring forward the Continental money as an argument against legal tender money issued by a government possessing full and unquestioned political and legal powers, such as the United States now enjoy.

W. Stanley Jevons refers to inconvertible paper money's acquiring a value as an *abnormal* phenomenon. It is no more abnormal than that of the indian wampum's assuming a value. The very same thing which makes gold and silver assume a value as money makes inconvertible paper assume value as money. It is the use of the thing. If a surgeon wanted lint to staunch a bleeding wound to save a life, gold would not do; he would give gold for the lint. Thus the lint, otherwise useless and valueless, would assume a value for that use. Commerce requires money—it is indispensable to serve as a medium of exchanges. Anything which will well serve that end may be used for that purpose and the use of it thus gives it a value as money. Inconvertible legal tender paper serves the purpose well; hence, it assumes a value as money. He held the same theory regarding the method of holding an irredeemable paper at par with coin that several others herein before named did. Mr. Jevons understood the fact that redeemable bank paper, when inflated, raised the coin prices of commodities in the nation, turned foreign balances against it, and was thus the prolific parent of financial panics and crises.

Francis Wayland appears, in one part of his *Elements of Political Economy*, to have fallen into the common error that values are determined by the cost of production; but a few pages further on, he asserts the truth that, "If the amount (of specie in a nation) be increased, its value will fall. If the amount be diminished, its value will rise." He also advances the truth that specie may be higher—that is, its purchasing power may be greater in one nation than in another at the same point of time. It is evident from a thorough examination of his theory that while he said the values of gold and silver were the cost of their production, he meant that their values were the cost of their *purchase*.

He held that the purchasing power of money and the prices of merchandise were determined by the relative quantities of money and property in a nation, and that paper money was economic.

Francis Bowen holds money to be unproductive capital. He and a number of other writers seem never to have comprehended the immense power of money as a force contributing to the production of wealth. Money and men constitute the capital of a nation. Man, by the use of money, is enabled to combine and apply his mental and physical powers in production. Thus the varied wealth of a nation, material, artistic, scientific, and mental is developed.

Mr. Bowen states that, "Money is even now only a hypothetical or abstract medium of exchange in all the larger transactions of commerce. I almost anticipate the time, in the progress of invention and discovery of new expedients and facilities in commerce, when it will become so universally."

He evidently failed to distinguish between the functions of money as a *measure* of values and as a *medium* of exchange. The former function is passive and is applied by a mental comparison. The latter function of money is an active power emitted from its circulation, operating upon prices and every material interest of the nation. Money is not a hypothetical or abstract medium of exchange in large transactions, as Mr. Bowen supposes. Exchanges of property are made by three, and only three, means besides that of barter: 1st, The actual passing of money between the contracting parties; 2nd, By the passing of the title to money by means of checks, drafts, etc., for money actually owned by the party making these papers; 3rd, By credit. There is nothing hypothetical or abstract here. By the second means of exchanging, the money is not actually handled, but its title passes by means of the title papers, checks, drafts, etc. By the third means, in the form of bills, notes, accounts, etc., there is in point of fact no hypothecation except that of credit. It is plain bald credit, creating obligations, promises to pay, and in consideration of, and by means of, these obligations, promises, the exchanges are made. Mr. Bowen held substantially the same theory about inconvertible paper money that Mill, McCulloch and Tooke entertained.

Wm. G. Summer advances substantially the same principles reported by the British Bullion Committee of 1810, in regard to foreign balances, outflows of coin and inconvertible paper currency.

A. R. Peery endeavored to show the distinctions which exist between the functions of money as a measure of values and as a medium of exchanges. Aside from this, his theories were but old ones redressed.

Many other Americans have written books and pamphlets on the subject of money. But few of them, however, have done more than revamp old theories.

Hon. Cary Baird, of Philadelphia, and many others advocate a legal tender currency, issued by government, and made interconvertible with low interest-bearing bonds. Such a system would subject the currency to constant changes in the size of volume, thus afflicting the country with one of the greatest evils of the redeemable bank paper system.

Hon. Briton A. Hill, of St. Louis, is properly termed the champion of the absolute legal tender paper system. His book, entitled *Absolute Money*, is, in many respects, an able work, and is worthy a place in the library of every student of monetary science. Money is his theme, and in his fixed attention to it he appears to have lost sight of the immense force with which the accidents and conditions of nations act upon the industries, commerce, and values. His central idea, though not new, is very well sustained by scientific reasons; it is better sustained by his references to history. The idea of an absolute paper money is not new. The seed of this idea existed in iron money, salt money, wood money, etc. It germinated in the Bank of Venice in the 12th century, in the form of a semi-legal tender paper. The suspension of specie payments in England and the legal tender character of Bank of England paper from 1797 to 1820 gave it growth. Sir A. Alison, the English historian, entertained a dimly outlined conception of such a money. Our forefathers, in creating the continental money, approached nearly up to the standard of the absolute legal tender paper theory, and the Congress of the U. S., in 1862, improved slightly on the continental money system. With all these precedents and successful experiments it required no great stretch of the imagination to seize the idea of absolute paper money from the system of legal tenders irredeemable for an indefinite space of time. The idea of an absolute paper money is logically deducible from the uses, powers, nature, and functions of money, and is as consistent with reason as the idea of any absolute money the nominal value of which is fixed by law.

The last work I shall notice is that of Henry V. Poor, entitled *Money; its Laws and History*. He is a bullionist in theory and has not been able to distinguish between the science of money proper and the art and science of banking. He is a great critic. Of his 623 pages, 365 are taken up in quotations from, and flippant criticisms of, men who have deservedly ranked high as authors, and in unmeasured abuses and scandalous denunciations of, and attacks upon political parties, sections of the Union and eminent men whose memories millions of Americans cherish and revere.

His work is valuable principally for its extracts from other authors, disquisitions upon the art and science of banking, and sketches of monetary history. He comprehends the immense power of money in mobilizing industry and producing wealth, and states it thus:

"The quantity of industry, therefore, which any society can employ must be in direct ratio to the amount of its money, in whatever form. * * * Without it (paper money), the commerce and wealth of such countries as Great Britain and the United States could not have reached one-fifth of their present prodigious proportions."

Notwithstanding Mr. Poor is so given to criticism, yet he, as reckless critics usually do, subjects himself to severe and merited criticism. He manifests a reckless disregard of consistency, only a few instances of which we notice. On page 6 he asserts that the value of the precious metals is *absolute*, depending upon one condition, cost of their production; while on page 22 he advances the truth that increased demand for them would cause them to rise in price. On page 589 he states that, "All such balances (meaning foreign balances of trade) must, in the long-run, be paid in merchandise by countries that are not producers of the precious metals;" and on the same page he says, "When the work of redemption is fairly entered upon, this country will for some time be a large importer of coin from the very countries to which it is now most indebted." The countries to which we are most indebted are not producers of the precious metals, and would, according to his first proposition, settle with merchandise, but according to his other proposition would settle with coin. He proposes a United States bank with branches; the parent bank to be the repository of the revenues and the fiscal agent of the government. He advances the idea that all the payments to be made by the government could be done through the bank by "symbols"—*i. e.*, checks, drafts, etc., without the use of a dollar in coin, and yet he violently opposes a legal tender money with which to do exactly the same thing. He denounces a legal tender money and yet advances the theory that all the issues of such a bank, used by the government in its fiscal operations, could be kept in circulation by reason of its being so used by the government. Notwithstanding his opposition to legal tender paper, he would have the issues of a United States bank made receivable in the revenues of government—which would constitute them a legal tender that far. He supposes that the transactions of the government would keep about $100,000,000 of the notes of such a bank in circulation without any coin reserves to sustain them. The fiscal operations of the government are, say, $300,000,000 a year. The transactions of the whole country are about $100,000,000,000. Now, if $300,000,000 of transactions by the government with such a bank paper will keep $100,000,000 of it in circulation without any reserves to sustain it, is it remarkable that it should be held by some that $100,000,000,000 transactions by the whole country would keep $1,500,000 legal tender paper money in circulation without a dollar of coin to sustain it?

Mr. Poor has gathered up a fragment of the legal tender idea and incorporated it in his banking system, in apparent ignorance of the conclusion to which it would bring him if he pursued the idea logically. He has permitted his mind to be so occupied with the intricate transactions of banks in their operations *with* money, as to prevent him from obtaining clear and well defined conceptions of the laws which should control the *production and supply* of money, as well as its laws and functions as a distinct element of power. The laws which control in the *handling and distribution* of money, as in everything else, are different in kind and system from those which control in the *production and supply* of money, as in every thing else. Mr. Poor's failure to distinguish between these very distinct arts and sciences has resulted in producing in his mind a mixed and very complicated money system, constructed as follows:

A United States bank which shall deposit in the Treasury bonds to the amount of $100,000,000, bearing a low rate of interest, as a safety fund for depositors; the funds of the Treasury shall be deposited with the bank and the latter shall be the fiscal agent of the government; it is to issue notes which shall be receivable for the revenues, about $100,000,000 of which he thinks would circulate at par on that account without any reserves to redeem them. This bank is to have branches in all cities of 50,000 inhabitants, and these branches are to issue notes. Then there are to be local banks of issue with free banking. The national bank issues are to be retired and the legal tenders all funded. Thus, Mr. Poor would afflict the country with the treble evil of a United States bank with branches. local banks which are to issue notes and an increase of our bonded debt $350,000,000 by funding the outstanding legal tenders. This is very much like the banking system of England and would inevitably bring upon this country periodic panics and destructive crises as that system has done in England.

PREFATORY—CHAPTER SECOND.

CRITICISMS ON CURRENT THEORIES.

Before proceeding to a consideration of the science and history of monetary affairs in regular order, we submit the following criticisms on the various theories current:

Ultra Greenbackers—This class want $2,000,000,000 or $3,000,000,000 of absolute paper money, full legal tender, issued at once, directly by the government, receivable for all debts, taxes, and dues, public and private. They want the bonded debt of the United States all paid off with these, regardless of the legally bounden condition of the government to pay some of them in coin. This theory is subject to several grave objections:

First: Such an enormous and sudden inflation of the currency would greatly depreciate its purchasing power, and so quickly unsettle prices and change the order of things as to result in evil. The prices of all property would suddenly bound upward one or two hundred per cent. Such a rapid enhancement of values would set the nation wild with speculation. Every man that could command a little money or property, amid the feverish state of trade, too impatient to wait for the slow process of production, would swiftly proceed to buying and selling. This, in addition to the sudden increase of money, would send prices higher and higher, until they would go far above the power of even that enormous volume of money to sustain them. It would add fervid excitement to the mind and inspire all commercial and speculative classes with impetuosity and rashness overleaping the bounds of prudence and setting cool judgment at defiance.

A limit to such a spasmodic ascent of prices would soon be reached. Whenever prices should reach the maximum and cease for a time to advance, quick sales and profits would cease. At that point men would begin to push off their stock in trade, then a process of decline in prices would set in. At that point all the feverish, fervid, spasmodic excitement in business would give way and nothing being left to sustain the markets, but the legitimate elements of money and credits, prices would fall as rapidly as they had risen. Thence would inevitably follow a great panic, a glut of markets, hoarding of money, distrust, refusal of capitalists to lend or invest, and a consequent continued shrinkage of values until the mercantile and debtor classes were ruined, and creditors either lost or collected all. Thus the small operator would be ruined, and the mammoth house reduced to half its value; all business would be stagnant; thousands of laborers would be quickly turned out of the industrial shops into the streets to seek in vain for employment. The nation would be thrown into a state of agitation, sudden and extreme.

It is true that this state would not continue long, because the money being a legal tender, would not depreciate; on the contrary, its value, its purchasing power would enhance as our Greenbacks did in 1873 and since. Business would gradually revive on a more solid basis than at first, But such a catastrophe need not occur. It ought to be avoided, because it is liable to result in riots, strikes, destruction of lives and property, would arouse discontent and dissatisfaction among the people, and might seriously disturb the peace of the country.

The objection is not so much to the quantity of money asked by the ultra greenbackers as to the suddenness of the issue. Although $2,000,000,000 is more money than the country needs, yet so much as that, if issued slowly and regularly, might be put in circulation without bringing such a crisis as the one referred to. Such a crisis would not result directly from the *quantity* of money issued. But the *sudden* issue of so much money, producing a sudden and very excited state of trade, would elevate prices far above the power of the money alone to sustain them, and when that sudden and excited state of trade should begin to languish, prices thereby loosing one of their supports, would tumble down, thence a crisis. Then, of course, new efforts would be made to change the system, and the irrepressible conflict of various theories would again be revived to agitate the country. An avoidance of this is much to be desired.

Second: If the legal tenders called for by this class of people were receivable for custom dues, it would, on that account, be current to some extent with all commercial houses in other nations having commercial intercourse with this country. In proportion to the foreign circulation of our money, our home supply would be reduced and the volume subjected to change, bringing in some degree the evils of fluctuating markets.

Third: The government must have coin to pay interest on its bonds so long as any of the coin bonds remain unpaid, unless its contract be violated by the forced payment of the interest in legal tender paper, and this would be not only unjust, but unnecessary. If legal tenders be made receivable for custom dues, such dues would be all paid in paper, and the government's only source, except the sale of bonds, for getting coin would be cut off. This would necessitate an increase of bonded indebtedness to raise coin to pay interest on outstanding bonds.

The government always needs coin in war, and a stock of coin ought to be raised in time of peace, by coin custom duties for war purposes.

Besides these objections, another arises with reference to the government's obligation to pay certain bonds in coin. Wherever the government is legally bound to pay bonds in coin, they ought to be so paid, or settled in a manner satisfactory to the holder. There will be neither occasion nor excuse for repudiating the slightest legal obligation of the government, if our financial measures put it within the power of the people to discharge them. But there are government bonds outstanding, which the government is neither legally nor morally bound to pay in coin. I refer to those issued under the act of Congress of 1862, and subsequent acts which provide that the bonds shall be paid in lawful money. Lawful money meant "Greenbacks" when those bonds were issued, and means them yet. The Congress of 1869, betraying their sacred trust, disregarding the rights and wrongs of their constituents, and executing the mandates of the money power, made themselves infamous by passing an act providing that the bonds which had been issued by government prior to that time should be paid in coin. At the time that act was passed, every bond it had reference to had passed out of the government's hands; had been bought and the terms of the purchase and payment of them by the government had been fixed by the acts authorizing their issuance. They were payable in lawful money, legal tender, paper, gold or silver.

The act of 1869, was therefore an *expost facto* law, and void by the terms of the Constitution of the United States, and ought not to be obeyed or observed by the administration. But the money power have easily succeeded in procuring the passage of two other acts of Congress, which will secure the payment of those bonds in the dearest money, gold, if they are not repealed. Those are, the acts for the resumption of specie payment, and for the demonetization of silver. The former will destroy all the Greenbacks; and the latter, the legal tender character of silver, so that if they remain in force, the bond-holders will be paid gold for their bonds in spite of the illegality of the infamous act of 1869.

What Congresses we have had! What perfect representatives of a patient and long-suffering people? Every man who had a hand in that system of legislation ought to be branded as a traitor and cast out as a reproach and a byword. But, notwithstanding these infamies, every lawful obligation of the government ought to be met and will be cheerfully discharged by the people, if the government will only put itself from under the influence of the money power and so legislate and administer public affairs as to make it possible for them to do so.

The United States as a money broker.—Some urge the virtue of the government's issuing more "Greenbacks" and lending them to individuals on mortgages at low rates of interest. This system is subject to several objections. 1st, Unless the amount thus to be loaned was limited, every man would be a borrower and the country would suddenly be flooded with thousands of millions of paper to set the country wild with excitement, induce an unhealthy and unsustainable advance of prices and result in a crisis. New avenues for fraud would be opened up by this system and the government would be swindled enormously by combinations of sharpers and government loan agents. 2nd, If the amount were limited, a few rich men in each State would get all the money and re-loan at higher rates of interest, and thus the system would become a measure to fleece the people. 3rd, Such a system would necessitate a new set of fiscal agents to eat up the public revenues, swindle the government, and practice administration favoritism. 4th, Such a system would be subject to great and sudden fluctuations in the volume of money, resulting from the increase and decrease of loans and payments at different periods, thus afflicting the country with the curse of fluctuating markets. 5th, If the debt, when contracted with the government, were to remain, in other words, if the loans were to be perpetual, then every mortgage to secure such loan would be a perpetual encumbrance on the land mortgaged, converting the people from independent freeholders into dependent mortgagors of the government—a dangerous attitude for people who want a perpetuation of free institutions.

Interconvertible Bonds.—Another class advocate the issuance of government bonds bearing a low rate of interest, interconvertible by the holder into legal tender notes at will and *vice versa*. They claim that this system would expand and contract the currency in proportion to the needs of the country. This idea is one of the most pernicious that belongs to the old coin banking system. It is a fallacy. All past financial history shows that in all times of stringency, those who have money capital universally seek out safe securities, no matter how low the rate of interest, and invest in them rather than lend money at a higher rate of interest, or invest in productive industry or commerce. On the other hand, when money is abundant, every branch of business is brisk, money is in good demand and lends for a higher rate of interest, and those possessing money capital exchange their 3 and 4 per cent. bonds for cash and lend it freely at 10 to 15 per cent. interest. Such would be exactly the case with the interconvertible bond system. Whenever any depressing accident occurred, such as war, bad crops. adverse foreign balances, etc., and money ceased to circulate freely, safe borrowers became few and interest on gilt-edged paper fell low, as it always does in such times, those having money would sink it in the U. S. Treasury and take three per cent. bonds for it in preference to lending to borrowers, and thus the system would result in further contracting the currency when an expansion should be had. Again, on the other hand, when money appeared abundant by reason of its free circulation, business brisk, profits large, and interest on commercial loans high, those having interconvertible bonds bearing low interest would take them to the U. S. Treasury, get legal tenders for them, lend the money out at 10 or 15 per cent. interest, and thus further inflate the currency when the country did not need it.

The system would be a vicious one, operating on the currency exactly like the system of banking on coin does, alternately expanding and contracting the currency in reverse proportion to the needs of the country. The currency ought not to be alternately expanded and contracted. Two things are absolutely essential to continuing prosperity. They are, 1st, A sufficient; and, 2nd, A steady volume of money. Any system which conflicts with these will produce evil.

Interest.—Many writers and talkers, have much to say about the rate of interest. They say it is too high and that this or that system would reduce it. It is very evident that any one holding such ideas have not given that thought to the laws of interest that they should have done. The rate of money interest in the commercial and financial world is always determined by the value, *i. e.*, the purchasing power of money in reverse proportion. The only general exception to this is in the case of risky loans.

This law of interest is not controlled by any arbitrary power. It is as much beyond the reach of legislative enactment as the relative values of property are. It arises from conditions—from the state of the business affairs, both financial and commercial, of the nation. When money is scarce a dollar is worth more than when it is plentiful, but it will not lend for more, because the interest is payable in money, and being so paid, a smaller rate of interest will bring the lender more wealth in "hard times" than a higher rate of interest will in "flush" times. Furthermore, in times of stringency in money matters, safe borrowers become scarce and capitalists refuse to invest and money lenders become cautious, doling out loans very sparingly. The result is, that the banks and large capitalists have a surplus of money by reason of hoarding, and as "gilt-edged" borrowers are scarce—and they are the only ones that capitalists like to lend to in stringent times—money "goes a begging" at very low interest. On the other hand, in easy, prosperous times, when every man finds profit in industry and enterprise, capitalists invest in business and money loaners lend freely with assurance of payment; they hoard but little, money circulates freely, prices of property rise, the purchasing power of money is low, and three things raise the rate of interest: 1st, Money being cheap, the rate of interest must be high to bring the lender a revenue, because the interest, being paid in money, is relatively depreciated although the rate is higher. 2nd, Business being brisk and profits good, the borrower can afford to pay a higher interest than in dull times. 3rd, The investments of money by capitalists and the free lending by money loaners puts nearly all the money in actual circulation and brings the quantity of loanable funds low. Hence, the increased use of money and the reduction of the surplus of it, together with the ability of borrowers to pay high rates, advance the rates of interest.

Nothing but Legal Tenders.—Others want both gold and silver demonetized so that we shall have only legal tender paper money. This scarcely needs an answer. The public indebtedness of the country bears coin interest, some of the bonds are payable in coin and foreign balances must be settled in coin. It is not only to our interest, but it is the legal right of the government to make and regulate the value of gold and silver coin in which these obligations are to be paid. Otherwise, we would be subject to the annoying perplexity of satisfactorily settling the question of how many grains of gold and silver constitute a dollar. Furthermore, there is a profit in minting, and the government ought to have it.

One of the most important reasons why gold and silver should be monetized is, that they would then be minted, and as they constitute what is called the world's money, that is, are current everywhere, the quantity minted by the United States would add just so much to the world's stock of money and tend in some degree to sustain prices, stimulate production and business, and advance civilization. We should have metal money for our financial intercourse with foreign nations and a legal tender paper money for domestic use.

The Golden Calf.—Others oppose the remonetization of silver because, they say, if remonetized it will be of less value than gold, will injure public credit and be inconvenient on account of its bulk and weight. It may or may not be of less value than gold. Its remonetization in the United States will quickly appreciate its value. It will be on par with paper and perhaps with gold also. Its increased uses by remonetization must enhance its value. The idea that it will injure our foreign commerce has no foundation in fact or in true principles of economic science. The object of commerce is trafic, the exchange of one commodity for another. The least of all objects which forms a motive for foreign trade is to get money from abroad. England wants our cotton to employ her laborers and produce fabrics which yield a profit, more than she wants our gold. Our own exporters do not expect to get the money of England, France or Belgium for their exported goods. They know their balances will be settled by bills of exchange on New York, Boston, Philadelphia or Baltimore ultimately. Generally they do not expect the shipment of a dollar of coin to them from abroad. England, with her legal tender bank paper grew rich from foreign commerce during her twenty-one years' war with Bonaparte. Italy and France have prospered greatly under their legal tender paper systems and experienced no inconvenience or detriment to commerce on its account. Our foreign commerce has doubled during the era of legal tenders. A depreciated currency, either paper or coin, does not injuriously affect our foreign commerce.

They say the remonetization of silver would depreciate the national bonds. It is not certain that it would, because with silver remonetized, the world's legal tender money would be increased, and the increase of such legal tender money would tend, at least slightly, to increase values, or retard their further decline, securities included. Remonetization would not be a breach of public faith. A breach of faith is a violation of some duty or pledge. The government can make no pledges except such as are legally binding. The government is not legally bound to keep silver demonetized, hence, to remonetize it would not break a pledge. Whatever depreciation the bonds might suffer in consequence of the remonetization of silver would make them the more easily paid; and as the great bulk of them were, before the infamous act of 1869, payable in legal tenders, and up to 1873 in silver, it would be no act of bad faith or injustice to bond holders to enforce the payment of them in silver. If such a course should depreciate the public credit, let it depreciate. It would be a blessing to this country if it never should sell another interest-bearing bond to waste industry and make slaves of the toiling masses. To force a payment of the vast bonded indebtedness of this country in gold is a thing impossible, and the effort to do it will, soon or late, so oppress the people as to induce repudiation and, perhaps, revolution. It would be far better, not only for the people, but the bondholders also, to pay those bonds in legal tenders than to goad the masses to repudiation.

The objections urged by bullionists against the remonetization of silver are only ostensible. Their real objections are that such an act would tend to make money more plentiful, and thus reduce its value and reduce its purchasing power and their profits. These were the bald-faced reasons assigned in Germany in arguments for the demonetization of gold in 1857. Here and there among the masses are found dupes of the money power who oppose the remonetization of silver. They ignorantly advocate their own destruction. They fail to consider the fact that the internal commerce of this nation is the immense thing that gives employment to labor and profit to business, and rises in gigantic proportions and importance above foreign commerce. Our internal commerce is a hundred times greater than our foreign trade. These figures illustrate the paramount importance of the government's issuing such kinds, denominations, and sums of money as will enable it to penetrate every nook and corner of the republic in sufficient quantities to facilitate exchanges, stimulate the movements of the vast production of the country, energize every hand, and keep every man engaged at such wages as will secure comfort and prevent pauperism and crime.

National Banks.—The bullionists, national bankers and their friends want the national banking system perpetuated. But there are many very grave objections to this system.

First: It is needlessly expensive. Its bonds, upon which its notes are issued, are safely deposited in the U. S. Treasury. The bankers draw coin interest on these bonds from the government and pay no taxes upon them. The government allows them to issue about 90 per cent. of the amount of their bonds in notes, thus gratuitously without any cost to the banks, except the tax on their issues, increasing their interest-bearing capital 90 per cent. In other words, upon a capital of $100,000,000 they can reap profits from $190,000,000. They lend at from 8 to 12 per cent. interest. The people pay them on their bonds from five to six per cent. interest. Thus the people pay from 13 to 18 per cent. interest to the national banks on every dollar of "Blackbacks" in circulation. Besides this, the government coins and issues to the banks their notes free of charge. The government must also settle up the business of every broken bank. This is a useless and extravagant system, calculated to concentrate wealth and rapidly enrich the money power of the country at the expense and by the oppression of the people.

Second: The effects of this system on the volume of the currency, and the liability of the banks to fail are in no essential point different from the old State Bank System, or any system of bank issues based on coin. When all the legal tenders shall have been redeemed and every dollar of bank notes shall be redeemable in coin, as they will be, and crises come, as they must, then runs will be made on these banks for coin, they will not be able to redeem, they will fail, their notes will be presented at the U. S. Treasury for redemption, and it, for want of coin, also, will fail to redeem them. Then the debtor will be at the mercy of his creditor and, with his pockets full of national bank notes, may be sacrificed because they will not be legal tender money. It is a kin to that of England, and, if perpetuated, will afflict this country with periodic crises just as it has afflicted England. There will be periods of inflation when coin reserves are favorable, followed by sudden contractions, produced by drains of coin from the country, causing panics, destruction of credit, fall of prices, bankruptcies, pauperism, and crime. It will be the same old story over and over again. The mutations of the currency will curse this country with "panics" and "crashes" so long as we have a redeemable paper issued by banks.

The theories of bullionists are drawn from the banking systems which have cursed England and this country for nearly a century.

The substance of all their theories is that, the paper money must be based on and redeemable in coin. The corollary to this is that the paper money must always be kept so small in volume, that the coin in banks and that easily obtainable, will cover the paper presented for redemption. The small quantity of coin in the country and obtainable forces them to decry inflation as the cause of all our woes and advocate contraction of the currency as the only means of returning to solid prosperity—by solid prosperity they mean a system of redeemable bank paper, whereby the banks promise to redeem from three to ten dollars in paper with one in coin. Such a currency system does very well in times of general prosperity, when business is brisk and every man has confidence in the intention and ability of his neighbor to meet his obligations; but when the country falls into hard times, when business is stagnant, confidence gone and suspicion takes its place—when the country is financially sick, such systems are like the quack doctor in a case where the patient's life trembles in the balance, they are powerless to save.

The history of all such systems shows that whenever reserves were favorable or promised favorably, it has been the habit of banks to issue paper largely, often more than they were able to sustain when the tide of coin reversed its course and flowed out of the country. Hence the number of blighting, withering crises which have marked the history of banking on coin. The ten terrible crises in England, and seven in the United States in the last sixty years under such banking principles, ought to be enough to arouse the dullest brain to a sense of the viciousness of the system.

It defies the inventive genius of man to find out a finance system more variable in its effects, more fraught with good at times, and more pernicious to society and more destructive of the peace of nations at other times, than that of bank issues based on coin. During half of the last sixty years both England and the United States have groaned and writhed under excruciating tortures caused by this vicious banking system and kindred principles.

Now, after we have had not only line upon line, precept upon precept, warning upon warning against that system, but thirty years terrible suffering from it out of the last sixty, the bullionists and contractionists, the money power want to place the country again at its devouring mercy.

Resumption of specie payments and the national banking system, are the powers by which they propose to force the country into its old financial ruts, regardless of the unutterable woe the system has entailed, is entailing and will continue to entail upon the people of this country.

Patches.—Others, even Congressmen, suggest coin certificates, postal banks, savings banks, compromises, patches, bolstering, etc., etc. Postal and savings banks are good agencies for *operating with* money. Coin certificates are but a makeshift. The thing needed by the country is a well defined, complete and perfect money system established upon sound economic principles for the *creation and preservation* of a sufficient quantity of currency to meet the needs of the people and develop the wealth of the nation. From the beginning of our national existence, the financial policies of the government have been ill-considered expediencies. This has resulted in constant changes and produced great suffering. One kind of paper of various denominations, a full legal tender, in sufficient volume to meet the commercial needs of the country, is immeasurably better than the variety we now have. It is the one thing needful in finances.

The Commune.—The theory of this class is that there shall be no money; all property shall be common property; every man shall have a share of the products equivalent to his labors, and that the government shall be the grand agency by which all the affairs of the nation shall be controlled and through which all property shall be distributed. The most perfect exemplification of this system imaginable was the constitution of Peruvian society at the time the Spaniards invaded and subdued Peru. Peruvian society consisted of four castes or divisions: the government, the ecclesiastics, the army and the common people. The government consisted of an hereditary king, his court and officers; the ecclesiastics of the priests and their attaches; the army, of the officers and soldiery; and the common people, of all others. The latter were divided into artisans, tillers of the soil, fishers, road-workers and bearers of burdens. They had no letters and kept their history by knots tied in cords. They had no money, but had immense quantities of gold with which they ornamented their temples. They worshipped the sun, went half naked, and the government distributed the products, taking a part for itself, a part for the priesthood, a part for the army, and giving the rest to the people. The tillers of the soil did not own the land, but they, as all the people, were changed about over the kingdom from year to year as the government thought best. There was communism in the full, ripe fruit. Such a system is totally incompatible with civilized society, and an effort to establish it here would be such a violent attack upon the civilization of the age as to produce such results as similar efforts have done in the French revolutions of the last and this century—drench the country in blood.

MONEY IS POWER.

CHAPTER I.

MONEY: ITS POWERS AND FUNCTIONS.

First.—Money is a measure of values. In this sense it is a thing of nominally fixed value, and simply expresses the relative money value of other things with reference to themselves and to itself. As, for instance, a cow is worth, what? Money—thirty dollars; a horse is worth a hundred dollars. Here the relative values of the horse and cow, with reference to each other and to money, are expressed in dollars—that is, money. In other words, their values are measured.

This use of money is purely idealistic. By this mental measuring the total property of the United States was estimated by the assessors to be worth $14,178,986,732 in 1870. In that year the total sum of money in the United States did not reach one-seventeenth part of the assessed valuation of the property. It is, therefore, clear that the money did not represent the property, nor the property the money. The assessment simply represented the sum of the estimated relative values.

Measuring values with or by money, is literally and exclusively a mental process, as is evidenced by every commercial transaction, from the sale of a wheelbarrow up to the purchase of a railroad. The wheelbarrow is rated at $10, and the railroad at $2,000,000. How and why so rated? By comparing them with other similar property, and considering their uses and the profits they may yield, because these determine their values. All property is so rated, its value so measured, in the abstract, without the actual use of a dollar in money.

So far as this use of money affects the commercial affairs of the world, it matters not what the measure may be, so that its smallest unit is sufficiently small to measure the smallest value. Pounds, shillings, pence and farthings; dollars, cents and mills, or any other name or kind, would serve the purpose of a measure equally well.

If this were the only use of money, one mill would be enough for a whole nation. This is clearly demonstrated by the method of measuring values adopted by a tribe of heathens on the coast of Africa, who did it by an abstract idea named *macute*. By this idea they rated one article at one *macute*, another at two, and so on. This was simply a method of comparing values by the measurement of an abstract idea. The same process is constantly exhibited in the United States in barter. A man "swaps" three cows valued at $90 for a horse valued at an equal sum. No money passes. These estimates or values are purely idealistic.

The only power this property of money possesses is that of creating and preserving a uniform method of estimating and expressing values. This property of money is convenient and useful, but it is the most insignificant power it exercises, as will be presently seen.

But when money enters into and is actually used in the business affairs of life it is all-important that there should be enough of it to supply every man with all the measures necessary to do all the measuring his brains, muscles and wealth make him capable of doing. Otherwise, the nation would be as a dry goods store with twenty clerks and but one yard-measure. Immense loss of time, talents and powers would result from an insufficient supply of measures.

The failure of statesmen to properly estimate the other and grander powers of money, and their habit of dignifying its measuring property and considering it the most important, have caused the world untold agonies.

Looking on money as a measure of values, they have legislated for a "uniform measure," "a standard of values," in apparent ignorance of the destructive forces they have set in motion by disregarding the other and greater powers of money.

Second.—Money is a medium of commercial exchange. In this sense it is a *thing*, not an idea, which enables men to exchange, combine and apply their mental and physical powers, to carry on commerce, transact business and pay debts.

It enables the laborer to exchange his labor for money, and the money for the necessaries of life. Thus houses are built; railroads, ships and steamers are constructed; streets paved, roads made practicable, shafts sunk, mines opened, factories and workshops operated; all the industries are pursued and the material wealth of the country is developed.

It enables the tillers of soil to exchange their products for the necessaries of life and implements of husbandry. Thus the agricultural wealth of the country is developed.

It enables merchants, shopkeepers, owners of boats, ships, and railroads to supply themselves with stock and the necessaries of life. Thus the agencies of exchanging are multiplied, and the commercial wealth of the country is developed and distributed.

It enables the scientist, the philosopher, the theologian, the lawyer, the doctor, the editor, the teacher, all professional men, the painter, the sculptor, the architect, the draftsman, all artists to exchange their knowledge and skill for money and the money for the necessaries of life; and thus the mental and artistic wealth of the nation is developed.

Money, like every other thing, is easy to command and possess when plentiful and hard to get when scarce. When plentiful, it is within the reach of the many; when scarce, within the reach of only the few. Hence the importance of a nation's supplying its people with a large volume of money, in order to enable all people to use it in applying and exchanging their powers and products.

This property of money is one of the most important.

Without an exchange medium, the tiller of the soil would be reduced to the use of the rudest implements of husbandry, because factories and shopkeepers would not exist. His food would consist of his scanty products and, his clothing of the skins of his flocks and herds or primitive homespun.

The laborer would find no employment except with the tiller of the soil or the owner of cattle, and his pay would not be money, but a portion of corn or cattle.

Scientists, artists, professional men, clerks, merchants railroads, boats, ships, would find no employment. Every commercial agency and pursuit would become extinct, and the efforts of men would be directed to the simple and barbarous purposes of producing a scanty living and gratifying their base passions. The world would be shrouded in the thick darkness of ignorance and heathenism.

An illustration will show how the process of retrogression would set in upon a nation without money.

Suppose that some day every dollar of money in the United States should be destroyed and that we should never have any more money. Up to that day the railroads, steamboats and canals would be ready to operate ; stores and shops would be full of goods ; factories, mines and mills would be pouring forth wealth and bread ; editors, divines, scholars, artists and laborers would be ready to supply the public with their services ; farmer's fields would be rich in grain and their pastures alive with fatted cattle ; banks and brokers would be ready to lend money, buy and sell coin and speculate in securities. But there would be no money. What would follow?

The merchant could not take corn and cattle for his goods. The manufacturers would not take furs and ribbons for their productions. The scientific and artistic classes could not take coal and hides. Professional men would not want a steamboat or a warehouse of salt. The butcher and miller would not give bread and meat for laces and silk hats. The jeweler would have no use for a steam engine, the porter for jewels, nor the section hand for freight cars.

All business would be completely blocked. Stocks would rot in warehouses. Factories would close.

Scholars, scientists and professional men would be driven to the fields and streams to labor or fish for subsistence. Every branch of industry and commerce would be ruined; men would be forced to the primitive style of living and society would be resolved into its original elements, because it is the exchange, combination and application of the mental and physical powers of man as exhibited in the arts, sciences, commerce and morals which evolve the thing called enlightenment, progress, civilization and wealth. Money is the medium which produces the exchange, combination and application of man's mental and physical powers. Without money these powers cannot be profitably applied. Hence, without money there cannot be arts, sciences, commerce, civilization or wealth.

It follows then, that a nation, in order to enjoy the highest degree of civilization and wealth, must be possessed of sufficient exchange power, a sufficient volume of money to secure a speedy and easy combination and application of all the mental and physical powers of every citizen and the exchange of all the products of those powers. And as the exchange medium, the volume of money, falls below that amount, so must the nation or some portion of its population tend toward barbarism.

The amount of money needed by a nation at any particular time depends upon the degree of civilization the nation has reached. In other words, it depends upon the total sum of mental and physical force which the nation is capable of applying in the industries, arts, sciences and commerce.

Money increases a nation's powers of development, and the development of a nation's powers increases its uses for money. Therefore, a nation must increase its volume of money as it advances in civilization, in order to sustain a continuing progress.

But there is a limit to the right use of money, and consequently a limit to the sum needed at any particular time, and this limit determines the proper increase. All that is needed is enough to keep every brain and muscle in the whole nation usefully and profitably employed. When the volume of money exceeds that extent, some of its powers are then wasted—as a hundred and fifty horse power boiler's powers are wasted on a fifty horse power engine; or they are improperly directed in giving an excited impetus to exchanging, thus unduly increasing the commercial and speculative classes. From the foregoing we conclude that a certain indication of an insufficient supply of money is the existence of unwilling idlers in a nation. When this is the case the volume of money should be increased until every willing hand finds steady and profitable employment.

At this point a difficult problem presents itself. When a nation is supplied with a sufficient volume of money what should be the ratio of increase of money? To arbitrarily limit the supply of money, it appears, would retard the progress of man; and to increase it in exact proportion to his advancement would be a constantly increasing ratio, gathering new strength with every new development or application of his powers. And the question is complicated somewhat by the introduction of another factor into the calculation.

As a people advance in civilization they multiply the agencies of exchange. They build ships and railroads and establish banks. Commerce flies upon the wings of the winds and money traces through the fiscal channels with great rapidity.

Thus as a nation progresses the powers of man greatly increase the exchange, circulating power, of money. Hence it follows that the ratio of increase of money should be fixed in proportion to the ratio of increase of a nation's powers, less the increase of the power of money to circulate. Then the solution would be as follows:

To the sum of a sufficient volume of money, add a part of its sum equal to the ratio of increase of the nation's powers, and deduct from that sum a part of itself equal to the ratio of the increase of the power of money to circulate. But while it is conceded on all hands that as a nation advances the power of money to circulate increases, yet it is apparent the ratio of the increase of money's power to circulate is not equal to the ratio of increase of a nations powers. Because banks, the most potent increasers of money's powers to circulate, constantly keep in their vaults large sums of money as reserves, which are absolutely taken out of circulation, and lose their use as a medium of exchange. And as banks multiply, this sum of money taken out of circulation increases.

This proposition is settled beyond dispute by the fact that during the rapid progress of the civilized world in the last 300 years, the increased powers of man have necessitated the invention and use of paper money, thus greatly increasing the volume of money, notwithstanding the increasing power of money to circulate during the same time. It is therefore evident that a solution of the problem cannot be found by abstract calculation, but must always depend upon the existing conditions of a nation at any given time.

I, therefore, submit the following, as it appears to me to be the safest rule that can be found:

First: Let the volume of money be increased until every brain and muscle in the nation have constant remunerative employment. This would give a sum bearing a certain ratio to population; say, for instance, $33 per capita. To this sum add an equal per capita amount for every addition to the population. Besides this, add a sum every year sufficient to cover the usual per centum of loss and destruction of money. This would give an unvarying per capita supply of money, and increase the total volume in proportion to the increase of the nation's natural powers.

Second: Let the government observe the business of the nation and the condition of the people, and if at any time a decline should set in and any considerable number of people should be unwillingly idle, then let a gradual and steady increase of the volume of money be provided, until depression of business and enforced idleness disappear.

The only exception to this rule is when depression and idleness are produced by other than financial causes, such as famine, floods and war, etc. These are temporary and accidental causes and no system of finances can prevent suffering from them. They are, however, easily distinguished from a dearth of money and no wise government need fail to discover and remedy the latter cause of distress.

If at any time an over-issue of money should be made it would be better to let it remain until natural wear and tear, loss and destruction sufficiently reduce it, because a forced contraction of the volume of money would suddenly reduce exchanging, produce a precipitate fall of values and bankrupt the commercial and debtor classes, unless credit should take the place of money, and this would only defer for a time the inevitable destruction of business.

Both an insufficiency and an excess of money are evils, but the former is much the greater evil. Neither of them is more fraught with evil than a declining volume of money for the reasons stated.

This method of regulating the volume of money would approximate near enough to the needs of a people to bring a high degree of prosperity to any nation regulating its fiscal policy by it.

Third.—Money is the power which imparts money values to property. Without it there could be no such thing as money value. As the volume of money, the power increases, other things remaining the same, it augments values and *vice versa.* This, as well as the exchange power of money, is applied to property by its (money's) circulation. Hence as the volume of money diminishes or ceases to circulate the application of its power diminishes and prices fall and *vice versa.*

Money, in this sense, is a thing of relative value. Hence the supply of it and demand for it determine its purchasing power. It is, thence, seen that as the supply is increased its relative value is diminished and *vice versa.*

The effects of this power of money are greatly modified or intensified by other things, such as increase of demand caused by increase of population and business, war, famine, flood and other conditions. But the effects of money on prices as stated are universal with the modifications produced by the causes named.

That such is the unvarying law of prices is evident from the financial and commercial histories of all nations. The United States had $1,800,000,000 paper in January, 1866, and prices ranged high accordingly in that money. This year, 1877, the volume of money is little over $800,000,000 and prices are low accordingly. In England from 1797 to 1815 there was a large volume of money and prices were high; and from 1819 onward for 15 years, with periodic exceptions, the volume of money was small and prices were very low.

During the Napoleonic wars all Europe increased their volume of money with paper and prices ranged high. At the close of those wars those powers funded and destroyed much of their paper money, thus reducing the amount of money, and a universal fall of prices was experienced there. Exactly the same results followed the contractions of the volume of money in the U. S. in 1819-21, 1837-9, 1857.

If money had no other than a direct effect upon prices it would make but little difference, except to the debtor and creditor classes, whether there was much or little money, high or low prices, because the relative values of property would remain nearly the same; as for instance, if a horse be worth $150 and a cow $50 in a nation having $1,800,000,000, but in a nation having only $600,000,000 the horse should be worth but $60 and the cow only $20, the relative values of the horse and cow would be unchanged. But money affects men and commerce in a myriad of ways, and these effects become causes acting upon prices, labor, production and commerce with great force.

When money is abundant, it, like everything else in abundant supply, is cheap and consequently is within the reach of every body, but when scarce, it, like everything else in scanty supply, is dear and consequently is within the reach of only a few; and being dear is husbanded and hoarded by its possessors, circulating sluggishly and imparting but little vitality to business and the industries. In "hard times," money is so scarce and dear that thousands of people are utterly unable to possess it. Hence pauperism, crime, revolutionary tendencies and outbreaks.

Let it be supposed that a nation, at any time, has any volume of money, from a sufficiency down to a tenth part of the amount needed. Every business interest of the nation is adjusted to the volume of money. Every department of the industries is supplied with all the laborers needed, and every brain and muscle, that the volume of money can sustain, are busy. The population increases, say 500,000 a year, but there is no increase in the volume of money. What will result? There is no occupation for the new additions to population because every branch of business is full.

It is true that they would be in demand of food, clothing and shelter, which would tend to stimulate the markets. But they produce also, which would tend to reduce prices. Every prosperous civilized nation produces more than it consumes. Hence the increase of material wealth. The same is true of any large number of citizens of various classes.

This over production, as it is sometimes called, when properly applied constitutes the growth of a nation's wealth. It ultimately assumes the form of houses, railroads, all substantial improvements. But when not so applied—and it cannot be so applied or ultilized without plenty of money—it becomes a source of poverty and distress until production declines. This 500,000 new population would produce more than they would consume. The net results, then, of their presence and powers would be to "glut the markets" and reduce prices, in the absence of an increase of the volume of money, because as the increase of supply of products exceeds the increase of demand for them they decline in value. The necessary result would be depression, declining markets and loss in every branch of business affected by the increased products, and as so great a number as half a million people would represent nearly every branch of business, and as every branch of business bears some relation to and affects every other branch of business, the whole business interests of the country would be subjected to depression, declining markets and loss by the increase of population without an increase of money.

If the nation should continue to increase in population without an increase of money, continually falling markets, depression and loss in business would drive one after another out of business until the industries, commerce, the arts and sciences would be abandoned. Retrogression would be slow but sure and steady.

But suppose that instead of the volume of money remaining the same it should be diminished. In such a case the decline of prices, depression and loss in business would be quick and terrible, precipitating the nation into bankruptcy, millions into distress and breeding a myriad of criminal impulses and revolutionary ideas.

Every civilized nation has passed through such ordeals. The history of the reductions of the volume of money, and crises in England in the years 1816, 1819-23, 1825, 1829-33, 1837, 1847, 1857, 1866 and in the United States in 1817-21, 1837-39, 1847, 1857, 1861, 1866-77 furnish indubitable evidences of the terrible effects produced on society and business by the destructive forces of a diminishing or reduced volume of money.

The property wealth of a nation does not consist of men or money. It consists of the surplus products, or over productions of the powers of men and money combined. Without either, no national wealth can be produced. Witness the condition of the savage tribes who have no money. With an insufficiency of money the growth of national wealth must be slow and labored. With a declining volume of money long continued, national decay is inevitable. Witness the nations which exist now only in name, notably the Roman Empire which had $1,800,000,000 in the time of Augustus and but $400,000,000 in the time of Justinian. Witness the decay of nations and the sufferings of humanity during the dark ages when there was no paper money and the world's mines failed to produce metal money enough to vitalize and utilize the human powers.

On the other hand a large supply of money energizes, applies and utilizes man's powers, and the two together evolve civilization and produce wealth. Witness Isræl in the days of David and Solomon when the wealth of Ophir was theirs; Persia, Greece and Rome when they owned the mines or commanded the money of the world. Witness the rapid and glorious advancement of Europe and America in civilization and wealth since the doubling of their money by the invention and use of paper money in the financial and commercial affairs of the world.

It follows, that a shrinking volume of money and falling prices retard man's progress and afflict him with suffering, and a sufficient supply of money utilizes all his powers, promotes civilization and produces wealth and happiness.

Fourth.—Money circulates. This is its proper use. It performs the functions of money only when it circulates, because when hoarded or lying in bank vaults or the government treasury it is neither exchanging nor sustaining or measuring values. Under the customs or financial systems of most nations it is not only proper but necessary that banks and the treasury should hold money as reserve, safety or redemption funds. But the fact remains that the money so held does not perform the functions of money while so held.

The circulating property of money or its currency is the thing which puts into action its powers. In fact, its currency as an exchange medium constitutes it money.

What made gold and silver money? At first men took these metals on account of their beauty and for ornamentation. While so taken they were in demand simply as commodities on account of their inherent properties. After awhile they came so into demand for their beauty and purposes of ornamentation that men knew, or believed, they could exchange them for other things with other men at will, and they took them, not for their beauty, for ornamentation or their inherent properties, but from an entirely new motive and for a new purpose. This new motive was to exchange them with other men for other things, and it arose exclusively from the knowledge or belief that other men would so take them. At this point a new property attached to gold and silver. It was the property of an exchange medium, money. This new property was not inherent in the metal. It was extrinsic. It was the willingness of men to receive them in exchange for other things, that then attached. This willingness of men to so take them made them current and this constituted them money.

Money may or may not have a commodity value. It is not essential that it should possess any commodity value whatever. This is not only so in theory but in fact. The Indian Wampum was adopted as money by a number of the colonies and made a legal tender by Connecticut, although it was only a rude sea shell bead carved out by the untutored savage and among white men possessed no commodity value whatever. The willingness of Indians to take wampum made it money with them. The legislation of Connecticut made white men willing to take it as money in that colony at a legal tender value arbitrarily fixed by law, although as a commodity it was worthless among civilized people. So it is with our "Greenbacks." They circulate as money because the people are willing to take them as such, notwithstanding they possess no commodity value whatever. This willingness of the people to so receive them was caused by the act of congress which created them.

Bank paper circulates as money, not necessarily because of its redeemability, but because of the willingness of men to take it. This is exemplified by the history of 1837-40. Many a time Illinois bank notes circulated in Missouri for some time after the banks had failed and the prospects of redemption were all gone.

"The wild-cat currencies of the Western States, which were issued in such abundance some forty years ago, could never have got into circulation but from a belief, on the part of those who took them, that they could shove them off upon somebody else without loss to themselves."—*Money, its Laws and History, by Henry V. Poor.*

The notes were utterly worthless as redeemable paper, but they performed all the functions of money. Why? Simply because men knew, or believed, other men would take them, hence they willingly received them.

As we have seen, the powers of money are three:

1st. A measure of values. This function is idealistic and arises from the other powers of money, and may be performed without anything but a name to represent it.

2nd. It is a medium of exchange, and as such is a thing, not an idea.

3rd. The power which creates, regulates and controls prices.

The two latter are the more important functions of money and can be exercised only by its circulation. Its circulation or currency depends absolutely upon men's willingness to take it as money. The willingness of men to take a thing as money is produced by:

1st. Common consent or custom, and

2nd. By Legislation.

We, therefore, define money to be *anything floating on the tide of public opinion, as a measure and creator of prices and a medium of commercial exchanges.*

Fifth.—Money may consist of anything that people are willing to receive as money. Hence, iron, copper, nickel, salt, cattle, sea shells, wampum, tobacco, wood, gold, silver and paper have been money.

This proposition is sufficiently discussed in other chapters of this work, and we dismiss it here with the remark that those who claim that money must possess intrinsic value confound that with commodity or merchantable value. Intrinsic value is essential to money. But what is intrinsic value? It is simply the fitness of a thing for use. The intrinsic value of a thing is very different from its commercial or commodity value. These values bear little or no relation to each other. Iron is said to be of much greater intrinsic value than gold, yet the commercial or commodity value of a pound of gold is many times that of a pound of iron. The atmosphere has no merchantable value and yet its intrinsic value is inestimable; man cannot survive without it. Paper is well fitted for use as money, in many respects it is much better fitted for such use than gold or silver. It is durable, less bulky than the metals and much more convenient to handle and carry. Its intrinsic value for use as money is equal to if not greater than that of the metals.

Sixth.—The Constitution of the United States empowers Congress to make money of any material or substance whatever.

Under the Articles of Confederation and Perpetual Union between the States the only power the Congress had regarding money was the "sole and exclusive right and power of regulating the alloy and value of coin struck by their own authority or by that of the respective States." This provision is remarkable for several reasons. First, it does not name the word money at all; secondly, it does not in terms confer upon Congress the power to *make money;* and the subsequent acts of the Congress of the Confederation show that they construed the provision, not as conferring power to make money, but as power to regulate the nominal value and alloy of coins. Those Congresses never passed any legal tender or other acts indicating that they had power to make money or to make it a legal tender. In those Articles of Confederation was no provision whatever conferring upon or taking from the States the right to make money or to make it a legal tender. It is evident that those Articles left the inherent power of making money and declaring it a legal tender with the several States, and the States and statesmen of the revolutionary period so understood it. This is demonstrated by the fact that the several States, without special provisions of their several constitutions, did by legislative enactments adopt *pro rata* portions of the "Continental" money as their own, and made it a legal tender by law.

After the close of the Revolution, the States, desiring to form a more perfect union and to confer upon the Federal Government greater and on some points exclusive power, adopted our present constitution. This, our constitution, in terms prohibits the States from exercising that inherent power of government relating to money, to-wit: prohibits them from making anything but gold and silver coin a tender in payment of debts, and confers upon Congress in terms the power to coin, that is, to make, invent, stamp money and regulate the value thereof. It appears from these provisions evident to the mind of the author that they were intended to and did take away from the States the inherent power of government to make money and to make it a legal tender, and in terms conferred that power upon Congress. It appears unreasonable that the framers of the constitution, the statesmen who advocated it and the States which adopted it, should have intended that broad and comprehensive provision "to coin money and regulate the value thereof" to embrace in it a restriction or limitation of the identical power it purports to confer upon Congress. To coin money means to make, invent, fabricate any kind and all kinds of money. If it had been intended to limit the making power to metal money, it would have been stated thus: to coin *metal* money, etc.

Men have differed much in their construction of this constitutional provision. Thomas Jefferson, John C. Calhoun and others held the opinion that the constitution conferred power on Congress to issue paper money. Daniel Webster and others held an opposite opinion.

The question has been passed upon by the Supreme Court of the United States in an opinion adjudging U. S. notes, "Greenbacks," a legal tender for debts created before the passage of the act creating the notes; and this opinion may be held as settling the question. But, notwithstandng that objection, many yet hold that Congress has no constitutional power to make anything but gold and silver money. This is an error, as will appear upon a construction of the constitutional provision.

The constitution of the United States confers upon Congress the power "to coin money and regulate the value thereof." This provision covers the whole power of Congress to make money, and its meaning defines that power. There is another provision of the constitution which forbids any *State* from making anything but gold and silver coin a tender in payment of debts. The fact that the framers of the constitution were particular to qualify the word coin in Section 10, Art. I, with the limiting words "gold and silver," shows that they intended the words "coin" and "money" in Section 8 to mean more than gold and silver money.

This is proved beyond dispute by the act of Congress passed April 2nd, 1792, when the very men who framed the constitution were living and many of them were in high official positions, and when the ideas which prevailed at the time of the adoption of that instrument as the organic law of the land were in their full strength and vigor. That act provided for the coinage, not only of gold and silver, but copper also into money. Then it is clear that Congress has constitutional power to make other than the common law, gold and silver, money. Then the question arises, of what material or substance may Congress make money?

To answer this question, an examination of the derivation and meaning of the words "coin," "money" and "to coin money" is necessary.

The noun "coin" is derived from the Latin word *cuneus*, which means a wedge; a company of men standing thick together, etc. As relating to money the word primarily meant the die used in stamping money. The English meaning of the word is, money stamped; a corner; a wedge; a piece of metal on which certain characters are stamped making it legally current money; that which serves for payment or recompense. There is nothing in the Latin or English meaning of the word which relates to any particular substance.

It will be observed, that even when it relates to metal money, the stamp, not the metal, makes it money. The word "money" is derived from the Latin word *moneta*, meaning the *adviser:* a surname of Juno, in whose temple money was coined. It is called money because each piece has stamped on it an index or character which advises or informs what it is. There is nothing whatever in the word which means metal or any particular substance.

These words, which neither meant metal, any particular material, a measure of values, nor a medium of exchange, were for the reasons stated applied to the things commonly used in effecting commercial exchanges. Hence everything which has filled that office has been called "money."

The words "to coin," in the constitutional provision, are not nouns, but a verb, meaning to stamp and convert into money; to mint; to form by stamping; to make; to fabricate; to invent; to originate.

It may be the verb transitive of anything that can be stamped, made, fabricated or invented. As for instance, Shakespeare coined, that is, made or invented a word; the government coins, that is stamps, makes, fabricates money.

The verb "to coin" bears no significance whatever of the material, quality or character of the thing coined, but relates exclusively to the *act to be performed;* that is, to stamping, making, inventing, fabricating. The act may be performed on any material. There is then, nothing in the meaning of these words which restricts the powers of Congress to the coinage of metal money only, much less to gold and silver only.

The word money is currently accepted to mean any medium of commercial exchanges in general use in any country. The conclusion of the whole matter is, therefore, that the above named constitutional provision empowers Congress to make, stamp, invent, fabricate money of any substance whatever.

Hence the currency commonly called "Greenbacks" has performed all the functions of money, and if its redeemability and the promise to pay were removed it would be absolute money to all intents and purposes. Some object to Government issuing legal tenders on the grounds that the kind and quantity would depend upon the whims of Congresses and the popular outcries of the people. Quite as forcible an objection lies against banks of issue on the grounds that the quantity and quality of the money issued by them, not only depend upon the whims, the wisdom or folly, the economy or profligacy, of those who happen to control the banks, but they also depend upon the notions of the chartering power, and are affected by foreign trade and foreign panics.

The systems of redeemable currency have produced such quick changes in the volume and value of the paper and afflicted the nations with so frequent and terrible money crises, that the probability is, it would be impossible for national Congresses to produce so great and frequent evils by legislation upon a system of irredeemable legal tenders.

CHAPTER II.

STANDARD OF VALUES: GOLD AND SILVER.

Upon this branch of the science of money there are two important and exactly opposite theories.

One class holds that only gold and silver are money; that their values are uniform throughout the world and remain nearly the same throughout all time, and are always determined by the cost of their production alone, and hence are *absolute.*

The other class holds the exact opposite.

It has been shown in the preceding pages that the term money has been applied to and its functions performed by many things beside gold and silver.

Anything which by the common consent of a people or by force of law has been used as a common measure of values and medium of exchange has been money. The fact that bank issues and legal tender notes perform all the functions of money, a standard of values; and are money to all intents and purposes, is too well known and understood by the people of the United States to call for further remarks here upon that point.

It might be admitted that gold and silver were more nearly uniform in value over the world than any other money or article of property, and yet be shown that they were not the best money, the best standard of values, for a nation for its internal business.

But while gold and silver appear to be uniform in value over the world, they are not in fact uniform in value, as will be seen in subsequent pages, and their difference in values in different nations at the same time is the power which has brought periods of financial and commercial ruin to all nations having only gold and silver money, or paper money redeemable in them.

In this difference of their values, *i. e.* purchasing power, in different nations at the same time, lies the evil which makes them an unsteady, an unsafe standard of values for the internal commerce of nations; because when they are cheaper, *i.e.* their purchasing power is less in one nation than in another, they will at once seek their highest market, induce imports into the country where they are cheapest, and flow out, thus reducing the volume of money and prices at home, bringing commercial and financial depression. Their own movements thus change their measuring powers, change their standing or height as a standard of values in the nation. It so happens, therefore, that any nation which adopts for its internal commerce, the world's standard of values, imposes upon itself the evil financial effects which flow from all serious disturbances of financial and commercial affairs of all other nations with which it has commerce.

It will be the object of this article to show that the values of gold and silver are not uniform and are not the same as the cost of their production, and that they are not and never can be a uniform standard of values.

That this is true is proved by the foreign balances of trade which accrue against the commercial nations of the earth every year. It has been well and truly said that foreign commerce is barter. The tendency is to an equal exchange of commodities. Wherever this equilibrium is broken, and a balance to be paid in coin occurs, there is a cause for it.

Where two nations trade with each other, each is in demand of some commodity of the other. These mutual demands will produce trade which will mutually settle accounts so long as the imported articles are in greater demand in each importing nation than the articles exported by it.

But when the home demand for the home article equals the demand for the foreign article, then a falling off in imports or a foreign balance must occur. The values of imported articles in the importing country are determined by their prices in that country—not in the nation exporting them; and these values when considered for the purpose of foreign trade are coin, not paper money, prices.

Every importer so estimates the cost and value of his imports; and whenever an order is given by him to a foreign house for articles, he does it expecting to pay for them in coin or its equivalent.

He imports cassimeres extensively, for instance, knowing that they must be paid for by him in coin or its equivalent. He does this in view of the home prices and demand for cassimeres.

At the end of the year or any period of settlement, he finds a balance of $1,000,000 against him. This he pays in coin or its equivalent. This transaction demonstrates a greater demand for cassimeres in the importing country at the prices they bear than for the gold paid for them; and in the exporting country it demonstrates a greater demand for coin than for the cassimeres at the prices they bear there.

We give the importer credit for ordinary business capacity. He would not import the cassimeres unless he could realize a profit on them, which he could not do unless the coin value of them was sufficiently greater in his country than in the exporting country to cover all costs of transportation, warehousing, insurance and duties, besides a reasonable profit on the investment.

In this case the purchasing power, that is the value, of the coin with reference to the cassimeres would be different in the two countries. It would be greater in the exporting than in the importing country.

The same process will apply to every article which enters into foreign commerce, and the same conclusion is inevitable. Aggregating the whole foreign commerce of any or all nations, wherever there is a foreign balance against any nation it indicates in that nation a smaller value of coin with reference to the articles imported than in the nation to which the balance is due.

Such is the correct method of estimating the values of coin in different nations. It is a fundamental error to attempt to fix an arbitrary value on coin. There is not, there cannot be, such a thing as absolute unchanging value.

Value is simply a commercial relation of things. If one ask the value of a horse, he may be told that he is worth two cows, but properly his value would be expressed in money, as, for instance, a hundred dollars. What does this value of the horse indicate or express?

That the horse is worth as much in the business world as a hundred dollars in money, and is as much in demand at the price he bears as any other thing at the price it bears.

If one ask the value of 258 grains of gold, and be told they are worth ten dollars, he has learned nothing of the value of money. If he be told that ten dollars in gold are worth 258 grains of that metal, he is ignorant of the value of gold in buying anything else. But when he is told that 258 grains of gold are ten dollars, and that ten dollars will buy one acre of land, a cassimere coat, a week's board and lodging, or pay his passage 200 miles on the railroad, he learns something of the value of gold. Thus and only thus can the values of gold and silver be estimated. It is their purchasing power. Gold and silver are worth exactly what they will buy —nothing more, nothing less.

The purchasing power, *i. e.*, value of these metals, is different in different countries at the same moment of time, as has been shown. They are also different in any one or all nations at different times, as is shown by the changing values of property at different periods. For instance, the immense products of Californian and Australian mines caused the value, *i. e.*, purchasing power, of gold to fall from 20 to 50 per cent. from 1850-55 below that of 1840-48; and the immense consumption of the precious metals in the arts during the last few years is now rapidly appreciating their values, *i. e.*, purchasing power to anti-golden era periods.

The comparative values of gold and silver with reference to each other have fluctuated almost as greatly as the values of other articles. In 1543 an ounce of gold was worth only 11.10 ounces of silver; now it is worth about 16.50 ounces. Silver has declined since 1870 in comparison with gold only. Its purchasing power over property has greatly increased.

Take the prices of land for illustration of the changing value or purchasing power of gold and silver.

In 1870, it was worth on an average over the United States 75 per cent. more than it is now (1877). A piece of land worth $1750 in the former year, in legal tenders, would sell now for about $1000. Making the proper discounts for gold premium, the net difference in the gold value of the land then and now would be about $450.

The value of real estate rents in the great cities also illustrate the increased values of coin. They have fallen from 25 to 50 and in many places 100 per cent. since 1870. There is not an acre more of land in the U. S. and territories than in 1870, but the population has considerably increased. This would enhance the values of lands and rents if other things remained the same.

But prices and rents of land having fallen so greatly indicate a potent cause somewhere, and that cause is the diminution of the aggregate sum of money in the country and the increased intensity of demand for it as compared with the demand and supply of lands and houses. Hence the fall of the coin values as well as the fall of paper values of property, and the increased purchasing power or values of coin and paper money in this country, since 1870. Consider also the different values, in gold and silver, of an acre or block of ground in different parts of the United States or any State or in different nations of the earth at the same moment of time.

An acre of good rich soil on the western borders of Texas, where the climate is delicious and the seasons are perfectly adapted to production, is worth, perhaps, ten cents in gold. An acre of no better soil, situate in a harder climate, in the most populous rural district of Ohio, is worth, perhaps, one hundred dollars in gold. If the values of gold and silver be absolute, why does it take a thousand times as much of them to buy an acre in Ohio as in Texas? The answer is, that the values of gold and silver are *not absolute*, but relative, like the values of everything else.

In the case supposed, the demand for land in Western Texas is very slight, because it is almost beyond the borders of civilization and subject to incursions by Indians and Mexicans, and the supply of it is millions of surplus acres, and when the value of these lands is compared with that of gold they stand as one acre to ten cents.

In Ohio the inhabitants are thickly settled, no Indians or Mexicans disturb the peace or property of the people, the State is desirable to reside in, hence, land is in great demand and the value of it as compared with that of gold stands as one acre to one hundred dollars in gold. That is to say, in one case one acre is worth in the commercial world just as much as ten cents in gold is, and in the other case an acre is worth as much as $100 in gold is worth. If gold be increased or decreased in demand, the gold values of these lands would decrease or increase accordingly; and if these lands should increase or decrease in demand, then their gold values would increase or decrease accordingly.

Pursue this process with every article of commerce and property, measuring their values in coin, in all countries at the same time and at different times, and the conclusion is irresistible: that the values of the precious metals change—are different in different nations at the same time—and are determined, controlled and changed exactly like the values of commodities are. That is to say, they are fixed and controlled by the supply of them and the demand for them as compared with the supply of and demand for anything or everything else.

The bullionists hold that the item of *demand* for gold and silver should not be taken into the account, because, say they, it is universal.

This is not true. Demand in the commercial and fiscal world is not a mere *wish* for a thing. It may be true that all men wish for gold and silver, but it is not by any means true that all men are in *demand* of them. Out of the 46,000,000 people in the United States now, there are not, perhaps, ten thousand in demand of gold and silver money. Demand means a call for some article in a business sense. It means that money, property, securities or labor is put to sale to buy the thing wanted. Demand for gold and silver means that property, securities or labor are offered in the commercial or money markets for them.

A ragged urchin may stand on the street peering through a bank door and *wish* for the piles of gold on the banker's table, but this is no *demand* for gold. This wish might lead the urchin to offer his services as a boot-black for gold. This offer of services, not the wish, would constitute a demand, but it must be admitted to be a very slight one, not likely to affect the gold markets seriously.

But suppose the $3,300,000,000 of paper money in Europe and America as well as silver were demonetized. Then all the labor and merchandise of those continents which constitute the productive power and business of over three hundred millions of people would produce immensely increased demands for gold and greatly enhance its value.

Demand does affect the values of gold and silver, and no one who fails to put it into the account can escape error. The demonetization of silver in the U. S. and Europe, together with the increased products of the Nevada mines, have so reduced the demand for it as compared with the supply as to produce a considerable decline in its value as compared with gold.

The proposition that the values of the precious metals are absolute, uniform, remain nearly the same and are not affected by demand, but are equal to the cost of their production, is triumphantly asserted by a recent writer of great pretensions, who so far forgets himself as to state, a few pages further on, that, "were gold and silver required to be present in all exchanges, the amount necessary therefor, provided the volume of such exchanges remained undiminished, would be more than ten-fold greater than that in the world. As they would rise in price from the increased demand, the stimulous given to their production would be so great as to increase their cost probably five-fold."—*H. V. Poor's Money, its Laws and History.*

Ah! here it is. *The increased demand would raise the price of the precious metals.* This is a great truth, the failure to see and understand which has led, not only Mr. Poor, but many other men and governments, into the gravest errors, and has caused the civilized nations of the earth great suffering. According to his hypothesis the universal use of gold and silver in all commercial exchanges would greatly increase the demand for them and enhance the value of them. The corollary of this must be true. Were gold and silver excluded entirely from the commercial transactions of the world, the amount of them needed and the demand for them would be greatly reduced and their values would, in consequence, greatly depreciate. Therefore, an increase or decrease of their uses and demand for them will increase or decrease their values. As, for instance, a return to specie payments by the U. S. will create a new demand for several hundred millions more gold and silver, and will, consequently, enhance their values, that is, their purchasing power.

Gold and silver bullion is the raw material out of which is manufactured jewels, gildings, bronze, watch cases, plate, etc., and in that form is simply a commodity, and in demand by only a small part of the people, manufacturers, bankers, speculators in these metals, and when government buy them for coinage, then by government. In the form of jewels, gildings, watch cases, plate, etc., they are in demand by a comparatively small part of the people. The values of the precious metals in all forms are controlled by the demand for and the supply of them as compared with the demand for and supply of any or all other things.

This is a universal law of values, and there is no escape from it ; but bullionists attempt an escape by declaring that gold and silver are exceptional and that their values are controlled exclusively by the cost of their production. If it be true, as bullionists assert, that gold and silver always have been and are the only true measure of values, then before they were discovered or used as measures there could have been no proper measure of values. But some nomad in his wild perigrinations up and down the earth in Asia Minor, away back in the twilight of time, before commerce had become an occupation of man, accidentally discovered and separated from the sands an ounce of the glittering ore. What did the production cost him? The time was spent and the labor performed before the ore was secured. There was no measure of values. How shall the cost of that production be measured? If it be said that it cost one day's work and that one day's work was the value of that ore, then the value of the two pound nugget secured in California in one day was worth but one day's work. If it be said that the cost of the first production was the worth of the thing produced, then what man is there on the face of the earth who can tell what that production was worth or cost? But that is not the way cost of production is estimated. The cost of producing a thing is the interest and wear and tear of capital invested and outlay for labor, clerks, foremen, officers, etc., employed.

It is well known that from 1850 to 1856, in California, many men, with an insignificant outlay, in a few months amassed immense fortunes in gold ore. An outlay and the value of labor perhaps equaled \$1000, and the gold raised perhaps equaled \$20,000. In such a case, was the \$20,000 in gold worth only the \$1000 cost of its production? No sane man would assert it. On the other hand, thousands of men expended ten dollars for every one dollar in gold produced. In such a case was the the \$1 of gold produced worth the \$10 cost of production? By no means. Thousands of others spent thousands of money and never produced a dollar of gold. The expenditures of the latter cannot be taken into the account of cost of production, because they are only cost of non-production.

It may be contended that the total cost of producing every particle of gold should be aggregated, and that the sum would equal the aggregate value of the gold products. This is the merest conjecture, and would lead to a field of speculation or calculation as boundless and uncertain in its results as an attempt to number the stars or count the waves of the ocean.

One hundred thousand people started to the gold regions of California in 1849. In 1860 the population was about 380,000. Suppose that in 1853, a year of heavy gold products, 200,000 people were engaged directly and indirectly in producing gold. That is to say, that some were mining and the others were supplying the miners with the necessaries of life and implements. Estimating the time of these people at $1.50 each per day, the cost of emigrating thither at $200 each, the capital of each employed after arriving there at $200, and interest and wear and tear of it at 20 per cent., the total products of gold in that year would have cost $141,600.000. The amount of gold produced that year was $65,000,000, not quite half the cost of production.

This estimate is little better than guess work. But any that may be made will be no better, because it is impossible to find the aggregate cost of production, and the only difference in estimates is the difference in conjectures. We believe that the total value of time, labor and money spent in gold hunting and production in California since 1850, by all who have attempted it, to be much greater than the total value of all the gold produced there in the same time; perhaps double. We also believe that the total sum of gold produced, in the same time, by the successful gold hunters to be much greater than the value of the time, labor and money spent and capital wasted in producing it; perhaps quadruple.

These beliefs are based on facts, but the facts known are not numerous or extensive enough to base a theory upon. They are, however, more worthy of acceptance than the assertion of bullionists, that gold and silver are worth exactly the cost of their production, because they not only fail to establish their theory by facts, but assert the proposition that every dollar in gold and silver produced costs its value to produce it, which, if true, would close every gold mine in the world in thirty days. There is no profit here. Men abandon unprofitable employments. The hired miners get wages for their work it is true; but how is it with the owners of leads and quartz-mills, who do not strike a blow and yet live like princes?

There are millions of profit in it, to the successful operators. How, then, is the value of the precious metals the same as the cost of their production? It is not true. Their values are exactly what the commercial world makes them worth.

A rare painting may sell for five thousand dollars, when the cost of its production did not exceed one thousand. If it be said that the time, labor and money spent in educating the artist should be put into the calculation, then we answer that all the money received by him for all the paintings produced by him, and all the money he realized for imparting instruction during his life, should be put into the other end of the balance, and if he realized for all his labors $100,000 more than his outlay, this would be actual profit, proving that the taste and the capacity of the people to buy fine paintings, in other words, the demand for them and the scarcity of them, had exalted their value far above the cost of their production.

It cost man nothing to produce an acre of unimproved land, because he does not produce land, and yet there are millions of acres of such land worth many dollars an acre. The demand for them creates price.

If it cost $5 or $10 to produce a nugget of gold weighing 258 grains, and it be dropped into the bottom of the sea, out of man's reach, it would not be worth a farthing, and yet the nugget exists, and the cost of its production remains a fact.

Cost of production is only one of the many forces which combine to determine the values of gold and silver and everything else, and demand and supply of them, as compared with the demand and supply of everything else, are the results of all the forces, and determine their values.

It is evident from all that has been said that it is the use of all merchantable things, gold and silver included, which gives them value, and the extent of the value is determined by the demand and supply.

Should the supply of gold and silver increase and the demand for them increase with the supply, there would be no fall in their values; but if the demand did not keep pace with the supply of them a fall would take place, regardless of the cost of production. This was exemplified soon after the Californian and Australian mines began to yield immense sums.

The money systems of Europe and America were redeemable bank paper, and this paper was greatly increased, taking the place of so much coin. The uses of gold and silver in the arts did not begin to increase rapidly until in 1855.

The addition to the stock of gold coin and bullion in the world was $480,000,000 from 1850 to 1855; hence, its value depreciated between those years. But since 1855 the quantity used in the arts has rapidly increased, until now as much is consumed annually in that way as is produced, there is, therefore, no accumulation of stock, but an increased demand for gold on account of the rapid increase of population, business, and wealth in Europe and America; hence, a rise in the value, purchasing power, of the precious metals since 1855. Cost of production of all things, gold and silver included, is only one of the myriad of things which combine to fix and control values. The soil, the elements, the seasons, all the conditions of man, and all property, war, peace, floods and famine, are forces acting upon the values of all things, including gold and silver. These various forces determine the uses and supply of everything. They determine the extent and intensity of demand and the supply of all things and of every one thing, and these fix the respective values.

Values are only commercial relations of things to one another, expressed in money. It therefore results that the values of gold and silver are not absolute; that they change with time; are different in different parts of the world at the same time; that their values are not controlled by the cost of production, but by the extent and intensity of the demand for them, and the supply of them as compared with the demand and supply of everything else. They are not, therefore, and never can be, an unvarying or uniform standard of values, because, unlike a fixed measure or standard, their measuring or purchasing capacities are constantly changing.

PAPER MONEY.

Some hold that redeemable bank paper, and some that all kinds of paper money, are symbolic, representing merchandise; that so long as they are symbolic they represent merchandise and will be on a par with coin and will not affect prices; that an over-issue of such paper is not symbolic, does not represent merchandise, and is therefore vicious.

This distinction is a meaningless one. Paper money no more represents merchandise than the latter represents the former, or than gold represents both.

In 1860 there was about $200,000,000 of redeemable bank paper in the U. S. and about $12,000,000,000 of property. How much of the latter and what part of it did the former represent?

It is true that the *circulation* of money, gold and silver as well as paper, *indicates* the *existence* of property, but it does not represent property.

All money, including paper, is an absolute distinct element of power acting upon values. Money and property are opposing forces, constantly asserting themselves against each other, out of which action springs money prices. As, for instance, when money is scarce it is dear, and being dear forces prices down, and, on the other hand, when any kind of property is scarce, as for instance wheat, it forces down the value of money with reference to itself.

Two opposing forces cannot represent each other; therefore money, paper or coin, does not represent merchandise. The error involved in the proposition that bank paper is symbolic, representing merchandise, is further illustrated by the habits of banks. Suppose the only money in circulation in the U. S. was bank paper based on and redeemable in coin exclusively; that all the coin in the country amounting to $100,000,000 was held by the banks as reserves or redemption funds; that the proper rate of issue would be $3 in paper upon $1 in coin; that the banks had issued to the full extent of that rule and that there were $300,000,000 of their notes out. This would be less than half the amount of money now in the country; prices would fall very low. This would cause smaller imports or larger exports, or both. This would bring an increase of coin by reason of foreign balances. The general demand for money in the commercial markets would be undiminished. Property would be reduced in amount by reason of increased exports or diminished imports. The banks would add to their coin reserves, as they always do when they can; this would be easily done on account of the amount brought into the country by foreign balances. They would then accommodate borrowers more freely and issue, say, $100,000,000 more of paper. Prices of property would advance accordingly, because of the increased amount of money when there was no increase in the amount of property. This advance of prices would absorb or cause the use of the additional issue of paper money in handling the same or a less number of pounds, articles and yards of merchandise than before. It appears, therefore, that if the $300,000,000 paper money were symbolic, representing the nation's merchandise, the $400,000,000 paper would be equally symbolic, representing the nation's merchandise; because all of it was used in exchanging the merchandise. The same process will show that any quantity of paper money, $2,000,000,000 even, would be symbolic equally with $300,000,000, because the greater sum would so enhance values of property as to require the whole of the $2,000,000,000 to handle it.

But if paper money be symbolic, it would represent, not only merchandise, but all property, real and personal, and labor. In other words, it would represent every article sold for money and everything done for money. Then, to be a perfect symbol or representative, there should be enough of it to bring all the powers of man and all the products of his labor to a remunerative market; enough to employ every man in the nation, as well as to effect exchanges of all property. This is the true test of the quantity of money needed.

Checks, drafts and bills of exchange are also termed symbolic currency, representing merchandise. There is no truth in this proposition. They indicate four things: money, property, debt and credit, but represent only the two latter. Money is the base on which they rest; not merchandise. For instance, a shipper draws on his commission merchant for the anticipated proceeds of a shipment of wheat. Suppose the wheat should be lost on the way, never sold, or sold for half or double the amount of the draft. In either case the draft could not represent the wheat. If honored before the wheat were sold, it would simply be a debt of the shipper to the commission merchant, based on, and in anticipation of, the net proceeds of the sale of the wheat. Although the shipment of wheat would be the occasion of the draft, yet the draft would never be drawn or honored except in view of, or upon, the prospective net cash proceeds of the wheat.

Again, suppose A ships 100 bushels of wheat in April, when it sells at $1 per bushel, and draws on his commission merchant for $95, and in the fall he ships 100 bushels more of the same kind of wheat when it sells at fifty cents per bushel, and draws on his commission merchant for $45. Here the same kind and quantity of wheat is shipped each time, but the drafts are for different sums intended to cover sales. This case shows very clearly that the drafts did not represent the kind, quality or quantity of merchandise, but were drafts upon anticipated money to be realized on sales.

The idea of a symbolic currency is an erroneous deduction from the phenomena of commercial transactions producing or sustaining credits and floating absolute money of no commodity value whatever; such as Russian or United States legal tenders, Indian wampum, and the like. These phenomena are founded upon the fact that commerce imperatively demands a medium called money, to effect exchanges. This medium called money, either by common consent or by force of law, assumes a named value, as, for instance, a dollar, and becomes the measure of value and medium of internal exchanges. But the named value, as a dollar, of this medium, measure, or standard of value, is only nominal. It does not express the exchange or commercial value of the money at all. The latter is purely relative; the former ideal, nominal.

The quantity of money bears a relation to the values of property, and *vice versa*, without any regard to the nominal value of the money or the commodity value of the material of which the money is composed. The fact that the named values of money are only nominal, not relative or actual, is evidenced by the various changes in the coinage acts of all civilized nations. Efforts are constantly but unsuccessfully made by legislatures to make the nominal and actual or exchange values of money of different nations and the different moneys of the same nation the same.

Suppose we had no money in the United States. The necessities arising from trade would cause the people to adopt by tacit agreement or invent an exchange medium of cattle, hides, salt, iron, tobacco, cotton or some other thing. Suppose it to be bits of paper of a certain kind and shape. The purchasing power of these bits of paper would depend principally upon the frequency and magnitude of exchanges and the supply of papers. Suppose it would take one of these bits of paper to buy a pound of cotton, a pound of sugar, a pound of soda; a thousand of them to buy a horse; three hundred of them to buy a cow; one hundred of them to buy a cassimere coat—and so on. No matter what number of bits of paper it might take to buy any particular article, the prices of all articles and the purchasing power of these papers would so adjust themselves that the value of each would bear the exact relation to the value of everything else that the demand and supply of each would bear to the demand and supply of all or each of the others. Just what these relations would be could never be ascertained by abstract calculation, because, as has been already stated, the soil, climate, the elements, and all the conditions of man would be forces acting on property, money and man's wants and productive powers. But the relations of the bits of paper and values of property in them would ultimately and continually adjust themselves in harmony with all these other forces. Let these relations of the bits of paper to cotton, sugar, horses, etc., be as above supposed in the U. S.

Now, suppose that England has only gold money, and it be called pounds, shillings and pence, and that the relations of money and values stand as follows: 1 pound of cotton, 6*d.;* one pound of soda, 5*d.;* 1 horse, £20, and 1 cow, £6. Now, suppose England and the United States should have extensive commercial relations. An English importer would buy cotton in the United States. Of course he would first set down cotton as worth, say, 6d.in England; then estimate the cost of warehousing, shipping, customs, insurance, risks and profit, and if he found all these to equal 2*d.* per pound, he would pay in gold in the United States 4*d.* per pound for cotton. In the United States, one pound of cotton has been supposed to be worth one of the bits of paper. In other words, 4*d.* would be equal to a pound of cotton, and one bit of paper would be equal to a pound of cotton in the United States. Things equal to the same thing are equal to each other. Therefore, the 4*d.* in gold and the one bit of paper would be equal to each other. With the respective moneys bearing that relation to each other and to property in the United States, an English exporter would take a bill of exchange drawn on a solvent New York house, to be paid in the bits of paper at their value relative to gold; that is, at one bit of paper to 4*d.* because he could either exchange it for gold in New York at 4*d.* to the bit of paper, or buy whatever he wanted with it at that rate.

But suppose that the relations of property and paper in the United States should become different by reason of a large increase in the number of the bits of paper, so that it required two bits of paper to purchase a pound of cotton. In that case, gold would advance in the United States, and less, perhaps, only 2*d.*, would equal one bit of paper; showing a decline of 100 per cent. in the value; *i. e.*, purchasing power of the bits of paper as compared with gold. But suppose that at the same time England should establish banks and take her gold as reserves, and upon it issue about twice or thrice as much paper, redeemable in gold, as she had gold. In such a case the English paper would be at par with gold there, and on account of the great increase of it, prices would rise. A pound of cotton would be worth in England, say, 12*d.*; costs of warehousing, shipping, insurance and profits on a pound of cotton, to be shipped from the United States, would be about double what they were before; say, about 4*d.* Then the English importer could pay 8*d.* per pound for cotton in the United States, where it would be worth two bits of paper. In such a case, 4*d.* in gold would still be worth one bit of paper, as in the first supposed case.

Now, instead of calling the money of the United States bits of paper, go back over these supposed cases and substitute five-cent pieces, of absolute irredeemable United States notes, and the causes and the methods of all kinds of moneys' assuming and changing values and being at what is termed par or discount, will appear clear. We conclude therefore that paper money is not symbolic; does not represent property, but is simply a power, measuring values and effecting exchanges; that its values are acted upon, affected and changed by property; that property and money are opposing forces, acting upon each other, and that from the two thus acting arise the phenomena of prices; that these prices are determined by the comparative quantities of money and property as affected by the many other forces hereinbefore referred to; such as war, famine, floods, man's conditions, etc., and that such a thing as a uniform standard of values over the earth is an utter impossibility.

The foregoing illustrates, and the financial and commercial histories of nations demonstrate, that a people will use all the money they can get, and that the property and business of a nation will call into requisition, or float, any quantity of money whatever, with the values, *i. e.*, exchange or purchasing power, of both money and property, determined by the respective quantities of either, as modified or affected by the other forces heretofore referred to.

As has been stated, from a quantity of money and property acting upon each other arise prices; *i. e.*, purchasing or exchange power of both. A given quantity of money acting upon a given quantity of property will produce in a nation certain prices or values of property. As, for illustration, $1,000,000,000 of money and 4,000,000,000 in quantity of property would produce, say $10,000,000,000 values in the United States. This particular valuation arising upon a given amount of money and property, in a nation, would be partly determined by the soil, climate, and all the conditions and peculiarities of man and the country. It might require a greater or less amount of money acting upon the same quantity of property in England, France, Germany or Russia to produce money values of the property equal to those in the United States of America. But some amount, an unknown quantity of money, acting on 4,000,000,000 in quantity of property in the

European states would produce \$10,000,000,000 in value. Suppose in England that quantity of money to be \$800,000,000. Then the proportion of money to property in the United States to produce values to the amount of \$10,000,000,000 would be \$1 to \$4 and in England, \$$\frac{8}{10}$ to \$4. So long as the conditions of these two nations, and the same ratio of money to property in each might remain unchanged, so long would the values of property in both nations be the same. So soon, however, as the conditions of either nation changed materially, or the ratio of money to property changed in one without a corresponding change in the other, prices of property in the two nations would loose their equilibrium. As, for instance, war, famine, floods, or great foreign balances against either, or a change in the amount of money or property, would quickly change prices in the affected nation.

The reason why values in the U. S. in 1866 were so much above those of Europe was because the ratio of money to property in the U. S. was so much greater than in Europe.

Banking with coin on redeemable paper without regarding this law of values has brought banks and whole nations to grief, and from the phenomena arising from want of observance of this law has been deduced the false idea of a symbolic currency.

Suppose that the entire circulating money of the U. S. was redeemable bank paper based on \$100,000,000 of gold held as reserves by the banks, and that the volume of that paper was \$400,000,000; and suppose that the respective relations of money to property, and conditions in England and the U. S. be such as to produce an equilibrium of prices. So long as this condition of things remained there would be little inducement for foreign commerce to be anything but *barter*. No balances would occur against either nation sufficient to disturb either the money or produce markets. But suppose a spirit of enterprise should take hold of the people of the U. S., and that they should go extensively into railroad building and should induce the banks to trench upon the bounds of safety by issuing and loaning $100,000,000 more of paper money redeemable in gold. This additional issue would greatly enhance values in the U.S ., but they would be *coin values* because all the paper would be redeemable in coin—paper would be at *par*. This rise in prices in paper at *par* in the U. S. would induce increased imports of goods from England, for profit, because of the higher prices here, these being *coin prices*. This would call for shipments of coin to meet the balances of trade thus produced against the U. S.

The banks would be called on for coin, and their reserves and outstanding issues would be reduced, producing a heavy decline in prices and, perhaps, a panic. The process of reducing the outstanding volume of money would continue until confidence became restored, and this would take place so soon as the unusual demand for coin to ship abroad might cease and the banks could redeem all notes presented to them for redemption. This would bring the quantity of money to a smaller volume than before the panic, and keep it so until the banks might increase their reserves or again trench upon the law of issues, and then another inflation and another panic would follow.

This gives no grounds whatever for calling bank notes and drafts, bills of exchange, etc., symbolic money representing merchandise.

It proves three things: 1st. A people will use all the money they can get. 2nd. When the ratio of money to property in one nation is considerably above that of other nations, by the issuance of bank paper redeemable in coin, this *inflates the coin* prices of property in the nation so increasing its money. 3d. This inflation of coin prices induces large imports from foreign nations having smaller amounts of money and lower prices, and this in turn causes foreign balances against the importing nation and large shipments of coin out of it, causing a depletion of bank reserves, a reduction of the volume of money, falling markets and generally panics, bankruptcies, and distress.

These evils result, not from the quantity of paper money nor because it or any part of it is symbolic, but from the *kind* of paper, the system of the money.

Now, suppose this money of the United States had not been redeemable bank notes, but had been an absolute legal tender irredeemable currency; when there was \$400,000,000 of it prices in the U. S. and England had been the same; but the U. S. issued \$400,000,000 more of this paper, and the paper prices of merchandise here had advanced above English prices, would this have induced larger imports, caused a flow of coin out to foot balances and brought depression in business, falling prices and distress? No. It would be impossible for an increased issue of such paper to produce such results, because this paper would *not* be redeemable in *coin;* prices would *not* be *coin prices*, but only *paper prices*, because the paper would not represent coin; coin would rise to a premium, coin prices of property would be but slightly affected, if at all, and there would be no more, or but very little more, profit on imports or loss on exports, than if prices in the U. S. and England were the same.

This is well illustrated by our commerce from 1865 to 1873. In 1865 and 1866 there was a thousand millions more money in the U. S. than in subsequent years. None of it represented coin. A great part of it was legal tender, and the National bank notes were redeemable in legal tenders. Notwithstanding the greater amount of money in 1865-66 than from 1868 to 1873, the foreign balances against the U. S. from 1868 to 1873 averaged several millions greater per annum than for the years 1865-66.

One of the important differences between such a paper and redeemable bank notes is, that while a considerable increase of either would give a great impulse to production and vitalize all business, the former would not itself produce a revulsion and consequent distress as the latter would, but would, so long as its volume continued undiminished, continue to sustain and vitalize the productive and commercial interests of society. It would be free from any depressing effects caused by foreign panics or movements of coin abroad. In fact, a destructive money crisis, such as this country has frequently suffered from, would be utterly impossible with such a money undiminished in volume, so long as confidence remained strong in the government issuing it. Commercial crises might be produced by war, famine or flood, but such crises from such causes are common to all countries, and no law, no money, no matter what kind, can prevent them.

The difference in the values of the different kinds of paper money in any nation depend upon: 1st, the difference in the uses to which they can be applied and the supply of them. 2d, The difference of the public confidence in the different kinds of paper money.

The difference in the values of coin and paper in any nation depends upon: 1st, The difference in the uses to which they can be applied and the supply of them. 2d, The difference of the public confidence in the coin and paper. Exactly the same laws of difference exist between coin and paper as between the different kinds of paper. The same is true of different coins.

The difference in the values of money of different nations is the difference in their purchasing power over the same articles at home.

From the foregoing reasons it appears that, if the ratio of money to quantity of property and the conditions of all nations were the same, there would be an equilibrium of values; and that whenever such equilibrium of values is broken, there can be no uniform standard of values, because such want of equilibrium at once changes the value, the purchasing power, the standard, the measuring capacity of the money over property in the nation where the equilibrium is broken.

The conditions and ratio of money to property of every nation always have differed and always will differ from those of every other nation. Therefore, a uniform measure or standard of money values is just as utterly unattainable, as impossible, as it is to make the conditions and ratio of money to property of every nation alike.

In every nation whose money is gold and silver there must be constantly recurring inflations and depressions of prices of property, resulting from the exports and imports of the precious metals, caused by the balances of trade changing from one nation to another. In other words, with coin as the common money, an equilibrium of prices over the civilized world can never be had, and the absence of such an equilibrium would doom the nations of the earth to recurring financial crises in the midst of every period of unusual prosperity, because their prosperity and increase of money would diminish the supply of money of other nations using coin, reduce prices in such nations, cause larger imports to or smaller exports from the prosperous nation. Thence would flow heavy exports of coin from the prosperous nation, bringing a reduction of its volume of money, a fall of prices, depresssion and loss in business, and a crisis.

These periods of financial prosperity and disaster would chase each other around the earth in endless succession, forever seeking, but never being able to effect an equilibrium of values.

What has been said of coin money applies with double force to all systems of paper money redeemable in coin, because, an increase of coin in the country will cause increased issues of the redeemable bank paper, and when the period of reverse approaches and coin is shipped abroad in large quantities, the revulsion is intensified by the great reduction of the volume of paper money necessarily following a reduction of the amount of coin in the country. Thence follows falling markets, depression in business, and frequently failures of banks, immense losses among the financiering and commercial classes, and their effects quickly distress the industrial and laboring classes, and thus the country is swept over by a terrible financial crisis.

All systems of bank paper redeemable in coin are unsound in principle and vicious in practice. This fact is established beyond dispute by the financial histories of England and America. There have been exceptional cases, but they were only exceptions. Coin is migratory, constantly passing from nation to nation, changing in volume, increasing here and decreasing there to-day, and to-morrow decreasing here and increasing there, alternately increasing and decreasing the volume of bank paper, bringing inflations and depressions of prices with every change in the supply of coin. Such systems, all of them, are unsound in principle, because they are subject to be suddenly and seriously affected by the movements of coin, and afflict the country with financial and commercial disaster by their own vicissitudes. They are vicious in practice, because, while they essay to supply the nation with currency, they do not, they cannot regulate the amount of issues by the needs of the nation but by their reserves, thus disregarding, from necessity, the primary law which ought to govern every system of money.

Furthermore, when they do make a laudable effort to supply the money needs of the country by issuing largely, they violate the law of issues and bring upon themselves destruction and many times unjust accusations of fraud, and distress the nation with the terrible effects of a monetary crisis.

Beside these evils of banks of issue, there is another, scarcely less objectionable. It is that such systems place in their hands, the hands of a few, an immense, an overshadowing power, which can be, and generally is, combined to influence legislatures and congresses, governors, presidents, and other functionaries, upon any fiscal measure which may arise, calculated to affect them, and such questions are constantly arising. They thus become powers of evil, inducing government to pass laws and adopt policies looking to their special interests, often regardless of, and not unfrequently directly against, the general good of the country. These evils of banks of issue are common to all systems of the kind, and a choice of systems, whether they be state, national, or free, or any other, is only a choice of evils.

The only money which could, in the nature of things, be free from the evils named, would be an irredeemable legal tender paper, issued by government. Notwithstanding the abuses and denunciations heaped upon such a paper by a certain class of thinkers, it is the best, the safest paper money ever invented. If such a paper should be issued by government, and a sufficiency of it kept in circulation to serve the needs of the people, a financial crisis would be utterly impossible, so long as the volume of money remained undiminished and confidence in the stability of the government remained strong. If the government should become involved in a great war which threatened its existence with destruction, such a paper would depreciate accordingly. But the bonds of the nation would, for the same reason, depreciate equally as much; any bank paper that might exist would, for the same reason, depreciate. A financial crisis would be equally certain and equally destructive, under such circumstances, with any monetary system.

An irredeemable legal tender paper, issued by government, would give every holder of any of it a pecuniary interest in being loyal and patriotic that no other money would create. There is not half enough gold and silver in the civilized world to serve its financial and commercial needs. Every nation must, therefore, supply its people with some other money, and with each it is only a question of kind and quantity. It is the duty of government to supply its people with the best possible money and with a sufficient quantity of it to put into active operation all the productive powers of the people. It is, then, the duty of the Government of the United States to supply the people with legal tender paper in sufficient quantity to keep every willing brain and hand profitably employed.

Such would give the country the nearest possible uniform standard of values for internal commerce, and this is the standard which all nations should be concerned about, because the efforts to conform the value of money of one nation to that of another and to secure a uniform measure of values all over the world is a thing impossible, beyond the reach of legislatures and governments.

CHAPTER III.

PRICES OF PROPERTY AND GOLD PREMIUM: CAUSES OF THEIR RISE AND FALL.

For the purposes of comparison we give tables of the amount of money in circulation, prices of commodities and gold premium. The table of money embraces one and two year demand notes; temporary ten day loans; one year certificates of indebtedness; sixty day and two year treasury notes; 7-30 three year notes; compound interest notes; three per cent. certificates; non-interest bearing notes and fractional currency, because they circulated as money; in fact a great part of the 7-30 notes and compound interest notes were by law a legal tender. Anything which is used as a medium of exchange and performs the functions of money is money for all the purposes necessary in the consideration of this subject. Therefore, we include all the above named government paper in the estimates of money outstanding.

Following is a table showing the kinds of money and the amounts outstanding from 1854 to 1876 inclusive as given by Mr. Fawcett, and of 1877 taken from the report of the comptroller of the currency:

Year.	Demand and one and two year Treasury Notes. (Acts March 2, 1861, Decemb. 27, 1857, December 17, 1860,) outstanding July 1.	Temporary ten day loans and one year certificates of indebtedness, July 1, each year.	Treasury Notes payable in two years, and in sixty days, (Act March 3, 1863,) July 1, each year.	7-30 three year, July 1, each year.	Compound Interest Notes July 1, each year.	3 per cent. Certificates, July 1, each year.	Non-Interest-Bearing, Demand and Legal Tender Notes, (Acts July 17, 1861, February 25, 1862, July 11, 1862, and March 3, 1863).	Fractional Currency.	Bank Note Circulation Jan. 1, each ar. National Banks.	Bank Note Circulation Jan. 1, each ar. State Banks.	Total of Bank Notes and unfunded Government Debt Circulating to any extent each year.
1854	...	...	...	...	...	...	...	...	...	204,689,000	204,689,000
1855	...	...	...	...	...	...	...	...	...	186 952,000	186,952,000
1856	...	...	...	...	...	...	...	...	...	195,748,000	195,748,000
1857	...	...	...	...	...	...	...	...	...	214,799,000	214,799,000
1858	...	...	...	...	...	...	...	...	...	155,208 000	155,208 000
1859	...	...	...	...	...	...	...	...	...	193,306 000	193,306,000
1860	...	...	...	...	...	...	...	...	...	207,102,000	207,102,000
1861	20,153,455	...	...	...	...	...	...	...	...	202,205,000	222,358,455
1862	2,849 112	107,628,096	...	122,836,550	...	...	150,560 000	...	...	183,794,000	567,667,758
1863	897,912	259,168 327	...	139,970,500	...	...	381,997,589	20,192,456	...	238,671,210	1,043,610 415
1864	278,512	233,059,191	153,471 450	109,356 150	15,000,000	...	431,959,670	22,904,877	30,115	...	968,059,995
1865	118,912	205,489,061	42 338.710	672,578,850	193,756,080	...	433.160,569	24,915,829	66,769,375		1,651,282.373
1866	117,512	147,567 196	3,454,200	806,900,750	159,012,140	...	400,891.367	27,070,876	213,239,530	45,449,155	1 803,702,726
1867	110,712	20,261,070	1,123 930	488 647,140	122,394,480	...	371,992,029	27,830,723	291,093,294	6,961,499	1,330,414,677
1868	110,512	13,815,029	555 492	37,717,650	28,161,810	50.000,000	356,141,723	32,627,952	294,377,390	3,792,013	817 199,773
1869	108 212	198,310	347,772	1,166,500	2,871,410	52,120,000	356,123 739	32.114,637	294,476,702	2,734,669	750,025 989
1870	94,825	186,310	248,272	641,000	2,152.910	45,545,000	356,106,250	39,878,684	292,833,935	2.357,993	740,039,179
1871	94,850	85,370	213,348	475,900	768,500	31,863,000	356,096 506	40,582,874	302,028,626	2,035,800	734 244,774
1872	94,750	83,500	206,817	352,150	583,520	12,220,000	358,188,206	40,855 835	318,043.841	1,886,538	736,349,912
1873	94 675	83,500	142,105	293,450	479.400	30,000	356,079,967	44,799,365	326,289,287	1,511,396	738,291,749
1874	94,575	83,500	127 565	247,650	415,210	5 000	382,076,732	45,961,295	350 020,062	(June 27)	779,031,589
1875	94,575	8,060	113,375	213,900	367,390	5 000	375,841,687	42 129 424	349,402,839	(June 26)	778,176,250
1876	94.525	8,060	104,705	199,850	328,760	5,000	369,839,201	34,446,595	330 809,136	(July 1)	735,358,832
1877	...	...	...	...	...	...	351,403,990	18,043,020	320 631,719	(Dec. 1)	690,078 729

This table exhibits an expansion of the volume of money from January, 1862, to January, 1866, at or just before which time it reached its maximum; its contraction until 1871; a slight expansion then until 1874; then a contraction until in 1877 it fell to $690,078,399, and is still diminishing.

It is only necessary to say that the increase and decrease of the volume of currency as shown above were produced by legislation and the fiscal operations of the government. First, laws were passed authorizing the issuance of the several kinds of money enumerated, and they were issued; next, laws were passed providing for funding all the above named government notes and bonds except fractional currency and legal tenders still outstanding, and such notes and bonds were taken up by the government and long bonds issued in their stead. These long bonds were not intended to be, and have not been used as money. Then the Resumption Act was passed producing the contraction which has taken place since 1875. The Resumption Act is only another method of contracting the currency so rapidly begun in 1866, and its effects on prices have been and will continue to be the same as that produced by that or any other method of contraction under like circumstances.

Before proceeding further, I note here a seeming paradox in relation to the effects of the amount of a nation's or the world's money on prices. It is, however, but seeming, not real. The direct effect of a large volume of money is always a tendency to advance prices, but it's remote effect is to ultimately reduce prices of manufactured goods, or anything the successful and abundant production of which requires or admits the use of skilled labor by the application of machinery. Hence, calicoes are cheaper than they were 50 years ago. Freighting is cheaper than it was before the construction of railroads. These are the remote results of large volumes of money enabling men to successfully combine and apply their powers and economize labor. But this cheapening process does not attach to fixed property, houses, lands, etc., to animals, to labor, to the professions or fine arts. The correct statement of this law of prices is, that the direct effect of a large volume of money is to enhance prices of all property, and its remote effect is to ultimately reduce prices of all property, the abundant supply of which depends upon the use of skilled labor by the application of machinery; and that the direct effect of a small volume of money is to reduce the prices of all property, and its remote effect is to ultimately advance the prices of all articles, the production of which depends upon the use of skilled labor by the application of machinery. The remote effects of a small volume of money occur only after its direct effect has so reduced prices as to render production so unprofitable as to destroy or seriously cripple it, stop machinery and pauperize labor.

For tables of currency prices of gold, and wholesale and retail prices of certain articles, see pp. 110, 111 and 112.

As will be seen in the following pages the values of lands have greatly depreciated, as well as those of all other property.

Many other things operate on the markets with as much force and effect as money. But a large volume of money always tends to elevate prices, and a small volume tends to depreciate them. Ample proof of this will be found on a comparison of these tables.

Table showing currency value of one hundred dollars in gold in New York market, by months, quarter-years, half-years, and fiscal years, from January 1st, 1862, to August 31st, 1875, both inclusive:

YEAR.	1862	1863	1864	1865	1866	1867	1868	1869	1870	1871	1872	1873	1874	1875
January	102.5	145.1	155.5	216.2	140.1	134.6	138.5	135.6	121.3	110.7	109.1	112.7	111.4	112.5
February	103.5	160.5	158.6	205.5	138.4	137.4	141.4	134.4	119.5	111.5	110.3	114.1	112.3	114.5
March	101.8	154.5	162.9	173.8	130.5	135.0	139.5	131.3	112.6	111.0	110.1	115.5	112.1	115.5
April	101.5	151.5	172.7	148.5	127.3	135.6	138.7	132.9	113.1	110.6	111.1	117.8	113.4	114.8
May	103.3	148.9	176.3	135.6	131.8	137.0	139.6	139.2	114.7	111.5	113.7	117.7	112.4	115.8
June	106.5	144.5	210.7	140.1	148.7	137.5	140.1	138.1	112.9	112.4	113.9	116.5	111.3	117.0
July	115.5	130.6	258.1	142.1	151.6	139.4	142.7	136.1	116.8	112.5	114.3	115.7	110.0	114.8
August	114.5	125.8	254.1	143.5	148.7	140.8	145.5	134.2	117.9	112.4	114.4	115.4	109.7	113.5
September	118.5	134.2	222.5	143.9	145.5	143.4	143.6	136.8	114.8	114.5	113.5	112.7	109.7	115.8
October	128.5	147.7	207.2	145.5	148.3	143.5	137.1	130.2	112.8	113.2	113.2	108.9	110.0	.....
November	131.1	148.0	233.5	147.0	143.8	139.6	134.4	126.2	111.4	111.2	112.9	108.6	110.9	.....
December	132.3	151.1	227.5	146.2	136.7	134.8	135.2	121.5	110.7	109.3	112.2	110.0	111.7	.....
First quarter year	102.6	153.4	159.0	198.5	136.3	135.7	139.8	133.8	117.8	111.1	109.8	114.1	111.9	114.2
Second quarter year	103.8	148.3	186.6	141.4	135.9	136.7	139.5	136.7	113.6	111.5	112.9	117.3	112.4	115.9
Third quarter year	116.2	130.2	244.9	143.2	148.6	141.2	143.9	135.7	116.5	113.1	114.1	114.6	109.8	114.7
Fourth quarter year	130.6	148.9	222.7	146.2	142.9	139.3	135.6	126.0	111.6	111.2	112.8	109.2	110.9	.....
First half year	103.2	150.8	172.8	169.9	136.1	136.2	139.6	135.3	115.7	111.3	111.4	115.7	112.2	115.1
Second half year	123.4	139.6	233.8	144.7	145.8	140.3	139.8	130.8	114.0	121.1	113.4	111.9	110.3	.....
Calendar year	113.3	145.2	203.3	157.3	140.9	138.2	139.7	133.0	114.9	111.7	112.4	113.8	111.2	.....
Fiscal y'r end. June 30th	.....	137.1	156.2	201.9	140.4	141.0	139.9	137.5	123.3	112.7	111.8	114.6	112.0	112.7

Table of Wholesale Prices, from 1862 to 1876,

prepared by Hon. Jeremiah M. Rusk, of Wisconsin:

YEAR.	Wheat, per bushel.	Flour, per barrel.	Corn, per bushel.	Corn Meal, per barrel.	Coal, per chaldron.	Cotton Middlings, per pound.	Iron, Pig, per ton.	Lead, Pig, per 100 pounds.	Leather, Sole, per pound.	Molasses, New Or., per gallon.	Molasses, Foreign, per gallon.
	$ c	$ c	$ c	$ c	$ c	$ c	$ c	$ c	$ c	$ c	$ c
1862....	1 34	5 40	0 66	3 00	4 25	0 36	21 00	7 00	0 20	0 50	0 20
1863....	1 58	5 85	0 70	3 90	8 50	0 66	23 00	8 00	0 29	0 50	0 24
1864....	1 53	8 00	1 27	5 30	8 75	0 81	42 00	10 50	0 31	0 50	0 38
1865....	2 55	10 75	1 86	7 75	9 50	1 20	38 00	14 75	0 38	1 35	0 43
1866....	2 30	8 25	0 90	4 25	13 00	0 51	50 00	9 75	0 35	1 00	0 35
1867....	3 05	11 40	1 15	5 00	8 00	0 35	49 00	6 75	0 32	0 65	0 40
1868 ...	2 80	10 75	1 38	6 15	6 50	0 15	38 60	6 45	0 27	0 70	0 37
1869....	2 00	7 00	1 06	4 25	9 00	0 26	40 00	6 50	0 28	0 60	0 35
1870....	1 35	5 60	1 09	4 75	7 50	0 26	38 00	6 25	0 30	0 70	0 30
1871....	1 47	6 25	0 76	4 00	6 50	0 15	31 00	6 30	0 29	0 65	0 20
1872....	1 68	8 25	0 76	3 65	4 50	0 21	36 00	5 90	0 28	0 48	0 23
1873 ...	1 85	9 50	0 60	3 28	5 00	0 21	45 00	6 50	0 28	0 60	0 32
1874....	1 65	6 80	0 78	4 00	5 25	0 18	35 00	6 87	0 27	0 71	0 40
1875....	1 17	5 25	0 93	4 60	6 00	0 15	26 00	6 15	0 28	....	0 37
1876....	1 26	5 40	0 74	3 65	6 50	0 14	23 00	6 00	0 27	....	....

YEAR.	Pork, Mess, per barrel.	Beef, Mess, per barrel.	Hams, Smoked, per pound.	Lard, per pound.	Butter, per pound.	Cheese, per pound.	Rice, per 100 pounds.	Salt, per bushel.	Sugar, New Orlea., per pound.	Sugar, Foreign, per pound.	Wool, per pound.
	$ c	$ c	$ c	$ c	$ c	$ c	$ c	$ c	$ c	$ c	$ c
1862....	12 00	5 00	....	0 08	0 13	0 05	7 37	0 20	0 08	0 06	0 47
1863....	14 00	7 00	....	0 09	0 18	0 10	3 75	0 30	0 08	0 08	0 62
1864....	19 75	5 80	....	0 12	0 27	0 12	8 50	0 47	....	0 13	0 80
1865....	36 00	20 00	....	0 20	0 46	0 15	12 00	0 70	....	0 24	0 95
1866....	27 75	11 00	....	0 15	0 44	0 17	12 00	0 45	....	0 11	0 70
1867....	20 00	12 00	....	0 12	0 38	0 14	9 00	0 55	....	0 09	0 50
1868 ...	20 90	12 00	....	0 12	0 40	0 11	8 50	0 48	....	0 11	0 55
1869....	26 50	9 00	....	0 16	0 43	0 15	8 00	0 48	....	0 14	0 60
1870....	29 50	8 00	....	0 16	0 39	0 15	6 75	0 43	....	0 10	0 55
1871....	20 60	10 00	....	0 12	0 25	0 10	6 75	0 45	....	0 09	0 53
1872....	14 00	8 00	....	0 09	0 25	0 09	8 25	0 45	....	0 09	0 60
1873 ...	14 75	11 00	....	0 08	0 25	0 14	7 50	0 35	....	0 08	0 65
1874....	14 50	10 00	....	0 08	0 21	0 10	7 50	0 30	....	0 08	0 55
1875....	20 00	12 00	0 11	0 14	0 40	0 15	8 00	0 28	....	0 08	0 50
1876....	21 00	12 50	0 13	0 13	0 36	0 14	7 00	0 30	....	....	0 52

Where the leaders (....) are inserted, no quotations were given in the N. Y. markets.)

Table of aggregate prices of provisions, groceries, etc., in the towns of the United States for the years 1867 and 1874, (*Labor in Europe and America*, page 810).

PROVISIONS	1867	1874	GROCERIES	1867	1874
Flour, sprfine.bbl	\$12 90	\$6 83	Tea, black....lb	1 60	99
Flour, ex fmily "	13 66	7 93	Coffee, greenl. "	$31\frac{1}{2}$	$28\frac{1}{2}$
Flour, rye.... "	11 33	6 24	Coffee, ro'std. "	43	$34\frac{1}{2}$
Corn meal.... "	8 07	5 24	Sugar brown "	$20\frac{1}{2}$	$11\frac{1}{3}$
Beef,frsh,rost .lb	16	$13\frac{1}{4}$	Sugar, yel 'C'. "	$20\frac{1}{2}$	12
Beef, " soup "	11	$08\frac{1}{3}$	Sugar, cof. B' "	22	$13\frac{3}{8}$
Beef, " steak "	17	$13\frac{1}{2}$	Molasses, NO.gal	1 57	98
Beef. corned . "	14	$10\frac{1}{2}$	Molasses. P.R. "	1 43	84
Veal, fquartrs. "	14	$11\frac{1}{4}$	Syrup......... "	1 $80\frac{1}{4}$	1 $08\frac{1}{2}$
Veal, hquartrs. "	16	$13\frac{1}{2}$	Soap, common lb	16	$09\frac{1}{4}$
Veal cutlets.. "	$18\frac{1}{4}$	$15\frac{3}{4}$	Starch........ "	22	$13\frac{1}{2}$
Mutton, fqrtr.. "	$13\frac{1}{2}$	$11\frac{1}{8}$	Fuel, coal....ton	10 83	9 11
Mutton leg... "	15	14	Fuel. wood....cord	5 71	5 30
Mutton chops.. "	$16\frac{5}{8}$	15	Fuel, pine.... "	5 00	5 42
Pork, fresh.... "	17	14	Oil, coal......gal	1 20	$38\frac{1}{2}$
Pork, corned.. "	$20\frac{3}{4}$	$14\frac{1}{4}$	DOMESTIC DRY GOODS		
Pork, bacon... "	22	$15\frac{3}{4}$	Shirtings ..... yd	$23\frac{3}{4}$	$12\frac{3}{4}$
Pork, hams.... "	$26\frac{1}{2}$	$17\frac{1}{2}$	Sheetings..... "	34	20
Pork,shoulders "	$21\frac{5}{8}$	14	Cotton flannel. "	$35\frac{1}{2}$	$19\frac{3}{4}$
Pork, sausages "	$24\frac{1}{2}$	$16\frac{1}{2}$	Tickings...... "	$45\frac{1}{4}$	$27\frac{1}{2}$
Lard.......... "	$24\frac{1}{2}$	$17\frac{1}{2}$	Prints .... "	$18\frac{7}{8}$	$10\frac{3}{4}$
Codfish, dry... "	$17\frac{1}{2}$	11	Muslin delains "	$31\frac{1}{8}$	$23\frac{1}{3}$
Mackerel, pkld "	$20\frac{1}{3}$	$13\frac{1}{2}$	Satinets....... "	$96\frac{2}{3}$	$73\frac{1}{2}$
Butter........ "	$49\frac{1}{2}$	$35\frac{1}{4}$	Boots, men's ..pr	6 22	5 05
Cheese........ "	29	$22\frac{1}{2}$	HOUSE-RENT		
Potatoes.......bus	1 $62\frac{1}{2}$	$99\frac{1}{4}$	Four rooms...mth	14 92	11 93
Rice...........lb	$17\frac{3}{4}$	$11\frac{3}{4}$	Six rooms.... "	22 09	16 27
Beans..........qt	$16\frac{1}{2}$	$10\frac{1}{2}$	BOARD		
Milk.......... "	12	$09\frac{7}{8}$	Mechanics.....wk	6 79	5 01
Eggs ....doz	49	30	Factory women "	6 06	3 53

[Since 1874 there has been a heavy decline in all these articles.]

The tables show a larger volume of money in 1863 than in 1864, but prices of gold and other articles were about 33 per cent. higher in the latter year than in the former. It is evident that the cause of the rise in prices here was other than the size of the volume of money. We find the volume of money in 1864 only $\frac{9}{16}$ of the volume in 1865, and yet gold averaged a third higher and merchandise a third lower in 1864 than in 1865. Again, the volume of money in January, 1866 was about $150,000,000 greater than in January, 1865, and yet prices of the greater part of commodities were 25 per cent., and gold seventeen per cent. lower in January, 1866, than in January of the former year.

In January, 1867, the volume of money was $470,000,000 less than in January, 1866, and yet gold was but three per cent. lower on an average during 1867 than in 1866, and a number of articles advanced, while others fell. In January, 1868, the volume of money was $513,000,000 less than in January, 1867, and yet gold was on an average one per cent. higher, and there was a slight decrease in the value of commodities. In January, 1869, the volume of money was $67,000,000 less than in January, 1868; gold fell on an average seven per cent., and commodities fell slightly. In January, 1870, the volume of money was $10,000,000 less than in January, 1869, and gold fell on an average eighteen per cent., and commodities fell in less proportion. In January, 1871, the volume of money was further reduced a few millions, commodities fell, but gold advanced slightly.

This suffices to show, that, while the volume of money and prices bear some proportion to each other, yet the effects of the one on the other are greatly modified by other powers. The other forces which affect prices and the purchasing power of money are war, peace, failure of crops, or other great general calamity, abundant crops, supply and demand, faith in the government, faith in the currency of the paper, credit—all the conditions of man.

It will be observed that the rise and fall of gold was out of all proportion to the increasing or decreasing volume of paper money, so much so, that we are forced to the conclusion that greater forces than the volume of paper were operating on the gold market. Or, if you please, greater powers than gold were operating on the value of paper. Thus, we see, that in July and August, 1864, a dollar in gold was worth more than two-and-a-half dollars in paper, when there were but $968,059,995 of paper in circulation. This was when victory perched upon the Confederate banners. While in the same months of 1865, a dollar in gold was worth but $1.43 in paper, when there were $1,651,282,373 of paper money in circulation. This was soon after the Confederates had surrendered. Here gold fell nearly one-half simultaneously with a two-thirds increase of the currency and an advance of the price of commodities about one-third or fourth.

It will be observed that the fall of gold from 1869 to 1870 was eighteen per cent., when the currency was reduced but ten millions. This fall of gold, the greatest in any one year since 1865, is not attributable to the small decrease of the currency, but mainly to the decision of the Supreme Court of the U. S. adjudging "Greenbacks" a legal tender for all debts created before as well as after the passage of the legal tender act. An examination of these tables reveals the indisputable fact, that the war and want of faith in the stability of the government were the potent causes of the great depreciation of paper money during the war period. Exactly the same causes produced the great depreciation of the French Assignats during the revolution of 1789 and onward.

Other causes which aided in sustaining the gold premium in the U. S. after war, were the ceaseless political and local broils, riots and disturbances in the South. Two other powerful causes have constantly operated on the gold market; they are our foreign commerce and foreign interest. Following is subjoined a table of the exportations and importations of merchandise, (excluding gold and silver), from June, 1863 to 1877 inclusive, and the balances against and in favor of the U. S.

Year.	Imports.	Exports.	Balance against the U. S.
1863..	$243.335 815......	$203 964,447......	$ 39,371 368
1864...	316.447 283......	158,837.988......	157,109 275
1865...	238 745 580......	166 029 303......	27.716 177
1866...	434 812,066......	348 859 522......	85,952,544
1967...	395,763,100......	292 361 225......	103 401,875
1868...	357,436 440......	201 952 899......	75,584.541
1869...	417 506 379......	286 117,697......	131.388 682
1870...	435.958 408	392 771.768......	43.176 640
1871...	520 223 684......	442 820,178......	87 403,506
1872...	626 595,077......	444.177.586......	182 417 491
1873...	642,136,210......	522.479.922......	119 656 288
			Balance in favor U. S.
1874...	567,406,342......	646 856.926......	39 450 584
1875...	535 005.336......	579 367,543......	44.362,207
1876...	460,741,190......	519 114,630......	158 373 440
1877...	451,323,126......	589 670,224......	138,357,098

All foreign imports re-exported are excluded for 1876–7.

We here give the exports and imports of gold and silver and the excess of exports over imports for each year from 1863 to 1877 inclusive. Also the average gold premium for each of the years named:

Year.	Exports.	Imports.	Excess of Exports over Imports.	Average price of Gold in Legal Tenders
1863....	$ 64,100,000..	$ 8,500,000..	$55,600,000....	$1 45
1864....	105,300,000..	13,100,000..	92,200 000....	2.03
1865....	67.600 000..	9,800,000..	57,800,000....	1.57
1866....	86,000,000..	10,700,000..	75,300.000....	1.40
1867....	60.800,000..	22.000,000..	38,800,000....	1.38
1868....	93,700,000..	14,100,000..	79,600,000....	1.40
1869....	57,100,000..	19,800,000..	37,300,000....	1.33
1870....	58 100,000..	26,400,000..	31,700,000....	1.15
1871....	98,400,000..	21.200,000..	77.200,000....	1.12
1872....	79,800,000..	13,700,000..	66,100,000....	1.12
1873....	84.600,000..	21,400,000..	63,200,000....	1.14
1874....	59,600,000..	28.400,000..	31,200,000....	1.11
1875....	73,800,000..	18 900,000..	54 900,000....	
1876....	56,5[illegible]6,302..	15,936,681..	40,569,621....	
1877....	....	....	15.387,823....	

It will be seen from the table of exports, that up to 1874, large balances for merchandise accrued against the United States, and for 1872 and 1873, these foreign balances against the United States amounted to the enormous sums of $182,000,000 and $119,000,000 respectively. These balances account in part for the gold premium not falling in 1872 and for its advance in 1873. A comparison of the two tables shows an advance in the gold premium with every increase of the exports of coin except for the years 1866 and 1871. The reason for these exceptions is found in the fact that, including gold and silver shipments, there were no balances worth naming left against the United States. The table also shows a corresponding fall in the gold premium with every annual decrease of exportation of the precious metals, except for 1872 and 1873, and these exceptions are founded in the fact that, after deducting all the exports of both merchandise and gold and silver, there remained enormous balances against the country. These comparisons of tables must suffice. The reader may extend them at leisure. It is evident, from these exhibits, and from what has been said, that the gold premium can be attributed only in part to the amount of the currency outstanding, and rests partly upon other grounds, some of which have been named before. The great cause of gold premium is the great intensity of demand for it over the demand for other money. Considering the foreign indebtedness of the country, that demand is next to absolute, and must be met; and so long as that demand continues, gold, while insufficient in supply to readily meet the demand, will be at a premium over any paper money that cannot, at will, be converted into coin; not because there may be too much paper, but because of an insufficiency of gold to readily and easily meet the demand. The truth of this proposition is evidenced by facts which have existed in several nations. Cash payments have been suspended in Russia over sixty years. During that time, up to 1870, her paper-money averaged near 750,000,000 roubles, and the gold premium was from 17 to 29 per cent. Between 1870 and 1876, her paper money was increased to about 1,000,000,000 roubles, and the premium on gold fell to 10 to 15 per cent. Italy had about $50,000,000 of paper money in 1866, and gold was at a premium of from 19 to 20 per cent. In that year the government authorized the Bank to issue inconvertible legal tender notes. Resulting from this act the total paper money was increased to $300,000,000 in 1874, and gold fell to 3 per cent. premium. The case of France is a very striking one. In 1870, the Bank of France suspended specie payment. The effects of this upon the notes and gold premium are thus described by M. Victor Bonnet:

"The movements of the paper-money circulation inflicted on France by the war, are destined to surprise a multitude of people. There is, in those movements, a complete overturning of the economic and financial ideas which the best authorities had endeavored to establish in the previous history of monetary science. These authorities have always raised their warning voices against paper-money and legal-tender laws. They tell us, with one accord, that if the quantity of paper money be not strictly limited, and excessive issues prevented, the public confidence will fail and depreciation will soon follow. In apparent defiance of these sound principles, we find that in the midst of the war troubles of France, paper money to the amount of 1,800,000,000 francs was issued and has been kept at par by means of a coin reserve of 600,000,000 francs, or 33 per cent. This paper money never for a single moment lost its value, or fell to a discount until the first payments were made to Prussia. At that crisis the premium on gold rose to two and one-half per cent., and, strange to say, this premium on gold fell immediately when the law was passed to expand the circulation, and to increase the issues beyond 1400,000,000 francs, which was the limit at first assigned to the maximum of the note issues. In November, 1871, these issues were 2,300,000,000 francs, and the depreciation two and one-half per cent. At the end of January, 1872, the issues were 2,450,000,000 francs, and the depreciation had fallen to one per cent. At length, after the lapse of a certain period, when new issues had been authorized, and the legal limit had been fixed at 3,200,000,000 francs, the premium on gold was merely nominal, and nobody paid any attention to it except those concerned in the foreign exchanges. The singularity of this was the more noteworthy because these large emissions of notes took place amidst grave incertitude. For, in the first place, France was paying her immense indemnity to the Prussians, and was seeking in every possible way to augment her specie resources; and, secondly, she seemed likely, in spite of all she could do, to lose her whole aggregate of coin circulation. Never before had such dangers been surmounted with so much success."

The reason for this phenomenon in French finance seems plain to me. It is this: by the issuance of large amounts of legal tender paper, the uses for coin in internal commerce were reduced proportionately. The extent and intensity of the demand for coin were thus diminished, and the demand for foreign shipments the more easily and readily supplied. The abundance of paper-money stimulated all business, and created for France a great foreign trade. The fiscal transactions of the government were very profitable in buying bills of exchange. These transactions reduced the demand for and augmented the supply of coin.

So it was in England. In regard to gold premium, Mr. Huskison remarked in Parliament:

"The difference between the market and the mint price of gold was erroneously considered as a test of the superabundance of paper in the home market; but it, in reality, arose from a very different cause, the gold was sent out of the country to pay up foreign loans and to meet the wants of British travelers. The experience of late years decisively proved that the doctrine of the Bullion Committee in 1810, that the difference between the market and the mint price of gold was owing to an over-issue of paper and was measured by its amount, was decisively disproved by the facts which had since occurred. In 1814, the bank issues were £23,600,000, and the market price of gold was £5 10*s*. per ounce; in 1815 the bank paper was £26,300,000, and the price of gold had fallen to £4 6*s*. 6*d*.

per ounce; proving that the price of gold was owing to the enhanced demand for it on the Continent, to meet the exigencies of foreign war, and not to any excess in the domestic circulation."

The fall of the premium on gold in 1876 and in 1877 in the U. S. is due, not more to the reduction of the volume of the currency, than, 1st, to the enormous foreign balances in favor of this country which accrued in those years; and, 2nd, to the great decrease in custom receipts; both of which reduced the demand for gold. The final settlement of the political troubles in the Southern States in 1877 contributed also to the decline in gold premium.

It has been common for writers on finance to assume that prices of commodities are controlled by the sum of gold and silver in the world. This was doubtless the case before paper money came into general use. But if that class of thinkers will take the pains to examine the amounts of paper currency in the world, and the general prices of commodities during the last fifty years they will find that prices have advanced with an increase of the aggregate amount of paper and depreciated with a decrease of it.

There is now no sufficient decrease in the world's annual supply of the precious metals for that alone to cause the universal fall of prices experienced. The cause of the general shrinkage of values rests in the reduction of the total volume of money in the civilized world, produced by the demonetization of silver in Europe and the United States, and the reduction of the volume of paper money.

If one nation make paper money serve for internal commerce, the uses for gold and silver in that country are diminished just that much, and the extent of the demand for coin is, in consequence, reduced in equal proportion. It also increases the metal supply of other nations, because a plentiful supply of paper money in a nation drives coin abroad, and, the aggregate demand for it being thus reduced while the supply of it remains undiminished, reduces its value, that is, its purchasing power. If all nations used paper money exclusively in internal commerce then the world's demand for coin for internal commerce would be extinct and its use would be confined to settling foreign balances and paying foreign interest. The general demand for metal money would proportionately decrease and, of course, its value would depreciate.

In proportion as a country's uses for coin increase or diminish in proportion to the supply thereof, the value of coin as compared with that of paper money increases or diminishes; and as the world increases the aggregate volume of circulating money, both coin and paper, prices will advance, but not necessarily in the same ratio.

As an example of the first part of this proposition we refer to the years 1871, 1873 and 1877. In 1871 this country exported ten millions more of gold and silver than in 1873, and yet gold was on an average two per cent. lower the former than the latter year. This resulted from the fact that the shipments of gold and silver in 1871 nearly settled that year's foreign balances against this country, and the demand for the precious metals was nearly satisfied, while in 1873 the exports of merchandise, gold and silver left nearly $60,000,000 balance against this country, and on that account the demand for coin in this country was intensified, because the supply was not nearly equal to the demand.

In 1877 the premium on gold fell to 2¾ per cent., because the decrease of custom receipts and the enormous balances of trade in favor of the U. S. were applied to satisfy the demand for the precious metals, thus reducing the intensity of the demand.

In proof of the second clause of the foregoing proposition, we refer to the fact, well authenticated by history, that soon after the close of the wars of Napoleon Bonaparte, in 1816, all the great powers of Europe proceeded to fund their floating and unfunded debts, and to reduce the amount of paper currency, and that upon the heels of this came a universal fall in prices there. On the other hand, between the years 1849 and 1860, there was a great increase of the volume of paper money, and a simultaneous advance of prices.

From 1840 to 1860 the Bank of England increased her issues about $15,000,000. From 1854 to 1863 the Bank of France increased her issues $35,000,000. From 1850 to 1870 Germany increased her paper money from $80,000,000 to $182,000,000. From 1852 to 1861 Austria increased her bank notes from 192,-600,000 florins to 475,200,000. From 1830 to 1858 Russia increased her paper money from 639,000,000 roubles to 755,297,000. Bank notes in the U. S. increased from $105,000,000 in 1847 to $207,000,000 in 1860. General prices advanced with this increase of paper money.

Again, on the other hand, since the Franco-Prussian war, and since the demonetization of silver by Prussia and the U. S., and the restriction of its coinage by France, and a reduction of the volume of paper money by the U. S. a $1,000,000,000, there has been a diminution of the aggregate sum of money, coin and paper, per capita, in Europe and America, and at the same time an increase of the aggregate indebtedness of those countries, thus increasing the uses for money, while the supply thereof has been cut down. The result has been a universal fall of prices on both continents.

From the foregoing we lay down the following conclusion as indisputable propositions:

1st. The premium on coin in the world, or in any country, depends upon the extent and intensity of demand for it, as compared with the extent and intensity of the demand for other kinds of money.

2d. The purchasing power or value of coin depends upon the extent and intensity of the demand for it, caused by the extent of its uses, as compared with the demand and supply of any other thing, or all other things.

3d. In proportion, as the world or any country increases its volume of paper money, it decreases its uses for, and the purchasing power of, coin, and *vice versa*.

4th. The price of property and labor are controlled by the aggregate sum of money, coin and paper, in circulation, as modified by soil, climate, seasons and the conditions of man and nations.

As any country increases its paper circulation, it adds to the world's aggregate stock of money, and reduces its own uses for coin, which tends to produce both a rise in values of property and labor and a fall in the purchasing power of coin, both of which are benefactions to mankind.

The United States being a debtor country, and compelled to pay immense sums of coin interest to foreign capitalists annually, would act wisely to transact all her internal commerce with paper money, thus increasing the world's aggregate supply of money, decreasing the value of coin and increasing the value of property and the prices of her exported commodities.

It seems to be a common delusion that, because gold has fallen to a little below three per cent. premium, the whole question of resumption is simply what Mr. Ricardo of England said in 1819, only a question of three per cent.; three per cent. decline in gold and three per cent. decline in values. No greater error ever misled or calamity befell England than that hallucination, and probably no greater could befall this country than that of regulating our finances by such a theory. No man can foretell what amount of contraction of the currency will be necessary to bring paper to par with gold, nor can any one fathom the depths to which prices will fall in consequence of contraction.

In England they experienced a fall of prices of fifty to one hundred per cent. A contraction of the volume of money always produces a fall of prices; though general confidence and liberal extensions of credit, as in this country up to 1873, retard the fall. But after a crisis, when general confidence is shaken and capital is cautious and credit doled out sparingly, the fall of prices is greatly accelerated. Many, no doubt, believe that in 1879 paper will certainly be at par with gold, and that par is the point of safety.

Par would be possible under certain circumstances. For instance, if our net foreign balances of 1878 should be more than our foreign interest, paper would reach gold value, unless war or some accident should intervene to prevent it. But there is no probability of such a balance of trade in our favor. The indications are that we have reached the maximum of our foreign balances for several years and that they will be less in the future. If our foreign interest should be several millions more than our foreign balances in 1878, which is possible, then instead of a decline in gold premium an advance would necessarily follow.

The country should beware of the hope that rests on foreign balances and accumulations of coin. It is treacherous.

Par on one side and gold premium on the other form an illimitable perspective from the outlook of existing circumstances, without such a reduction of the volume of money and of prices as to almost destroy business. If the provisions of the resumption act should be carried out, a continued and heavy contraction of the volume of the currency will result; every debt and obligation in the land, $25,000,000,000 of them, will be payable in coin, after all the legal tenders shall have been redeemed. This will make capital timid, cut off credit, and bring the business of the country to cash transactions. Then everything in the land will be for sale without a purchaser. The extent of the fall of the values of property of all kinds, including corporation stocks, bonds and securities, cannot be estimated. They must shrink enough to bring it within the power of the money that may then exist to move all the vast property that enters into the commercial and business transactions of the country. To effect this the shrinkage of values must be great. In England from 1818 onward the contraction of the volume of currency from about £48,000,000 to £26,000,000 caused a general fall of prices of from 50 to 100 per cent. The fall in this country will doubtless exceed 25 per cent.; nothing indicates that it can be less. A par of gold and paper can be reached by a sufficient reduction of the volume of paper if no accident, and no more intense demand for the former than for the latter, intervenes to prevent it, but it will be disastrous to business. We need not indulge in gilded hopes. We cannot escape. The effects of a contraction of the currency are inevitable. Resumption will destroy one-fourth of the commercial value of the property of this country.

CHAPTER IV.

PAR: ITS LAWS.

This little word is harmless in the abstract; but, efforts to apply it to unequal things, are dangerous experiments. To force a par of things, which by nature or circumstances are different, is to disregard the laws of their difference, and to produce evil results. No law can be broken with impunity. Retribution will follow. This principle applies to money with the same force as to the physical or social world.

Money is a thing of value, as money; its principal use is to effect commercial exchanges, and its sum ought to be commensurate with the requirments of commerce. There are two kinds of money in this country. They are different in value and volume. Value is regulated by demand and supply. To bring them to par, one of two things must be done. 1st, Increase the amount, or destroy the uses for the dearer money, until the intensity of the demand for it be reduced, so as to correspond with the intensity of the demand for the cheaper money; or, 2d, Reduce the amount and increase the uses for the cheaper money, until the intensity of the demand for it be increased, so as to correspond with the intensity of the demand for the dearer money. A part of the second method, that of reducing the amount of the cheaper money—paper—is the plan adopted by the government of the United States, to force a par of money values. The laws of the difference in value of these moneys is the greater intensity of the demand for coin than for paper. The law of the supply of paper money should be the requirements of commerce. The supply of both is not greater than the extent of the demand.

If, then, the government pursue the policy adopted of so reducing the volume of paper money as to increase the intensity of the demand for it, until it equals the intensity of the demand for coin, the laws of their difference will be encroached upon, the requirements of commerce will be disregarded, and the supply of paper money so diminished as to cripple all business.

This country is not in demand of coin for anything, except to pay coin bonds, or coin interest, and foreign balances of trade against it. It is not in demand of a dollar in coin for its internal business. It needs more money, but paper will serve every purpose. The stock of coin in the country is small, and the annual supplies are nearly consumed in the arts, and in foreign interest. The supply of it is so small compared with the millions upon millions of coin liabilities, that the demand for it is intense. To force a par by resumption of specie payments will still further intensify the demand for coin, because its uses will be greatly increased without a corresponding increase in supply.

There are now about $2,000,000,000 of coin obligations owing by this country, with the pittance of $150,000,000 to $235,000,000 of specie to pay them with.

On resumption day that sum of coin obligations will swell to $25,000,000,000, and the country will have about a hundredth part of it in coin. This enormous increase in the demand for coin, will greatly intensify the demand for it; will greatly enhance its value, or purchasing power. The process of reaching par will be one of laborious and fatiguing ascent towards a constantly rising point. For paper money to reach the elevated point of par, its volume must be diminished until every dollar of it can be redeemed in coin whenever called for, and the demand for it must be increased until it equals the demand for coin. This will greatly enhance its value — its purchasing power.

The result of this process of enhancing the value of paper money to par value with coin, by force of the resumption act, will necessitate a very great depreciation of the values of all property, real and personal, and a corresponding falling off in the amount of all business. As the elevated point, par, is a constantly rising one, so the bottom of depreciation of values will be a constantly receding one. It is a common error to suppose that par is the goal, the central point, to which all financial theories ought to tend. Par is a good thing when it is produced by a condition of things consistent with the business interests of the country. But in every case where it has been produced by force of legislation, it has been attended by great distress of the people.

The only thing indicated by coin premium is an intensity of demand for it, superior to that for paper. The only thing indicated by par is an equipoise of demand for the two kinds of money. Par and coin premium bear no relation whatever to the commercial or industrial conditions of the country, and neither the one nor the other affects the commercial or industrial conditions of the country, unless they are produced by laws or forces inconsistent with a healthy condition of business. It makes no kind of difference to a people whether the money used in their internal commerce be at par or not, so they have enough of it to transact all their business. It may make no difference, and at most, it will make be but little difference, whether their money is at par so far as their foreign commerce is concerned, because the business of nations with each other is always transacted on a coin basis of prices and the balances are easily adjusted

It is commonly held that low exchanges in a commercial center result from the depreciation of the money of that place, and are detrimental to commerce. Neither of these propositions is necessarily true. Low exchanges may result from other causes, and may not be detrimental to commerce. If New York pay her bills in coin, they will be worth in the commercial world what other similar bills are worth, unless some special cause makes those on English or other houses worth more. If New York pay them in depreciated paper, they are discounted by the drawer in proportion to the discount of the paper. So that low exchanges in New York are not a loss to the drawer or acceptor, nor are they depressing on New York commerce, except in case of a constant falling in value of New York money. Even in that case, the depreciated currency of New York will, if there be plenty of it, so stimulate all industry and business as to fully offset all losses caused to her foreign commerce by her low exchanges. Premium on coin does not affect the profits on exports. The only loss to the country in prices is in the very slight enhancement of the value of imported articles caused by the premium on coin import duties, and the foreigner or importer does not get this; it goes into the government coffers.

The people who talk and write so much in favor of par, lose sight of the best uses of money and the place where its greatest blessings rest. "Money is the sinews of war." It is the vehicle of commerce; the life of the industries in peace. The greatest and best use of money is to vitalize industry and facilitate internal commerce. These, as compared with foreign commerce, are of paramount importance. Our foreign commerce is about one thousand millions of dollars a year. Our internal commerce is at least one hundred thousand millions; one hundred times greater than our foreign commerce.*

Where, then, rest the greater interests of money? Every one must admit that they rest with the internal business of the country. Will it pay to force paper to par to facilitate foreign exchanges by so reducing our volume of currency as to dry up the arteries of this great internal commerce—the life of the industries? No patriot who understands the terrible effects of such a measure will defend it. Some imagine, because silver is worth less than legal tenders, that if that metal were remonetized, par and resumption would both be already accomplished. That hallucination may be another

*The New York clearings for 1877 were $20.876,555,937. This we estimate as 40 per cent. of the clearings of all the great cities in the United States. The sum of the business of all the great commercial centers would then be $50,000,000,000. The business of the smaller cities, villages, towns, country trading, etc., will equal this amount; making $100,000,000,000 as the total sum of internal transactions of the country for 1877.

"will-o'-the-wisp" to lead us through thorns and quagmires of affliction.

Let us examine the results of the remonetization of silver. The first effect would be to greatly enhance its value, not only here but in Europe. It would assume exactly the position which gold now holds in this country. Gold, perhaps, would remain at a slight premium over silver; perhaps they would assume par. Silver would appreciate to par with, perhaps to, a premium over paper. Almost every ounce of gold would leave the country if it remained at a premium over silver.

Silver would take its place in the bank vaults and the public treasury as redemption money. All the coin liabilities of the country would be payable in silver. This would tend to cause a constant flow of that metal outward, to pay our foreign interest, and balances against us. But silver would be at a slight advance here above its value in Europe, perhaps. It might also be higher in India and all Asia than in Europe, because it is Asia's money. The demand of Asia for silver is insatiable. All the Asiatic balances of Europe would be settled in silver. This would nearly consume the annual products of the mines, less that used in the arts. Then there would be left no considerable stock of silver to be shipped to the United States. We think it probable that the increased exportation of our gold stock, which would follow the remonetization of silver, would nearly equal in amount the increased importations of silver, which would be caused by its higher value here.

We could not expect a rapid or considerable increase of our coin stock, by reason of the remonetization of silver. Persons who claim that the remonetization of silver is all this country needs, because paper will be at par with it, are in great error.

They lose sight of the more important consequence that resumption, with silver remonetized, will necessitate almost as great a diminution of our volume of money as it would with only gold coin. This will be the case, because the remonetization of silver does not reduce our foreign demands for coin, it will increase the value of the products of the mines only to the extent of the appreciation of the value of silver, and in the future, as in the past, all, or nearly all, our gold and silver products and foreign balances of trade will be consumed in paying off foreign interest. And here is the great evil of forcing a par—the contraction of the volume of money so as to reduce values, cripple business, and throw laborers out of employment.

Remonetization of silver will benefit the country. It will benefit the world, because it will appreciate the value of silver several per cent., and this will virtually add that increase to the world's stock of money, and tend, very slightly, to advance prices of property. It will benefit the United States particularly, by causing capitalists and banks to unhoard large amounts of money now held by them. This would give a considerable vitality to business for a short time, but it could not continue long, for the processes of resumption would soon produce a contraction equally as great as the amount that might be unhoarded.

Remonetization of silver will not save the country from the blighting effects of a forced par value of paper and coin. It will not prevent a large contraction of the volume of money. A forcing of par in the social world has desolated homes, destroyed kingdoms, and caused human gore to flow in streams.

It was this terrible idea of forcing a par of the lower and higher orders of people which made a hell of France in 1789. Repeal the laws which are intended to force a par. Let par come of its own accord, when the natural laws of finance and commerce bring it. But let it not be forced to the destruction of the peace and prosperity of the country.

CHAPTER V.

GOLD, SILVER AND PAPER MONEY: CIVILIZATION; INCREASE OF COMMERCE.

The Monetary Commission, in their report, page 78, estimate the total products of the world's gold mines from 1492 to 1848, at $2,626,000,000, and from 1849 to 1876, inclusive, at $3,215,000,000, making the total gold products from 1492 to 1876 $5,841,000,000. What the stock of gold was in 1492 is not known, but it must have been $1,000,000,000, because, at the beginning of the Christian era, Rome alone had $1,800,000,000 of gold and silver money. Prior to that time Greece, Persia and Isræl had been very rich in these metals, and since that time the mines of Spain, as well as others, yielded gold and silver.

Then, to the total products of gold since 1492, add $1,000,000,000, and it gives $6,841,000,000 as the total sum of gold on hand and produced in and since 1492. Mr. Fawcett estimated the total stock of gold money and bullion in the world in 1877 at $2,700,000,000. Deduct this from the last sum given and it leaves $4,141,000,000 of gold lost, destroyed and used in the arts since 1492—nearly $\frac{2}{3}$ of the total sum, and $\frac{10}{13}$ of the total products since that date.

It will be seen from the foregoing that the total gold products of the last 27 years have exceeded those of the preceding 350 years by about $600,000,000.

But, while the products of gold have so rapidly increased, its use in the arts has increased even more rapidly, as will be seen from the following table taken from "Gold and Debt," showing the products, the amount consumed in the arts, addition to, and decrease of, the stock of gold for periods of 5 years.

Periods of 5 yrs	Productions	Consumption	Addition to Stock	Decrease of Stock
1840 4	$150,000 000	$132 000,000	$ 18 000,000	....
1845 9	196,000 000	149,000 000	47 000 000	....
1850-4	660,000 000	180,000 000	480 000 000	....
1855 9	680 000,000	295,000 000	385,000 000	....
1860 4	560 000,000	398 000,000	162,0 0 000	....
1865 9	615,000,000	475,000,000	140,000,000	....
1870 4	530 000,000	539,000,000	....	$9,000,000

This table exhibits three important facts. First: A considerable decrease of production since 1855; a rapidly increasing consumption in the arts, until in 1874, it exceeded the products; a constantly diminishing addition to the stock, from 1854 until in 1874 there was not only no addition but a diminution of stock $9,000,000.

The total products of the world's silver mines from 1492 to 1876 have been estimated by statisticians at $7,071,000,000. How much existed in 1492 is not known. The probabilities are that there was then about as much silver as gold. Its relative value to gold was higher then than now.

Let it be supposed that there were $1,500,000,000 of silver in 1492. This, added to the total products since, gives $8,571,000,000 existing and produced in and since that date. It is not known how much silver has been used in the arts and ornamentation, lost and wasted by abrasion since 1492.

The Monetary Commission estimate $10,000,000 a year used in the arts in the U. S.—about 22 cents *per capita* of population. Supposing that three hundred and sixty millions of people in Europe and America consume the same *per capita* amount, they would consume about $80,000,000 of silver in the arts a year. Then making the low estimate of 3 cents *per capita* for the 1,000,000,000 of people in the rest of Europe, British North America, Mexico, Central and South America, Asia and Africa, the total consumption of silver in the arts and for ornamentation would be about $110,000,000 a year now. If this calculation be correct, there is now no annual addition to the stock of silver coin and bullion, but a yearly diminution of it. But the present consumption does not indicate that consumed in the past, because the consumption has increased with the increase of production.

It seems reasonable that about the same proportion of silver has been used in the arts, lost and destroyed, as gold since 1492. Then as about ⅔ of the gold has gone that way, we judge that of the $8,571,000,000 of silver in stock and produced in 1492 and since, about $5,714,000,000 have been lost, destroyed and consumed in the arts and for ornamentation, leaving the world's present stock of silver money and bulllion about $2,857,000,000.

The distribution of gold and silver coin and bullion in Europe was estimated by Mr. Fawcett in 1877 to be as follows:

Countries	Gold	Silver and Base Metals
Great Britain	$442,500,000	$ 80,000,000
France	650,000,000	350,000,000
Germany	380,000,000	370,000,000
Austria		200,000,000
Russia		250,000,000
Italy		145,000,000
Spain	300,000,000	200,000,000
Sweden		70,000,000
Belgium		38,000,000
Switzerland		5,000,000
All others of Europe		360,000,000
	1,772,500,000	
Total	$~~100,872,5,000~~	$2,060,000,000

We think the estimates for France, Italy and Russia are too large. In them specie payments have been suspended, and coin has borne a premium during suspension. Premium on coin drives it out of circulation. It seeks the government treasury, bank vaults and goes abroad during suspension.

The enormous coin fine levied on France by Prussia set the government of the former State and all its agents to work to command all the coin in the Republic, and, we doubt not, it did so, excepting debased coins.

On June 23d, 1876, Marcaurd, Andre & Co., Bankers of Paris, reported that the Bank of France had in vaults gold equal to about $295,000,000 and silver equal to about $116,000,000. Add to these sums $100,000,000 standard silver hoarded and $60,000,000 subsidiary and debased coins in circulation and we think the sum of coin and bullion in France would be nearly expressed.

The suspension of specie payments and premium on coin in Russia and Italy indicate the exportation of all gold and silver except that needed for the payment of foreign interest. The debt of Russia was $2,149,000,000 in January, 1875. It has probably been increased since enough to make the annual interest on it $150,000,000. The annual interest on the debt of Italy is about $100,000,000.

Mr. Fawcett's method of estimating the amount of coin in all the European states except Great Britain, France and Germany, is by comparing their annual revenues with the revenues of governments known to have a certain *per capita* volume of money, on the theory that the amount of revenue collected from a certain *per capita* supply of money in one nation bears a relation to the revenue and *per capita* supply of money in other nations. It is true that the revenue of a nation will increase or decrease with the increase or decrease of the supply of money, without any increase or decrease of the rate of taxation. But it should be borne in mind that the revenue of one nation bears no relation to the revenue of another, because the revenues are regulated with reference to the expenditures of government, and not with reference to the people's capacities to pay; and the expenditures of government greatly differ in different nations, as well as in the same nation at different times. It follows, therefore, that the collection of a $6 *per capita* revenue from a $12 *per capita* volume of money in the United States does not indicate that the *per capita* revenue of other nations is half the *per capita* supply of money.

Prices of commodities are a much safer index to the *per capita* supply of money, but they, even, are not a sure one, because, while the amount of money always affects prices, its effects are modified or intensified by the habits, manners, customs and conditions of the people. Prices in many of the states of Europe are lower than in Great Britain and the United States. This indicates a smaller *per capita* supply of money where prices are lower.

Adopting Mr. Fawcett's table, with the changes indicated for Europe, and adding our own estimates for Asia, Africa and the Americas, we submit the following table of gold and silver coin and bullion in the world, distributed according to the amount set opposite the countries named:

Countries	Gold	Silver
Great Britain	$442,500,000	$ 80,000,000
France	370,000,000	226,000,000
Germany	300,000.000	170,000,000
Austria	360,000,000 (Austria to All others of Europe)	200,000,000
Russia		150,000,000
Italy		120,000,000
Spain		146,000,000
Sweden		40,000,000
Belgium		38,000,000
Switzerland		10,000,000
All others of Europe		240.000,000
Total in Europe	$1,472,500,000	$1,420,000,000
United States	$125,500,000	$ 50,000,000
All other N. A. States	90,000,000	50,000,000
South America	50,000,000	100,000,000
The Americas	$265,500,000	$200,000,000
Asia*	$875,000,000	$1,213,300,000
Africa	87,000,000	23,700,000
Asia and Africa	$962,000,000	$1,237,000,000
Grand Total	$2,700,000,000	$2,857,000,000

*The products of China's mines are not known. It is probable that their productions would add slightly to the above figures.

All estimates of the stock of gold and silver coin and bullion in Asia and Africa are little better than guess. But the above table is based on two hypotheses, at least consistent with reason :

1st. As the stock of each metal in 1492 must have been nearly equal to the other, and as the products of each are now nearly equal, and the proportion of each used in the arts, lost and destroyed are about the same, we have estimated the total sums of each metal in the world at the sums given above ; then deducting from the total sum of silver and gold the amounts of each estimated to be in the other quarters of the earth, leaves the quantities in Asia and Africa at the amounts above given to them.

2nd. The amounts of the precious metals in the four quarters of the globe, as distributed in the last table, are consistent with existing facts and the civilization of the people.

Most statisticians reckon Asia to have an immense amount of silver. Mr. Fawcett gives the people of that country about $7 of gold and silver *per capita.* It is true that the people of Asia have comparatively little paper money, but their condition of heathenism and abject poverty in many parts of the country, and the rude and primative state in which hundreds of millions of them live, and the low price of wages there, do not indicate the presence or need of any such sum of gold and silver money as $7 *per capita*. Furthermore, the profusion with which the people of Asia and Africa adorn themselves with gold and silver ornaments, when they can get these metals, indicates a heavy consumption of them in that way.

A nation's uses for money increase with its advancement in civilization; more properly, a nation developes civilization and wealth in proportion to its supply of money. The *per capita* supply of money, both coin and paper, of the nations indicate very correctly the degree of civilization existing in the four quarters of the globe.

Following is a table of the *per capita* supply of money in Europe, Asia, Africa and the Americas, including coin and paper:

Africa,	*per*	*capita*	supply	of	money	about......	$ .50
Asia*,	"	"	"	"	"	......	5.00
Two Americas	"	"	"	"	"	......	14.00
Europe,	"	"	"	"	"	......	17.50

From this the average degree of civilization appears to be highest in Europe. This is true. But separating Great Britain, France, Germany, and the United States from the other states of Europe and America, and comparing their average *per capita* supply of money for the last fifty years with that of all other nations, they stand out prominently at the very head of civilization. The conditions or states of the people of the four quarters of the earth, as indicated by these money statistics, are proved to be true by existing facts, to learn which one has but to turn to histories, travels, newspapers, commercial, industrial, scientific and artistic reports of nations.†

*There is a small amount of paper money in China, but the quantity is not known. Neither is the yield of the Chinese mines known. There is also paper money in India. Taking these into consideration, we put the *per capita* supply of money, coin and paper, of Asia at $5. Wages are very low in China; a foot-soldier's pay being about $3 or $4 a month. This indicates a very small supply of money.

†It is proper to note here the seeming paradox, that while the amount of money circulating in a nation indicates its degree of civilization, the amount an individual possesses is no index to his

The amount of paper money in Europe and the Americas is distributed about as follows:

Great Britain	$200,000,000
France	500,000,000
Germany	200,000,000
Austria,	290,000,000
Russia	800,000,000
Italy	300,000,000
Other States	110,000,000
Total in Europe	$1,400,000,000
United States	670,000,000
Canada	25,500,000
Brazil	110,000,000
Other S. American States	10,000,000
Grand total	$3,215,500,000*

The rapid increase of commerce, both foreign and domestic of the civilized world, is shown by the transactions of Great Britain, France and the United States. Their aggregate exports and imports for each decade, from 1824 to 1874, were as follows:

GREAT BRITAIN.

1824 to 1834	$ 4,646,225,000
1834 to 1844	6,343,900,000
1844 to 1854	9,893,215,000
1854 to 1864	18,019,165,000
1864 to 1874	28,500,555,000

degree of civilization, as compared with that of his fellow-countrymen. This is explained by the very simple reason that it is not the *possession* of money but the *circulation* of it that produces civilization.

* These tables are not published as being critically correct. but proximately They are based on various reports and the most reliable statistics the author could obtain.

FRANCE.

1824 to 1834................	$ 1,913,000,000
1834 to 1844................	2,741,400,000
1844 to 1854................	4,088,000,000
1854 to 1864................	8,327,200,000
1864 to 1874................	12,728,400,000

UNITED STATES.

1824 to 1834................	$ 1,774,431,168
1834 to 1844................	2,416,579,982
1844 to 1854................	3,543,925,919
1854 to 1864	6,405,408,519
1864 to 1874................	10,686,772,639

The amount of the internal commerce of the United States is indicated by the following table of the New York clearing house transactions, from 1854 to 1877.

1854....	$5.750,455 987	1866....	$28.717.146,914
1855....	5,362.912,098	1867....	28,675.159,472
1856....	6,906,213,328	1868....	28 484 288,637
1857....	8,333,226 718	1869....	37,407,028 987
1858....	4 756,664 386	1870....	27,804 539 406
1859....	6,448 0 5,956	1871....	29 300,986 682
1860....	7 231,143,057	1872....	32 636 997,404
1861....	5.915,742,758	1873....	33,972 773,943
1862....	6.871.443,591	1874....	20,850 681 963
1863....	14,867 597,849	1875....	23,042,276 858
1864....	24,097,196.656	1876....	21,597,274 247
1865....	26,032,384,342	1877....	20,876 555 937

This table exhibits an increase of nearly 400 per cent. in N. Y. clearings since 1854. We take the transactions of the New York clearing house to be about $\frac{1}{5}$ of the entire business of the country, both urban and rural.

Upon this calculation it appears that the total internal business of the United States was about $28,-

000,000,000 in 1854 and $104,000,000,000 in 1877, nearly quadruple that of the former year.*

The London clearings were as follows for the years named:

1868	$15,278,055,000
1869	17,670,195,000
1870	18,603,116,000
1871	20,092,315,000
1872	26,748,610,000
1873	30,016,675,000
1874	29,970,000,000

This indicates a doubling of commercial transactions in England from 1868 to 1874, when a decline set in. These tables of French, English and United States business indicate a general and very rapid increase of production and business in the whole civilized world during the last fifty years. Money, giving full scope and application to man's powers, did it.

Rome, the richest and grandest of ancient nations, had $1,800,000,000 of gold and silver, and used paper money during her wars with Carthagena. When her volume of money fell to $400,000,000, decay brought her downfall. Venice, the richest and greatest commercial metropolis of the 12th century, invented and used a semi-legal tender paper to sustain her wars and commerce, and give application to the productive powers of her people.

The invention and general use of paper money in

* It will be noticed that the transactions of the New York clearing house advanced to $37,407,028,987 in 1869, indicating the internal business of the country for that year to have been about $185,000,000,000, nearly 85 per cent. more than for 1877. This falling off in business is explained in the great reduction of the volume of money, destruction of credit and the consequent fall of prices and depression of business since then.

Europe during the last 200 years, gave a new impetus to civilization, and notably during the last hundred years Europe and America, finding coin totally inadequate to develope and apply the powers of man and advance civilization, have doubled their money by the use of paper, thus sextoupling their commerce and elevating themselves to the highest degree of civilization, wealth and glory.

"Within the last 100 years the commercial and business transactions of the civilized world have needed an increase of money equal to the increase of money of all the previous 1800 years. In spite of the immense discoveries of gold and silver in American, Australian and Russian mines, no such increase of coin money, or anything like it, has taken place as was required by the necessities of trade and commerce. In the rapid growth of industry throughout the civilized world, under the advance of science, over 70,000,000,000 of steam horse-power have been applied to myriad engines, multiplying the producing power of man more than a thousand fold."—*B. A. Hill's Gold, Silver and Paper Money.*

With the great increase of money in the last 100 years has sprung from the exhaustless powers of man's mind and muscles, myriads of labor-saving, wealth-producing and carrying machines and appliances, arts and sciences, and these in turn have multiplied the wealth and happiness of man a thousand fold in enlightment, civilization, houses, homes and countless public and personal comforts. These, in turn have greatly multiplied the uses of, and man's demand for, money.

According to the estimates of the best authorities, the aggregate products of the world's gold and silver mines have almost constantly diminished since 1853, as will be seen from the following table:

Year	Gold Products	Silver Products	Total Products
1853	$190,000,000	$45,000,000	$235,000,000
1854	165 000 000	45,000,000	210,000,000
1855	160,000,000	45,000,000	205,000,000
1856	158,000,000	45,000,000	203,000,000
1857	155.000,000	45,000,000	200,000,000
1858	150,000,000	45,000,000	195,000,000
1859	150,000.000	45,000,000	195.000,000
1860	148,000,000	50,000 000	198.000,000
1861	145,000,000	55,000,000	200,000 000
1862	145.000,000	50,000,000	195,000,000
1863	140,000,000	50 000,000	190,000,000
1864	140,000,000	55.000,000	195,000.000
1865	135,000,000	65,000,000	200,000,000
1866	135.000,000	65,000,000	200,000,000
1867	131,000,000	60,000,000	191 000,000
1868	130 000,000	60,000,000	190,000 000
1869	125,000,000	55,000 000	180,000,000
1870	115,000,000	60.000,000	175,000,000
1871	110,000,000	65,000,000	175.000,000
1872	105 000,000	70,000,000	175.000,000
1873	95 000,000	75,000,000	170,000,000
1874	87 000,000	80,000.000	167,000,000
1875	90,000,000	75,000,000	165,000 000
1876	93 000,000	72,000,000	165,000,000*

The gold and silver which go to Asia and Africa never return. Civilization is slowly but surely encroaching upon their benighted borders, and constantly increasing their drafts upon Europe and America for the precious metals. Europe and America may not, therefore, look to Asia and Africa for any addition to their stock of gold and silver, but may rather expect that shipments thither will increase, and, perhaps, still further reduce their stock.

Since 1853 there has been a decrease in the annual products of the gold and silver mines of the world of

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* The products are given in round numbers only, but approximate very nearly the production of the precious metals and the decrease for the years named.

about $70,000,000, and since 1866 about $35,000,000, and during the same time a great increase in the annual consumption of the precious metals in the arts, so that there is now not only no addition to the stock, but an annual diminution of it.

In 1865 and 1866 the civilized world's paper money reached its highest point, when it was over $3,500,000,000. Since that date it has been reduced several hundred millions, and with its reduction has come a universal fall of prices in Europe and America. With this reduction of the world's supply of money and decline of prices have come depression of business, bankruptcies, riots, strikes, crime, suffering and pauperism to Germany, Great Britain and the United States, and they are the nations which have reduced their supply of money most, or failed to increase it with the increase of population.

Deduced from the foregoing facts we state the following propositions:

1st. Money is the power which has enabled man to produce the existing civilization and wealth of the 19th century.

2nd. The present stock of money, gold, silver and paper, not only failing to increase with the increase of population, but decreasing quite rapidly in the aggregate, is insufficient to sustain the present degree of civilization, much less advance it.

There is no prospect of an increase of coin to sustain the growing business of the world. Therefore, governments must issue, or cause to be issued, more paper money or suffer the dwarfing of man's powers and a decline in all that makes nations great and their people civilized, prosperous and happy.

CHAPTER VI.

BONDS OF THE CIVILIZED WORLD: NATIONAL, STATE, MUNICIPAL AND CORPORATE.

The conditions and accidents of the civilized world during the nineteenth century have created immense demands and uses for money. War has always been expensive, and during the present century, since the inventive genius of man has multiplied and improved the engines of destruction, the means of transportation and the comforts of the soldiers, it has been immensely expensive. Each war has come to cost thousands of millions of money.

The waring nations, on their precipitation into conflict, found their exchequers insufficient to sustain armies. A resort was made to semi-money, credit, faith and debt—the offspring of civilization. Thence resulted the system of national bonded indebtedness. This became so necessary and so convenient that nations in order to concentrate into a short conflict the energies of years, mortgaged the productive powers of man for generations, by issuing bonds.

The great increase of money, both coin and paper, resulting from the discoveries of gold in the Australian and Californian mines in 1848-49 gave a tremendous impulse to civilization and caused it to bound forward a century, increasing man's desires, tastes, ambitions and capabilities ten-fold beyond the power of the world's money to sustain and satisfy them. These expressed themselves in government plans for clearing out rivers, erecting harbors, subsidizing ships and railroads, improvement and embellishment of capitols, education of the youth, military academies, asylums for the unfortunate and relief for the poor. The establishment and support of these civilizing, beneficent enterprises required immense sums of money, to supply which the treasuries of nations were inadequate, the world's money insufficient, and a resort to bonded indebtedness was necessary.

The nations of the earth have not always had wise and good rulers. Hence, the frauds and profligacies of governments have often exhausted the public treasuries and caused a resort to the convenient, yet oppressive system, of selling government bonds.

The impetus given to nations since 1849, has been supplemented, or rather was caused by the inspiration of individuals. The revelation to man of his wonderful capabilities, aided by money, exalted his hopes and extended his faith in his powers far beyond their former bounds. Thence they associated themselves together to concentrate money and unite their energies in the establishment of ships and steamboat lines, the building of railroads, the opening of mines, the formation of express, insurance, manufacturing, trading, banking and other companies to an unprecedented extent. Thence grew up the great corporate systems, and the ready money at their command being far too small to carry out their vast designs, immense sums of corporate bonds were issued and sold in the money markets of Europe and America.

Following are estimates of the national, state, municipal and railroad bonded indebtedness of the civilized world:

DEBTS OF GOVERNMENTS.

Nation	Amount	Year	Amount	Year
Austria Hungary....	$ 625,000,000..	1848..	$1,655,964,500..	1875 Dec
Belgium............	123,798,281..	1844..	185,909,802..	1873
Denmark...........	74,312,325..	1866..	55,769,055..	1875
France*............	1,000,000,000..	1850..	3,750,337,006..	1875 Jan
Prussia.............			246,000 000..	1875 Jan
Bavaria.............	86,006,000..	1855..	156,685,000..	1874
Wurtemburg*.......	30,000,000..	1850..	73,500,000..	1874 May
Saxony.............			3,000,000	
G. Britain & Ireland.	3,928,000,000..	1836..	3,876,000,000..	1875 Mch
Greece..............	25 000,000..	1850..	75,000,000..	1875
Italy................	586,000,000..	1860..	1,951,500,000..	1873
Netherland..........			386,300 000..	1874
Portugal............	105,000,000..	1856..	364,000 000..	1873
Russia..............	625,000,000..	1850..	2 149,900,000..	1875 Jan
Spain*..............	1,075,000,000..	1869..	2,650,000,000..	1875 June
Sweden.............			43,000,000..	1875
Norway.............			8,000,000..	
Switzerland.........			6,000,000..	
Turkey..............	None..	1850..	900,000,000..	1874
United States........	63,452,773..	1850..	†2,245,018,579..	1876 June
Canada.............	70,000,000..	1863..	116,082,917..	1875 July
Mexico.............	317,357,250..	1865..	395,500,000..	1874
Brazil..............		..1850..	369,294,430..	1875 June
Argentine Republic..		..1850..	67,700,000..	1875 June
Bolivia..............		..1850..	17,000,000..	1875
Chili................		..1850..	63,400,000..	1875 Sept
Colombia...........		..1850..	75,000,000..	1873
Ecuador............		..1850..	16,400,000..	1855
Guatamala..........		..1850..	4,400,000..	1875
Hayti...............		..1850 .	16,000,000..	1875
Honduras..........		..1850..	29,700,000..	1875

* Estimated.

[Continued on opposite page.]

Nation	Amount	Year	Amount	Year	
India	299,700,000	1859	537,675,000	1874	Apr
Egypt		1850	350,000,000	1875	
Japan		1850	16 500,000	1875	
Colony of Good Hope		1850	8,615,000	1874	
Ceylon		1850	3 200,000	1874	
N. S. Wales		1850	54,500,000	1874	
New Zealand		1850	50 000,000	1873	
Queensland		1850	15,000 000	1873	
S. Australia		1850	17,000,000	1875	
Victoria		1850	60 000,000	1875	
Nicaragua		1850	9,500,000	1874	
Paraguay		1850	24 000,000	1875	
Peru		1850	25,750,000	1875	
San Domingo		1850	3,750,000	1875	
Uruguay		1850	211,785,000	1875	Mch
Venezuela		1850	100,000,000	1875	
Total	$9,032,626,023		$23,439,471,926		

The increase of bonded debts has been very rapid since 1860. It will be noticed that France, Italy, Portugal, Russia, Spain, the United States, Austria and India increased their debts nearly $10,000,000,000 between 1860 and 1875—an increase at the rate of nearly $700,000,000 a year. Since 1875 the war of Russia and Turkey has caused an augmentation of the debts of them and the other European States largely, perhaps $2,000,000,000. The famine in India; the revolutions in Mexico; the wars of the South American States, and the efforts of Spain to suppress the rebellion in Cuba, have added largely to the bonded debts of those nations. We think the increase of the bonded debts of the nations named has been at least $5,000,000,000 since 1875. Add to this Mr. Fawcett's estimate and the present government bonded indebtedness of the

† This includes non-interest bearing debt and Pacific railroad bonds.

nations named would be about $28,500,000,000. The railroad debts of the world were about $700,000,000 in 1850; in 1860, about $2,000,000,000; in 1870, about $3,500,000,000, and 1875 about $5,000,000,000. Add the same ratio of increase, about 8 per cent. *per annum*, since 1875, and the present (December, 1877) railroad bonded indebtedness would be about $6,200,000,000. State and municipal debts of the world have been estimated at about $4,250,000,000, up to the year 1876. Add the same *per centum* of increase as accrued in railroads, and the state and municipal debts would stand now (December, 1877) at about $5,000,000,000. Adding the several items, it gives $39,700,000,000 as the present national, state, municipal and railroad indebtedness of the civilized world. The outstanding bonds of all other large corporations and companies in Europe and America added would swell the bonded debts of the nations named to the gigantic sum of over $40,000,000,000. This vast sum of interest-bearing obligations is held principally in Europe and America, constituting the property of that class of men called the "money power."

This immense sum is four times the actual money values of all property in the United States, and nearly five times the aggregate sum of money, both coin and paper, in the whole world. The interest on it, about $2,000,000,000 *per annum*, consumes the surplus products, the profits of the debtor nations. These bonds, born of necessity and extravagance, have, in a measure, served the purposes of money, and in that way have done the world much good. But they have grown to such enormous proportions that they threaten whole nations with bankruptcy. So long as the volume of money (the aggregate of coin and paper) kept pace in increase with the constantly developing powers of man and the increasing uses for money, the money power on the one side, and commerce, the industries and labor on the other side, were not enemies. The bonded indebtedness of the world was not felt as a burden, because the increasing production, the profits of business and the supply of money provided the means of paying the interest and principal of the bonds with comparative ease. But when the increase of the world's supply of money was stopped a few years ago and the policy of reducing the volume was begun, a universal decline of prices of property in Europe and America set in, then those bonds began to be a burden to the people, because the means of bearing them up, money, was reduced.

The money power and the people found that as the volume of money was reduced, prices fell and the purchasing power of the annual interest on bonds rapidly increased, thus greatly increasing the riches of bondholders, while the wealth of the people was correspondingly reduced. At this point enmity sprang up between the money power on the one hand, and the people and all their interests on the other. As time passed on, the interests, sympathies and feelings of the two classes diverged wider and wider apart, until it came to wars of words and diplomacy with governments and in the legislative halls of the nations, the money power pressing for the cheapening system and dearer money, and the people resisting, until finally, in the United States, the contest threatens the destruction of bonds or the payment of them in cheap money if the people triumph, or the destruction of the commercial wealth of the nation, the pauperization of labor, and, perhaps, revolution if the policies of the money power prevail.

Such is the condition of the United States and such will be the condition of every nation bearing a heavy load of bonded debts, unless the overshadowing influence of the money power cease to make governments their fiscal agents and engines of oppression against the people. These are matters of great solicitude to every lover of his country, and unless wise counsels and equitable financial measures prevail, the worst apprehensions will inevitably be realized facts, soon or late, in national decline, increased pauperism and crime, riots, insurrections and revolutions. Extrication from this fearful dilemma of repudiation on the one hand, and revolution on the other, lies only in a judicious increase of money so that the amount of money shall be commensurate with the people's needs of it. Such an increase must be of paper money, because the stock and products of gold and silver are utterly inadequate to serve the commercial needs of the world in the present advanced state of civilization and under the existing debt-burdened conditions of men and nations.

CHAPTER VII.

THE MONEY POWER: ITS POLICY AND INFLUENCE.

This is that class of men who own the interest-bearing bonded debts of the world, mentioned in another chapter. The greed, the unwise policies, the arogance, the cheapening system of this power have made it, unconsciously may be, the enemy of every material general interest of human society, the enemy of civilization. The interests of all the industrial, commercial, laboring, scientific and professional classes are naturally identical, and wherever they differ, it is local, partial and forced by bad laws or bad policy.

There are some so simple as to imagine that property owners, the wealthy, are the natural enemies of the laboring classes. This is not true. Labor and property are natural friends. Not even railroads and exchange and deposit banks are in their nature objects and ends at variance with the rights and interests of labor, and where a conflict arises between these institutions and the interests of the people, it is the result of a subversion of the uses, objects and ends of the former.

But, the interests of the "money power" lie, or, at least they think they lie, antagonistic to all the other money interests of society; hence, has sprung up a bitter warfare between the money power and the people.

Governments, in their folly, have mortgaged the brain, muscle and property of the people to the bond-holders for years, and the latter, of that folly born of avarice, use the power placed in their hands in influencing governments to pursue financial policies oppressive on the people.

The country need not look to the money power for relief, for, although thousands of that class of capitalists are, in feeling and impulses, the friends of the masses, yet the money power of the world, in its measures and financial operations, is a monster to be dreaded by the masses. It is the nightmare of the age, riding with supreme indifference upon the galled backs of a weary and heavy laden people. It is as a leech, a huge vampyr on the body politic, sucking up the substance of the nations. Much has been said of it. People heap denunciations upon it without having any true conception of its vast power, or controling influence in the affairs of the world. It owns the public indebtedness of Europe and America, aggregating the enormous sum of $40,000,000,000, and its measures are directed by the most skillful financiers of the world, with headquarters in all the financial centers. A great part of this sum is free from taxes, and the annual interest on it, wrung from the toil and sweat of the millions, is about $2,000,000,000.

It is cosmopolitan with reference to country. It has no country, no patriotism above pelf. Hence, it wants a "universal standard of values," a "uniform money of the world," regardless of the interests of the people. Its annual income is fixed by the rate of interest on its bonds, hence, self-interest—sheer Shylockism, prompts it to exclaim, "too much currency!" "a plethora of money!" and urge resumption of specie payments, so as to make money scarce and dear, and property and wages low, insuring greater gains for itself. Its power operating through governments demonetized silver in England in 1816; demonetized gold in Germany in 1857, and in 1871 demonetized silver and remonetized gold there, and restricted the further coinage of silver in France and other smaller European states. It procured the passage of the infamous act of Congress of 1869, in the United States, making the bonds, which were payable in "Greenbacks," payable in coin, demonetized silver in 1873, and procured the passage of the resumption act in 1875. All this has been done at the instance of the money power to make money scarce and high for its enrichment.

It is a shrewd and cunning diplomatist, finding its way into all places of power, and by its money or blandishments turns the destiny of nations and fixes the fate of the people.

It dictates to thrones, arms nations for war, or induces peace; enthrones monarchs, elects high officers, and turns the tide of political success or defeat where it will. It is the god of mammon, whom the people serve under protest. It regards the people as a common herd, to be tolerated only because they are useful to pay interest and to do the drudgery of nations. It subsidizes the press and corrupts the officers of government. It bribes legislators to betray their sacred trusts, and wins executive officers of state by its seductive flattery. It ramifies all through civilized society, insidiously instills its fallacious logic into the minds of the unwary, and makes auxiliaries of millions whom its measures are destined to destroy.

Holy writ informs us that "the love of money is the root of all evil." The history of nations proves this to be a great truth. The inordinate greed of the money power has caused the nations of the earth more misery and wretchedness than famine and pestilence. By its skillful manipulation of law-making powers and securing monetary policies detrimental to commerce and production, it has entailed upon nations the blighting effects of declining markets, ruined industries, pauperization of labor, riots, strikes and insurrections.

Year by year the strength and influence of this power grows. The suffering conditions of the people eloquently petition for relief. But petitions avail nothing. A desperate conflict will be fought. Let it be an ideal one only. The money power will be overcome and the people will free themselves from unjust monetary laws. Let their efforts be founded in wisdom and tempered with moderation. Action, vigilence and wise counsels are indispensible to relief. The sooner this fact is realized and acted upon, the better it will be for all concerned, because, if deferred too long, the masses might be goaded to desperation and turn and tear in pieces not only their real, but imaginary enemies, as the oppressed French did in the revolution of 1789. Such would be deplorable. Let the conflict take place now while it may be done peacefully, lawfully, by reason and the silent force of the ballot. All patriots would deplore insurrections, riots, revolution. No honest man can desire repudiation of lawful obligations, because such would be not only unjust, but would cover the nation with disgrace. All lovers of their country, of liberty and justice will hope and labor for such measures, such monetary laws as will enable the country to pay its obligations with as little suffering and injustice as possible. Payment of every farthing of just obligations ought to be made and will be practicable, easy and cheerfully discharged by the people if the government will only make it possible for them to do it by supplying them with sufficient money.

CHAPTER VIII.

GOLD AND SILVER: PRODUCT IN THE UNITED STATES.

The Secretary of the United States Treasury, in his report dated December 7th, 1874, estimated the aggregate amount of gold and silver in the country at about \$166,000,000. In that report the Secretary took occasion to congratulate the country upon the growth of the stock of specie. That Secretary and his successors have been ardent advocates of specie payment and have embraced every opportunity to show to the country the practicability of resumption. While the Secretaries of the Treasury have, since 1874, referred to resumption in hopeful terms, there has been a marked silence in their reports about the amount of specie in the country. No direct assurances are given by them of an increase of the stock. Inasmuch as specie resumption depends absolutely on the amount of gold and silver in the country, it is but just to conclude that if there had been any noteworthy increase in the stock, the Secretaries would have so stated in their reports, in order to give strength to the policy of resumption, and assurance to the people. It is very questionable whether there has been an increase that can be called permanent.

The Director of the Mint has constantly endeavored to show an increase of specie. He estimated the total stock of the precious metals in the country on the 30th day of June, for the years named below, as follows: 1873, at $140,000,000; 1874, at $166,846,224; 1875, at $167,614,803; 1876, at $181,678,000; 1877, at $242,355,858; on 31st day of October, 1877, at $235,000,000. To produce the estimate of $166,846,224, June 30th, 1874, he adds to the amount estimated for 1873, two years products of the mines, estimated by him at $70,000,000 *per annum*, and deducts the excess of exports over imports. To obtain the estimate of $167,614,803, June 30th, 1875, he adds to the amount estimated for 1874, the products of the mines, estimated by him at $72,000,000, and deducts the excess of exports over imports. To obtain the estimate of $181,678,000 on June 30th, 1876, he adds to the amount estimated for 1875, the products of the mines, which he estimates at $85,250,000, and deducts the excess of exports over imports, and $5,000,000 for gold and silver used in the arts.

An examination of these reports with others reveals the fact that the estimates are very loosely made and unreliable.

1st. His estimate of the amount of gold and silver consumed annually in the United States in manufactures and arts is not more than one-fourth the actual amount so used, and for 1874-5 he makes no allowance at all for the use of the precious metals in the arts. W. L. Fawcett, a reliable statistician (See *Gold and Debt*, page 107) reports, after critical estimates, the amount of gold used in the arts in the United States to be at least $10,000,000 a year. The Monetary Commission report the use of $10,000,000 of silver annually in the arts. See *Report to Congress for 1877*, page 83.)

2nd. The estimates of the Mint Director of the annual products of the gold and silver mines of the United States are too high by many millions. He reports them for the years ending June 30th, 1873, at $70,000,000; 1874, at $70,000,000; 1875, at $72,000,000; 1876, at $85,250,000; 1877, at $82,000,000. The facts upon which he makes these estimates are not given in his reports. The face of his reports does not sustain his estimates.

He reports the net deposits and purchases at the mints to be as follows: For the year ending June 30th, 1874, $60,627,188; 1875, $54,626,920; 1876, $66,517,837.

We believe the amounts of net deposits and purchases at the mints annually represent more nearly the products of the mines than the Director's estimate, because every ounce of the precious metals must pass through the mints before it can enter into the fiscal operations of the country. But even these may far exceed the actual products of the mines, because every deposit is reported, and every year some portions of the deposits are of old coins or bars.

The country cannot, therefore, safely rely upon the Mint Director's estimates of the annual products of the precious metals from the mines. Resort must be had to other sources. The means of estimating the stock of the precious metals and the annual productions of the mines are so unreliable that all the estimates, and they are many, are merely approximations, resting in some part upon hypotheses and assumptions. We give Mr. Raymond's estimate of the gold products for certain years; Mr. Fawcett's estimate of the stock of gold and silver in the country; the Monetary Commission's estimate of silver products, and a table of our own.

R. W. Raymond, United States Commissioner of Mining Statistics, in his report for the year 1874, estimated the total gold product of the United States and Territories for that year at about $26,358,776. The Monetary Commission (See *Report*, page 3) estimate the total products of the silver mines in the United States and Territories, for 1874, at $26,000,000. The total products of both gold and silver mines added, make $52,358,776 for that year, $17,642,000 less than the Mint Director's estimate. The estimates of Mr. Raymond and the Monetary Commission are the more reliable because it was their special business to ascertain, as nearly as possible, the products of the mines, and such was not the duty of the Mint Director.

The gold products of the mines in this country have been decreasing since 1867. For that year they were $56,725,000; in 1872 they were $36,000,000, and in 1874 only $26,358,776.

No new mines have been discovered since 1874 to add any considerable increase to the gold products. Taking this estimate of gold by Mr. Raymond, and of silver by the Monetary Commission, as correct, we have an annual average product of both metals of $52,358,776 up to and including 1875. The products of silver in 1876 and 1877, resulting from increased yields of the rich mines in Nevada, amounted to about $38,500,000. Add this to the estimated gold product, and we have an annual product of both metals of about $64,000,000 for 1876 and onward. This is about $20,000,000 less than the estimate of the mint director.

3d. In his estimate of the stock of coin in the country in 1875, he deducts $10,000,000 as probable over-estimate. This shows a want of reliable data on his part. It would have been as easy, perhaps, for him to have deducted $50,000,000 for over-estimate, and it is probable that this sum would have been nearer the proper deduction

4th. The mint director's estimates of the annual products of the mines being erroneous, his conclusions about the stock of gold and silver in the U. S. are also erroneous, because they are partly based on those estimates.

Mr. W. L. Fawcett has estimated the coin in the country as follows: (See *Gold and Debt.*)

1870	$121,000 000	1874	$110.000.000
1871	116,000,000	1875	100,000,000
1872	102,000,000	1876	102,000,000
1873	109,000,000		

Of which he estimates the following sums as being in the U. S. treasury on the years named:

1869	$108,800,000	1873	$ 80,300,000
1870	96,000,000	1875	67,833,316
1871	90,500,000	1876	73,625,584
1872	78,000,000		

For 1877 the amount of gold and silver in the U. S. treasury, owned by the government, ranged from seventy to eighty millions dollars. The amounts reported in excess of these sums consisted of coin certificates (which are not coin), and special deposits by banks and individuals.

By reference to the Finance Report for 1876, page 165, a table of the specie held by all the National banks from 1868 to 1876 will be seen. Under the head "Held by National banks in New York City," is a column of "Coin," which shows the actual amount of coin held by those banks during those years to have been about $1,800,000 on an average.

The next column to the right, in that table, shows the amount of coin certificates held at the same time. Those certificates are reported as specie, but are not, and should not be counted in estimating the amount of specie in the country. On an average, the specie of the New York banks was about one-seventh of the amount of coin certificates. In another column of the table, headed "Held by other National banks," is a report of the amount of specie and coin certificates together, held by all other National banks in the U. S. Taking the same proportion of specie to coin certificates for these banks as that in the New York banks, the amount of coin in them averaged about $850,000 a year. Then, all the National banks held in specie, from 1868 to 1876, on an average, about $2,650,000. In Oct., 1877, the amount held by National banks was about the same as in 1876. Allowing $3,000,000 for all banks of the Pacific States, and $1,000,000 for all others, we have about $6,650,000 as the amount of specie actually held by all banks in the United States from 1868 to 1877. Making the liberal allowance of $10 in specie *per capita* for the 1,500,000 inhabitants of California, Nevada, Oregon, Arizona, Colorado, Idaho, Montana, New Mexico, Utah, Washington and Wyoming, we have $15,000,000 coin in circulation in the Pacific States and Territories.

Our foreign commercial balances and interest paid to foreign capitalists exert a strong influence upon our stock of coin.

Table of Exports and Imports of Merchandise; Balances; Excess of Exports over Imports of Specie; and Total Balances of this Country paid on some account not reported in the Commercial Reports for the Fiscal Years ending June 30:

YEAR.	Exports, Merchandise.	Imports, Merchandise.	Excess of Imports over Exports.	Excess of Exports over Imports	Excess of Exports of Specie over Imports.	Actual Amounts paid by this Country on some Account not reported in the Commercial Reports, principally on Foreign Interest.
1875..........	$513,442,711	$533,067,436	$19,624 725	....	$ 71,231,425	$51.606,700
1876..........	540,384,671	460,741,190	....	$ 79,643,481	40,569,621	120,213,102
1877.	*589,670,224	451,323,126	....	138,357,098	15,387,823	153,744,921

*Foreign Imports re-exported excluded.

A portion of the balance in favor of this country for the last two years, was doubtless settled with our own corporation, state, municipal and government bonds. How much was so settled I have no means of knowing, but it must have been a small amount compared with the total balance. The rest of the balance was paid as interest on the indebtedness of the country held by foreign capitalists. How much was thus paid we cannot ascertain definitely. The amount of our state, municipal, government and corporation bonds held by foreign capitalists has been variously estimated at from $1,500,000,000 to $3,000,000,000. The Monetary Commission estimated it at not less than $2,250,000,000. (See Report, page 101). We take a medium amount, $2,250,000,000. The interest on this sum will average about 6 per cent. per annum, making $135,000,000 interest that must be paid by this country annually to foreign capitalists. Unless it can be shown that more of our foreign balances for 1877 than $18,744,921 were paid us in bonds, or in something not reported in the Commercial Reports, then, the conclusion is irresistible, that the difference between this sum and our net foreign exports over imports, $135,000,000, was paid as interest on bonds to foreign capitalists. We take $135,000,000 as the annual interest this country now pays to foreign countries.

Taking the mint director's estimate of the total stock of the precious metals in 1872 at $128,000,000 as a starting point, then the estimated products of the mines, and the net amount brought in by immigrants,* and adding them together, and deducting therefrom $20,000,000 used annually in arts and the excess of

*The net excess of the precious metals brought into the country exports over imports, the stock of precious metals would stand about as follows for the years named:

Year	Stock	Year	Stock
1872	$121,000,000	1876	$123,000,000
1873	113,000,000	1877	160,000,000
1874	126,000,000	1877	152,000,000 Oct.31
1875	111,000,000		

Under the existing circumstances, can our stock of coin increase?

According to the Mint Director's report for Oct. 31st, 1877, as compared with his report for June 30th, 1877, both the products of the mines and the stock of specie in the country have declined during this year. He reports the products of the mines for the year ending June 30th, 1877, at $3,250,000 less than for the preceding year; and the entire stock of precious metals in the U. S. $7,885,888 less on the 31st day of Oct., 1877, than on the 30th day of June of the same year. A decline at the rate of about $23,000,000 a year. This indicates an excess of foreign interest against us over our foreign balances and the supply of the precious metals from all sources. Our only means of paying foreign interest and accumulating a stock of coin in the country are the products of our mines, foreign balances, import duties, and immigration. Commerce is but traffic, and we may not expect our balances to run up into hundreds of millions long at a time.

The great net balance of $138,000,000 in favor of the

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by immigrants over that taken out by emigrants stands about as follows for the years named:

Year	Amount	Year	Amount
1869	$23,868,000	1873	$23,831,000
1870	22 440,000	1874	11,424,000
1871	22,100,000	1875	8,160,000
1872	26,656,000	And for 1876 and 1877 a further decline.	

U. S. for the year ending June 30th, 1877, was produced by special and temporary causes. The war between Russia and Turkey gave us a greatly increased market for munitions of war. The famine in India also contributed very largely to the increased foreign demand for our provisions. $50,000,000 may be safely estimated as the amount of extra drafts upon our industries produced by these causes; and when they cease to exist we may look for a corresponding decline in the next year's balances in our favor. Besides this, an era of tight times is approaching Europe. It is now being felt in England and Prussia. Soon France will resume specie payments. Then the competition for foreign trade and for coin will be doubled in intensity; our customers will be reduced in ability to buy, and we may expect our foreign balances to correspondingly decline.

Taking a comprehensive as well as an analytic view of the situation, we think that under the most favorable laws and wisest management we may not expect our foreign balances to be large for years to come, excepting, perhaps, 1878. And, if the universal fall of prices continues, the probability is that we will have no large foreign balances, except in case of failure of crops in Europe or some other very exceptional circumstance. Whatever balances may accrue in our favor will be paid to the exporters in our own bonds; but this would not directly increase our stock of coin. If our past commercial history be any index to the future, we may expect the foreign balances to be generally against us. We may expect in the future, as in the past, that the total commercial footings of every decade will show foreign balances against us, including our foreign interest. Two other sources of the supply of the precious metals are diminishing. They are custom receipts and immigration. The custom receipts from 1874 to 1877 are reported as follows:

1874	$163,103,833
1875	157,167,722
1876	148,071,984
1877	130,956,493

A gradual decline to 1876, and a great decline of $17,115,491 for 1877.

The number of immigrants who arrived in this country in 1873 was 459,803; the number has rapidly decreased since. For the year ending June 30th, 1876, they were only 169,986, a falling off of 289,817. During the same period the number of emigrants from the U. S. has increased 5,713. In 1854 the immigrants arriving brought on an average $68 in cash *per capita.* Estimating the amount brought in by the immigrants and taken out by the emigrants between 1873 and 1876 at the same, we have a decline in our metal supply from that source of over $20,000,000 per annum. Besides this, whatever proportion of the $17,000,000 decline in customs might have been foreign coin should be added. This offsets the increased products of the mines and assists in accounting for the failure to materially increase the stock of precious metals.

The problem for this country to solve is, how can we resume specie payments in the face of $25,000,000,000 indebtedness and $135,000,000 foreign annual interest to pay? Our supply of the precious metals from immigration and custom dues is declining rapidly. The products of the mines and the stock in the country have shown a decline in 1877, as stated by the Director of the Mint. Our past commercial history shows that we cannot hope for foreign balances in our favor to continue long at a time. From 1854 to 1860, when the products of our mines were as great as now, and when the country owed no foreign interest, the utmost store of gold and silver that could be kept in the country was from $200,000,000 to $275,000,000. We may not now expect to keep so much at home with an annual foreign interest of $135,000,000 to pay.

The circumstances under which the country labors appear to make it utterly impossible to accumulate a greater stock of coin than $200,000,000, without a sufficient reduction of the volume of paper money now outstanding, to reduce values so far below European prices as to induce very heavy exports. This could be done if it were not for the fact that such destruction of values would destroy business, ruin production, and render a heavy commerce impossible. A considerable increase of the stock of coin in the country is impossible under existing conditions for some years to come.

CHAPTER IX.

THE AMOUNT OF MONEY NEEDED: FIFTEEN HUNDRED MILLIONS.

In order to make an estimate it will be necessary to begin with some period of time, compare the uses for money then and now, and add to the sum of money we then had, an increase equal to the increased uses for money now over that time.

We take the year 1859 for comparison, as one against which no one can exclaim: A year of inflation! The population was then about 30,000,000. The aggregate sum of exports and imports, exclusive of gold and silver, was about \$630,000,000—about \$20 *per capita* of the population. The aggregate sum of gold and silver and paper money was about \$468,000,000; about \$15$\frac{9}{15}$ *per capita*. Now the population is about 46,000,000. The aggregate sum of exports and imports, including the precious metals, is about \$1,100,000,000—about \$24 *per capita* of population.

The true measure of the money needs of a country is the total amount of business that the country is capable of doing, together with the indebtedness and taxes thereof.

The increase of internal business since 1859 has been much greater than that of foreign commerce or population. This is shown by the immense increase in the number of banks, bank clearings and railroad earnings. The railroad mileage was 10,982, and gross earnings $39,406,358 in 1851. In 1875 the railroad mileage was 72,623, and gross earnings $503,065,505. An increase of 1300 per cent. of railroad business since 1851.

The exchanges at the New York Clearing House were $6,448,005,956 for 1859, and for 1877 they were $20,876,555,937, three and one-fourth times greater than for the former year. We take the transactions of the New York Clearing House as an index to the ratio of increase of the aggregate business of the United States. The number of banks have about doubled since 1859. This great increase of business is also evidenced by the great increase of urban population, of manufactures, of small towns along railroads and elsewhere. These facts justify the conclusion that the aggregate business transactions of the country are now three and one-fourth times their sum in 1859, and without an increased power of money to circulate would require three and a fourth times as much money now as then.

But we estimate the increased power of money to circulate at 44 per cent., on account of increased bank facilities. The capital stock of all national, state and savings banks and of trust and loan companies in the United States in 1876 was about $651,725,000. For 1859 the capital stock of state banks was $401,976,242. The capital stock of savings banks and trust and loan companies for that year is not reported, but must have been $50,000,000, making the total capital stock of all banking institutions of 1859 about $450,000,000.

This gives an increase of 44 per cent. of capital stock for 1876 over that of 1859.*

These estimates result in producing $1,056,000,000 as the money needs of the country now indicated by business transactions alone.

But several other items come in to swell the sum. In 1859 the indebtedness of the country was as nothing compared with the present liabilities. The existing indebtedness, national, state, municipal, corporate and individual, has been variously estimated. The Monetary Commission put the national debt at $2,000,000,000; certain state, city, town, county, railroad and canals at $3,804,000,000; liabilitles of 630,099 traders and manufacturers at $13,000,000,000. These make $18,800,000,000. There has been no estimate of the liabilities of the thousands of mining and other companies, of farmers, mechanics, workingmen, professional men, etc., and bank loans and deposits are not included in the above stated sum. We estimate them to be at least $7,000,000,000, making the aggregate indebtedness of the country at $25,000,000,000.† The total sum of indebtedness is absolutely appalling.

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*We do not think that the banks have increased the power of money to circulate in a greater ratio, for two reasons :

1st. Banks in small towns and in the rural districts do not facilitate the circulation of money, because they hold 25 to 50 per cent. of their deposits as reserves, and simply take that much out of circulation and send it to the money centers for safe keeping, and thus take from the country so much money that would otherwise circulate.

2nd. While every new bank in cities may facilitate the circulation of money, at the same time it absolutely takes out of circulation every dollar of its reserves.

That the power of money to circulate does not increase equally with the increase of business is proved by the necessity of inventing and using paper money, and of increasing the amount of it by civilized nations during the last few centuries of advancement.

†See Chapter XI: The Country's Indebtedness.

There is no method of estimating the total indebtedness of 1859. But as the business of the country was only $\frac{4}{13}$ as much in 1859 as now, and as the great contraction of the currency since 1866 has created treble the necessity of borrowing that there was in 1859 and had been prior thereto, we put the debts of that time at $\frac{1}{5}$ of the debts of 1877. This estimate makes the total indebtedness of the United States in 1859 about $3,000,000,000. The rate of interest on these sums averages, say, six per cent., making $1,320,000,000 more interest to pay *per annum* now than in 1859. Of this interest, the enormous sum of $135,000,000 goes abroad.

Then there are greatly increased uses for money by reason of the $200,000,000 extra cost of Federal government administration; increased expenditures of state, city, county and school district administrations; increased expenses on colleges, asylums, hospitals, pauperism, etc. Adding these several extra uses of money to those of 1859, it would swell the sum to $1,500,000,000 to place this country in as easy circumstances as in that year. This would be a little over $32.50 *per capita* of population.

This estimate is not extravagant. It is rather below than above what the facts indicate. France has nearly $40 *per capita* of her population, and England has about $26. This country ought to have $1,500,000,000 of money—enough to profitably employ every willing hand and brain in the land.

CHAPTER X.

RESUMPTION MEANS CONTRACTION;

THE MONEY IT WILL GIVE US.

We call it *forced* resumption because it is not produced by the natural laws of finance and commerce, but is *forced* by legislation. The resumption act provides that whenever any national bank increases its issues, and whenever a new national bank issues its notes, the secretary shall redeem an amount of legal tender notes equal to 80 *per centum* of the amount of such new issues of national bank notes, until the total sum of legal tender notes outstanding shall be reduced to $300,000,000. The legal tenders constitute the principal reserves of the national banks, and in order to keep their issues within safe bounds, they will, between now and January 1st, 1879, do as they have done since January 14th, 1875: keep pace in the reduction of their issues with the retirement of the legal tenders. They have, since the passage of the Resumption Act, as we have seen, reduced their issues over $32,000,000, while a little over $30,000,000 of legal tenders were being retired. We may safely conclude, then, that by the 1st of January, 1879, they will have retired a large amount of their issues, pehaps $20,000,000. This will leave the country at that date $300,000,000 legal tenders and about $300,000,000 national bank notes; in the aggregate about $600,000,000 currency, about $70,000,-000 less than we now have.

What will occur after January 1st, 1879, no man knows. But we may calculate from experience and upon what the future promises. The Resumption Act provides that the Secretary of the Treasury shall, on and after January 1st, 1879, redeem in coin the United States legal tender notes then outstanding on their presentation for redemption at the office of the Assistant Treasurer of the United States, in the city of New York, in sums of not less than $50. To enable the Secretary to prepare and provide for the redemption of the legal tenders, the act authorizes him to sell United State bonds for coin. It took the Secretary from January 14th, 1875, to November 1st, 1877—two years and nine months—to redeem in coin and retire $27,509,108 of the legal tenders by using all the power conferred by the act. It is not probable that he can procure coin more rapidly in the future than in the past. Nothing indicates that he can. He will have to resort to strategy. This he can easily do. The legal tenders will be presented for redemption principally by banks. The Secretary will offer to sell bonds. Perhaps he will appoint a syndicate of bankers to negotiate the sale of them. These banks or the syndicate will find parties in this country who want to buy bonds with legal tender notes. The banks or the syndicate will take the notes, and say to the Secretary: "We have found purchasers for $50,000,000 of bonds, and we present at the Treasury $50,000,000 of legal-tenders for redemption." The Secretary will deliver the bonds to the syndicate or banks and they will deliver the legal tenders at the

Treasury. Thus $50,000,000 of coin bonds will be sold and $50,000,000 of legal tenders will be redeemed without the passage of a dollar in coin. The rapidity of these transactions will depend upon the facility with which the banks or syndicate can collect legal tenders together and find parties willing to exchange paper money for bonds. Such transactions may exceed or fall below $50,000,000 a year. But let it be supposed that that amount of legal tenders shall be redeemed each year. This will materially affect the amount of the issues of national banks.

There is no law which makes national bank notes a legal tender for debts between individuals, or between individuals and corporations, or for state and county taxes. Section 5182 of the revised statutes of the United States, makes national bank notes payable on demand at the banks that issue them. In other words, all national bank notes are redeemable in legal tender money, paper or coin, on their presentation for redemption to the bank which issued them.

The existence of the national banks depends upon their power to thus redeem their issues. Their ability to so redeem their issues depends upon the facility with which they can obtain the legal tender money to redeem with. This, in turn, depends upon the amount of legal tender money in the country.

The amount of redeemable paper money that can circulate in a country, at par with the money it is to be redeemed in, generally ranges from one-half, two-thirds, to three-fourths, rarely ever four-fifths of the amount of the redemption money in the country.

In 1859 the total amount of coin in the U. S. was about $275,000,000. At that time the banks of this country, with practically unlimited power of issue, were able to maintain in circulation only $193,000,000 of bank notes at par with gold. If at that time the banks could maintain in circulation at par an amount of bank notes bearing the proportion only of 2 to 3 of coin, in which they were redeemable, it may not reasonably be expected that the national banks can do more. The probabilities are that they could not maintain so large a proportion of notes. They in fact are not doing it now.

The amount of gold and silver coin and bullion now in the U. S. we believe to be not very far from $150,-000,000. Add this to the legal tender notes, and it shows the total of legal tender money, both paper and coin, now in this country, to be about $500,000,000. The total amount of national bank notes in circulation, as reported by the Secretary of the Treasury, is $316,-775,111, but little over three-fifths as much as there is coin and legal tenders.

All financial history furnishes indubitable evidence that whenever the legal tender money, paper and coin, of a country is reduced in its aggregate amount, a contraction of the volume of redeemable bank paper money quickly follows. This is forcibly illustrated by the contraction of national bank issues, during the retirement of legal tenders, since 1875, under the resumption act. The finance history in subsequent pages will also amply illustrate this point.

The national banks, in order to keep within safe banking rules, and to preserve their existence, must reduce their issues as the aggregate amount of legal tenders and coin diminishes.

The Secretary of the Treasury advances the opinion, that the resumption act does not require the retirement of legal tenders redeemed, but that they may be reissued. The act creating the legal tenders says, they shall be payable to the bearer, at the treasury. This means a discharge, a destruction of all the money functions of these notes. If the act means what the Secretary intimates, why does he destroy the legal tenders now being taken up? The word "redeem" means the same as applied to the $300,000,000 legal tender and the $50,000,000 excess thereof outstanding.

The resumption act unquestionably means a payment and destruction of all the legal tenders, or it means nothing but a useless and expensive fiscal operation by the government. Suppose the government should reissue the notes, as the Secretary intimates. It must redeem them again, according to the act. The Secretary is authorized to sell bonds to get coin to redeem with. It would result in redemption, reissue, and re-redemption over and over again, involving the government deeper and deeper in interest-bearing coin indebtedness with every such operation—a measure which not even the Secretary of the Treasury can defend with any show of sound reason.

If the act is not repealed, every legal tender will be destroyed ultimately, and the national banks can then look to nothing but gold and silver as reserves.

The operations of the resumption act will cause the national banks to constantly diminish their issues, until every legal tender note shall have been redeemed. Then their only reserves will be the stock of coin in the country, which, as we have seen in Chap. VIII., increased only $31,000,000 in five years, from 1872 to 1877, and in 1877 decreased from June to October, nearly $8,000,000, at the rate of over $23,000,000 a year.

If $50,000,000 legal tenders be redeemed per annum, it will require seven years to complete the redemption of the total sum now outstanding. As has just been seen, the stock of coin in the country increased only at the rate of a little over $6,000,000 a year, from June, 1872, to June, 1877, and from June to October of the latter year it decreased over $8,000,000. It appears reasonable then that during the seven years required for the redemption of the legal tenders, the additions to the present stock of coin will not be greater than they were from 1872 to 1877—about $6,000,000 a year—about $40,000,000 in the aggregate during the seven years required to complete the retirement of the legal tenders. Thus it appears that while $50,000,000 of legal tenders will be retired each year there will be an increase of coin stock of only about $6,000,000—resulting in an actual reduction of the stock of redemption money, coin and legal tenders of $44,000,000 a year.

According to this calculation there will be only about $200,000,000 of coin in the country when the seven years expire, and this will constitute the only reserve, redemption fund, of the banks and the nation.

The past history of banks of issue in this country shows that their minimum and maximum issues have ranged from about one-half to three-fourths, rarely ever four-fifths, of the total sum of legal tender money in the country.

Let it be supposed that up to January 1st, 1879, their issues will be about three-fifths, and after that time four-fifths of the stock of specie and legal tenders, and that the fractional currency will be retired during 1879. Then, upon the foregoing and estimating the population to increase at the rate of half a million per annum, we present the following table of the country's total supply of money for 1866 and 1877, and the probable supply for subsequent years:

YEAR.	Total Gold, Silver and Paper Money in the U. S.	*Per capita* supply of Money, only a part of which circulates.	Actual *per capita* circulation, about
Jan. 1866...	$1,900,000,000	$54.28	$50.00
Dec. 1877 ..	836 000 000	18.17	11.00
Jan 1879...	747,000,000	16.08	9.00
" 1880 ..	740.000,000	15 73	9.00
" 1881...	664,000 000	13.98	8.00
" 1882...	584,000,000	12.16	7.00
" 1883...	504,000 000	10.39	6 00

At this time, (December, 1877,) although there is a *per capita* supply of $18.17, yet only a little over $11 *per capita* are in actual circulation—that is about $\frac{11}{18}$ of the total *per capita* supply is in circulation, the balance being held by the Treasury and the banks. The same proportion of reserves will reduce the actual *per capita* circulation from year to year until in 1882 and 1883 it will fall to a little over six or seven dollars. The process of contraction shown in the foregoing table will be arrested at some time in the future by our foreign trade and the destruction, compromise and return of large amounts of our government, state, corporate and municipal bonds; but, when that time will arrive, cannot be foretold. The condition necessary to stop the contraction, provided the resumption act is enforced, will be a cessation of the exportation of coin from this country, and this cannot occur until, 1st, Prices of merchandise fall so low here below European prices as to induce European importers to import from this country so largely in excess of our imports from abroad as to make our foreign balances foot up our foreign interest; 2nd, Or until our foreign balances, being paid in our own bonds, ultimately return home and fix their ownership here, and thus stop exportation of coin to pay foreign interest.

When these conditions will occur, I am unable to state, of course, but I reckon the termination of the contraction process at 1882 or 1883 upon the theory that, in the mean time, on account of the great shrinkage of values and destruction of business that must follow the reduction of the volume of money, the failures of railroads and corporations, and the inability of municipalities and states to meet interest will, by destruction of securities and compromises with foreign capitalists, reduce the foreign bonded debts of this country, perhaps, half, thus cutting down our foreign interest in an equal proportion. During the same time many millions of national, state and other bonds will be returned to this country to settle balances, which will further reduce the foreign interest the country will have to pay.

These calculations, made upon the hypothesis that silver will be remonetized, are based on the most sanguine hopes that can be reasonably entertained of the amount of coin and bullion that may exist in the country, and a very gradual retirement of legal tenders. In proportion, as the amount of legal tenders retired every year exceeds the amount estimated, $50,000,000 a year, in that proportion, would the contraction be more rapid.

The sums estimated above as the probable amount of money the country will have under the continued enforcement of the Resumption Act, are utterly inadequate to transact the gigantic business of this country. The transaction of $100,000,000,000 of business a year on five hundred millions of money is a thing utterly impossible. We, therefore, conclude that resumption means contraction.

The officers and directors of the national banks so understand it, and have given evidence of that belief by reducing their issues over $33,000,000 since January 1st, 1875. The operation of the Resumption Act proves it by reducing the amount of outstanding legal tenders over $30,000,000 since January 14th, 1875.

Hon. Joseph S. Ropes, an able and honest resumptionist, in an article in the November-December No. of the *North American Review*, for 1877, says, resumption means contraction. Every advocate of resumption admits it by declaring that there is a plethora of money in the country.

Then the vital question before the country now is: What will be the effects of contraction?

CHAPTER XI.

CONTRACTION OF THE CURRENCY: IT CAUSED THE COUNTRY'S INDEBTEDNESS.

Those who advocate a resumption of specie payments have constantly asserted that the vast indebtedness of this country has been caused by what they term an unprecedented inflation of the currency during and since the war; and those who oppose resumption have avoided a discussion of this point. This question is an important one, and ought to be candidly investigated. The national debt was created during the war, and is not to be attributed to the currency at all, but to the necessities, extravagancies and frauds of the war period. The first thing to be done is to ascertain the time, as near as can be, when the increase of debts took place.

Of Railroads. In 1850 the total mileage of railroads in the U. S. was about 9,000. By 1860 it had increased 300 per cent.; by 1870, 500 per cent., and at the close of 1875, 800 per cent.

The number of miles of railroad at certain periods were about as follows: In 1850, about 9,000; 1860, about 27,000; 1870, about 53,000; 1875, about 74,000. It is readily seen that the greatest number of miles of railroad constructed per annum since 1850, was during the years from 1870 to 1875. From 1850 to 1860 the average miles completed per annum were 1,800; from 1860 to 1870, 2,600; from 1870 to 1875, 4,200. The *Railway Age* reports the number of miles completed and miles of track laid during 1870 at 2,264.

Poor's Railroad Manual estimated the aggregate amount of railroad indebtedness in the U. S. at $2,459,-617,349 in 1875, or about $32,100 per mile. Taking these figures as a basis, we find that from 1860 to 1870 the amount of railroad debt created was $855,400,000, or about $85,540,000 per annum, and for the five years, from 1870 to 1875, the amount of railroad debt created was about $690,900,000, or about $138,180,000 per annum.

But from 1860 until after the war, say until 1866, there was comparatively little done in building railroads. We conclude, therefore, that of the 47,000 miles of railroad constructed between 1860 and 1875 about 40,-000 were built from 1867 to 1875. It follows, in any view of the facts, that the most rapid accumulation of railroad debt has occurred since 1867, and probably between 1870 and 1875, aggregating about $164,000,-000 per annum.

The period of greatest inflation of the currency was in the latter part of 1865, when it amounted to over $1,800,000,000. The periods of greatest contraction were during 1866 and 1867, during which the currency was reduced nearly $500,000,000 in the former, and over $500,000,000 in the latter year.

We find, therefore, that not during the greatest inflation, but, on the contrary, during and since the greatest contraction of the currency, the greatest increase of railroad debts has occurred, an increase of nearly 100 per cent. per annum.

MUNICIPAL DEBTS. Following is a table of the debts of the towns and cities named, for the years 1870 and 1875–76; hundreds are left off, except in total footings.

Towns and Cities	1870*	1875–76
New York	$54,436	$161,165
Philadelphia*	42,103	69,616
Boston	22,598	43,923
Brooklyn	20	38,494
Baltimore	13,568	32,943
New Orleans	26,500	22,699
Washington	2,363	22,000
St. Louis	13,613	17,423
Cincinnati	5,020	17,235
Chicago	14,103	1,6996
Jersey City	5,133	14,247
Pittsburgh	4,042	13,533
Louisville	5,006	10,795
Newark	3,100	9,465
Providence	1,795	8,843
Cleveland	2,101	8,066
Buffalo	2,031	7,264
Portland	2,706	6,462
Memphis	5,272	5,851
Rochester	634	5.579
Charl'st'n, S.C.	5,137	5.514
Elizabeth	2 678	5,400
Richmond	2,111	2,632
Cambridge	6,028	4,280
Toledo	401	3,782
Savannah	2,099	3,736
Albany	2,800	3,683
San Francisco*	7,458	3,431
Worcester	2,774	3,099
Mobile	2,195	2,864
Fall River	1,462	2,569
Milwaukee	118	2,544
Bangor	448	2,484

Towns and Cities	1870*	1875–76
Chelsea, with Boston, in Suffolk Co.		$ 1,661
Lawrence, with Lynn, in Essex Co.		1,594
Springfield	646	1,562
Salem, with Lynn, in Essex Co.		1,483
Somerville, with Cambridge, in Middlesex Co.		1,472
Indianapolis	155	1,455
St. Joseph	500	1,380
Brookline	648	1 311
Columbus, O.	none.	1,261
St. Paul	812	1,230
New Bedford, with Fall R. in Bristol Co.		1,195
Beverly, with Lynn, in Essex Co.		1,041
Lynchburg	720	921
Galveston	250	873
Holyoke, with Springfield, in Hampton Co.		836
Fitchburg, with Worcester, in Worcester Co.		698
Northampton	357	663

[Continued on opposite page.]

Towns and Cities	1870*	1875-76	Towns and Cities	1870*	1875-76
Powell, with Cambridge, in Middlesex Co.		2,289	Columbus, Ga.	400	582
Detroit.......	723	2 282	Zanesville.....	none.	548
Norf lk.......	1,855	2,150	Newburyport, with Lynn, in Essex Co....		535
Augusta	1 395	2,100	Peabody, with Lynn, in Essex Co...........		523
Lynn.........	4,424	2,030	Medford, with Cambridge, in Middlesex Co.		519
Nashville	2,050	1,737			
Alleghany, with Pittsburgh, in Alleghany Co.		1,667			

Massachusetts, (other towns), for 1870, $1,292,676; 1875–76, $14,161
Ohio, (other towns)..........for 1870, 549,150; 1875–76, 8,424

Total................................ $278,646,125 $640,791,867

Total increase from 1870 to 1876.. $362,145,742

This table reveals the fact that the municipal debts of the country (taking the towns and cities named here as showing the average increase), increased between 1870 and 1876, to 2⅓ times greater at the latter date than they were at the former. Here, by far, the greatest increase of municipal debt ever known in this country has occurred, not during inflation, but on the contrary, after the most gigantic contraction of the currency that ever took place.

State Debts. The total state indebtedness in 1860 has been estimated at $266,781,525, and in 1875, including the latter year, $367,146,623, an increase of $100,000,000 in fifteen years, or an average annual increase of $6,666,000. The Monetary Commission in their report to Congress, made March 2d, 1877, estimated the amount of state debts then at $390,000,000,

*In this table, under 1870 are placed the debts of all municipalities in the counties in which those cities are located. As no city debt was then reported for Philadelphia and San Francisco, the amounts then reported as county debts are included.

an increase since 1875 of $22,854,000 in one year and three months during 1876-7. The state debt of Massachusetts was $22,893,972 in 1865, and $33,550,464 in 1876. We have not at hand reports of the present indebtedness of all the states, but it is known that the extravagancies of the governments of a number of the southern states, since 1868, largely increased their debts since that time. Other states in other parts of the Union, have erected and improved public edifices and other property, given subsidies to railroads, and increased expenditures in various directions since 1868.

Another evidence of the increase of state debts in the last ten years is found in the enormous increase of the amount of American securities held by foreign capitalists since that year. Dr. Edward Young estimated such indebtedness so held to be about $1,200,000,000 in 1873. The Monetary Commission estimated it at not less shan $2,000,000,000 up to March, 1877. Here is an increase of the amount of bonds held abroad of $800,000,000 in four years, of which much is state bonds.

Banks. The report of the Comptroller of the Currency for 1876 shows the following increase of liabilities of the national banks from 1869 to 1876: Due to depositors in 1869, $523,000,000; in 1876, $666,200,000; increase since 1869, $142,800,000. Due to other banks in 1869, $118,900,000; in 1876, $179,800,000; increase since 1869, $60,900,000. Other liabilities in 1869, $5,900,000; in 1876, $10,600,000; increase since 1869, $4,700,000. A total increase of liabilities in these three items of $208,400,000 from 1869 to 1876. These facts prove that the greatest increase of state, corporate and municipal indebtedness of the country took place, not during inflation, but after the greatest contraction of the currency, from 1868 onward.

INDIVIDUAL INDEBTEDNESS. We have no data showing in terms the increase of individual indebtedness, and must, therefore, resort to reasoning from facts and conditions. If the aggregate of individual indebtedness of a country always bore an unvarying proportion or relation in amount to the sum of business done, it would be comparatively easy to arrive at something near a correct conclusion, and from it the period of greatest accumulation of individual indebtedness would appear to be from 1869 onward, after the greatest contraction of the currency had taken place, because the greatest amount of business ever done in this country was transacted in 1869, as appears by the bank clearings given in another chapter. But such is not a correct rule of estimating indebtedness; other reasoning must be resorted to.

Prices of property are controlled by the volume of money in circulation, as modified by other things. It is known and will be conceded that the great body of mankind in all their business arrangements base their calculations mainly upon existing prices and conditions. When the war closed, and a million of men returned from the tented field to domestic and business pursuits, there were $1,600,000,000 of money in the country. It took the country at least one year after the close of the war to settle down to business. In January, 1866, there were $1,800,000,000 of money in the United States. Prices ranged high accordingly. The hearts of men were glad and bouyant with hope. A nation which had been mad with war, now engaged in the pursuits of peace, the industries and commerce, with strong hearts and vigorous hands. Men calculated upon existing prices. Quietly, unknown to the masses, the means which sustain prices and business, the volume of money, was being rapidly reduced by the government. No panic came; the money was legal tender; confidence remained strong. The people, without knowing that there was a decrease in the aggregate amount of money, began to experience the handling of less of it; began to feel that there was not enough money to sustain their undertakings. Prices, also, began to decline moderately, but not sufficiently to arrest general attention. The result of this combination of circumstances and facts was a resort to credit. Men did business on borrowed capital; they bought personal and real property on credit. It was credit which took the place of the $1,000,000,000 of money retired in 1866 and 1867, and so well sustained prices until the crisis in 1873.

From the report of the Monetary Commission:

"A temporary maintenance of nominal prices, even in the presence of a shrinking volume of money, is especially practicable with imperishable property, such as real estate. When money begins to become scarce, by reason of a shrinkage in its volume, the first effect upon real estate is found to be, not a decline of its nominal price, but a diminution in the number of transactions. Market reports quote real estate '*dull; few sales, but prices firm.*' This stagnation is ascribed to temporary causes, and a speedy recovery predicted. In order to maintain prices the terms of purchase are made easier. The amount of cash payments is reduced, and the deferred payments secured by mortgage on the property, extended over longer periods. After a time this expedient fails, and, even then, nominal prices are unnaturally held up for a short period by the struggles of those who have purchased upon these extended credits, and by the tenacity of owners who refuse to sell at lower figures, and mortgage their own property to protract their power to hold."

The business of the country was kept up, but upon constantly declining prices, resulting in constantly increasing indebtedness to meet losses, until the pressure of debts became extremely heavy. Then a system of "borrowing from Peter to pay Paul" prevailed, and a struggle to meet annual interest strained every nerve. This state of affairs continued until in 1873, when an enormous balance of foreign trade against the country, together with the great decline in the prices of stocks, bonds and securities, and an intense demand for gold to meet foreign balances and interest came with crushing weight, bringing a panic and ruining thousands. The contraction of the currency assisted to reduce gold premium, but credit kept prices up. And when gold premium fell to a point below the fall of prices it induced large imports for profit, produced heavy balances against us and caused the crisis.

To-day the greatest part of the individual indebtedness of this country, amounting to billions, although owing to new creditors, is, we doubt not, indebtedness with arrearages of interest which was contracted from five to ten years ago. And these debts were caused mainly by the reduction of the volume of money.

There is another fact which goes far towards sustaining our position that the greatest accumulation of individual indebtedness has occurred since the contraction of the currency. This is the great increase of loans by banks. On the 9th of Oct., 1869, the total sum of national bank loans was $682,900,000, and their capital stock $426,400,000. On the 1st of Oct., 1875, the loans were $984,700,000, and capital stock $504,800,000. Here is an increase of loans of over $300,000,000—nearly 50 per cent.—from 1869 to 1875, while the increase of capital stock was but $78,400,000, less than twenty per cent.

It has been a commonly accepted theory that an inflated state of the currency causes a disproportionate, ruinous increase of indebtedness, and many argue from that premise in apparent ignorance of the fact that it is false. The amount of indebtedness of a people which is safe is no fixed sum. It, depends upon the amount of money they have. $5,000,000,000 would be as hard to pay with a volume of $500,000,000 as $10,000,000,000 would be with a sufficiently larger volume of money.

The amount of money in a country at any given time does as little, perhaps, towards unduly increasing the amount of indebtedness as any other power which operates upon the commercial world. A decline of the volume of money tends to induce indebtedness. The prime causes of the creation of debts are two: the business hopes and ambitions of men, and necessity. Only the first of these causes can exist to any noteworthy extent during inflation. Either of them may, but the last one, necessity, always must exist during and following contraction. Both these prime causes spring from the same source, want of money, and they intensify the human passions for it.

The first, hopes and ambitions, are spontaneous; the latter embraces the first with necessity born of extraneous circumstances added. The second, necessity, produces the intenser desire for money. The want of money produced by hopes and ambitions during inflation finds ample means of being satisfied by sales of property or securities, or by skill and labor, because there is a plethora of money, and the occasion for creating debts, at least undue indebtedness, does not exist. The intense want of money produced by necessity, during and following contraction finds little means of being satisfied, because there is a scarcity of money—not enough to supply the pressing needs, and neither property nor labor can be readily exchanged for money; hence, the occasion for creating debts is great. It follows then, that in every case of a considerable contraction of the volume of circulating money there will be a larger increase or accumulation of indebtedness than in times of inflation, with the single exception of a crisis or panic, contemporaneous with or quickly following contraction, when credit is cut off and swift destruction overtakes the debtor.

Our own and English finance history establish the truth of this proposition. In this country both causes for want of money have existed since 1867; hopes and ambitions and necessity producing an unprecedented increase of indebtedness since that period.

Scrutiny of the following table of English bank note circulation and bank discounts exhibits the fact that an increase of indebtedness is not attributable to inflation, but uniformly followed contractions of the currency. The increase of bank discounts in 1797 was due to the contraction of the currency from £16,729,000 in 1796 to £9,674,000 in 1797. An increase of paper money from £9,674,000 in 1797 to £13,000,000 in 1798 was attended by no noticeable increase of bank discounts.

Table of the amount of bank note circulation and the amount of discounts at the Bank of England for for the years stated. Up to 1811 only Bank of England circulation is given, that of country banks not being known; after that year, the total is given.

Only notable years are embraced in the table:

YEAR.	Bank of England Notes in circulation.	Total Bank circulation.	Discount of Commercial Paper at Bank of England.
1796........	£ 16,729,529	....	£ 3 505,000
1797........	9,674,000	....	5,350,000
1798........	13,095,000	....	5 870,000
1810........	21,019,600	(Contractions of Country Bank issues)	23,070,000
1811........	23,360,220	....	15,199,000
1814........	....	£ 47,501,080	13,285,000
1815........	....	46,272,000	20,600,000
1816........	....	42,090,000	11,180,000
1817........	....	43,294,000	5 507,000
1818........	....	48,278,000	5 113,000
1819........	....	40,928,428	6,321,000
1824........	....	32,758,000	6,253.000
1825........	1st part of year	41,000,000	....
	December 1 ..	31,000,000	7,691,000
	December 25 .	40,000,000	....
1826........	....	30,219,661	7,369,740
1827........	....	32,732,900	3,389,000
1831........	....	26,452,000	5,845.000
1832........	....	26,763,000	3,247,169

In 1810 the drain of gold from England to meet foreign demands produced a great contraction of country bank issues, and as a result immense advances were called for at the Bank of England, raising its discounts to £23,000,000. In 1811, a year of panic, discounts were cut down to £15,199,000. Between 1814 and 1815 a reduction of the total volume of currency of £1,300,000 took place, accompaned by an increase of discounts from £13,285,000 to £20,600,000. 1816 the currency was reduced £4,000,000, causing panic and reduction of discounts £9,000,000. Between 1816 and 1817 the currency was expanded £1,100,000 and discounts fell nearly £6,000,000. In 1818 the currency was increased £5,000,000, and discounts fell off £400,000. In 1819 the currency was reduced over £7,000,000 and discounts increased £1,100,000, and so on.

Besides the necessity of borrowing money and buying on credit caused by the imprudent contraction of the currency in 1866 and in 1867 and since, another great force operated to create debts. It was a new ambition born of the great triumphs of the war. When the war closed and left the government in the hands of the triumphant party of progress, that party and its leaders, deeply imbued with centralizing principles, a passionate love for great corporations, and an intense desire for display of progress, gave unrestrained course to their ambition to make the party and themselves great in peace as well as in war, which resulted in stupendous schemes for corporations, railroads, public buildings and other internal improvements, and the creation of hundreds of millions of debt, with a recklessness before unknown in this country. This was not born of inflation, but of that spirit of aggression and the love of display and power for which that party is noted. This intense ambition radicalized everything. The Republican spirit spread into every nook and corner of the republic and the idea of progress, the pet ambition of that party, became the inspiration of the times. States, cities, counties, school districts, corporations and individuals followed in the wake of Republican leaders after progress, and the result has been millions upon millions expended upon all kinds of enterprises and the piling up of mountains of debt.

During the process of the contraction of the currency credit took the place of money. The ambitions, hopes and extravagancies of the times together with the effort of credit to fill the vacuum caused by the retirement of

$1,000,000,000 from the business world, explains the mystery of the burden of debt which has pressed so hard upon the country.

These, then, are the true causes of the vast indebtedness of the country: First, the effort of credit to fill the vacuum produced by the unprecedented contraction of the currency in 1866 and 1867 and since. Second, the full-grown Republican idea of progress, receiving dignity and strength from the grand successes of that party, took deep root among the people and inspired them with an overweening ambition for great efforts and display, causing corporations and individuals to expend money and contract debts with lavish hands upon enterprises too great to be held well in hand and too expensive, many of them, to yield profits.

These things, the contraction of currency and the extravagant ambitions succeeding the war, have built up a mountain of debt sublime in its proportions and dreadful to contemplate. National debt $2,000,000,000. State, municipal and railroad debts about $4,000,000,000. The debts of 630,000 traders and manufacturers were estimated by the Monetary Commission at $13,000,000,000. The liabilities of banks, mining and other corporate companies, mechanics, workmen, professional men and farmers cannot be ascertained, but we think $7,000,000,000 a low estimate for them. The mortgages on real estate indicate an enormous sum of debts of those classes. The amount of mortgages on real estate existing in a few counties where no peculiar conditions exist, ascertained to be about half the assessed value of the real property thereof, indicate the aggregate mortgages to be about half the aggregate assessed value of real estate in the U. S. for 1870. This alone would give nearly $5,000,000,000 of mortgaged debts.

Summing up the foregoing we put the aggregate indebtedness of all kinds and of all classes of people in the United States at not less than $25,000,000,000. Two and one-half times the present commercial value of all the property, and thirty times the money in this debt-ridden land! This is astounding, and the estimate may seem chimerical to some, but if any will proceed to ascertain the indebtedness of individuals he will be soon amazed at the number and amount of private debts, of which the public has not even a suspicion, much less accurate information. How is this gigantic indebtedness to be discharged? With money. With much money only.

CHAPTER XII.

THE DEBTOR CLASS; EFFECTS OF CONTRACTION ON THEM.

As has been stated before, the mass of mankind transact business with reference to existing facts. Purchases on credit are made in view of existing prices. Prices are affected by the amount of money in circulation. When there is much money, prices are high; when there is little, they are low.

A bought land for $20 per acre in 1867, when there was more money than now, and when credits were easily obtained. He paid half cash and gave his notes due in ten years, with interest, for the balance. The extension of credit which followed contraction, collapsed in 1873, and is not sufficient now to sustain prices as it did from 1867 to 1871-77. He cannot get credit. The full effects of contraction on prices are now seen. The land is worth only $10 per acre. He loses all he actually invested. His ability to pay is reduced half, which is equivalent to a doubling of the debt. He is unable to pay. His home is sold to pay the debt. He is financially ruined and his family are turned out homeless and penniless. By the same process, the merchant, the shopkeeper, the trader is reduced to poverty. The long lists of bankruptcy cases pending in the Federal courts exhibit the effects of contraction on the debtor class. Thousands of men bought homes during the high prices of property from 1866 to 1870, paying part and giving notes and mortgages for the balance. During and after the crisis, in 1873, when the credit which had so powerfully sustained prices prior to that time, had been cut off, property fell to half its former value. The notes became due. The debtor could not get further credit. There was little sale for property. The mortgages were foreclosed and the debtor ruined. Such cases are familiar all over the Western States. In the South millions of acres were sold for taxes. The appalling increase of bankruptcies since the system of contraction set in, in 1866, more forcibly illustrates the terrible effects of a declining volume of money on the business and debtor classes than tongue or pen can. In 1865 they were 530 in number with $17,625,000 liabilities, from which they have increased to about 9,000, with liabilities over $190,000,000 for each of the years 1876 and 1877. Of 86 railroads, of 14,179 miles length in the aggregate, the capital stock of which was $912,509,000, 30 were sold under mortgage, receivers were appointed for 46, and 10 defaulted in paying interest or mortgages.

The English historian Doubleday states the terrible effects of contraction on private fortunes in England from 1819 to 1823, so forcibly, and it illustrates the condition of affairs in this country so perfectly that I give it here:

"I was myself personally acquainted with one of the victims of this terrible measure (referring to Sir Robert Peel's bill for resumption of specie payments). He was a schoolfellow, and inherited a good fortune, made principally in the West Indies. On coming of age and settling with his guardians, he found himself possessed of fully forty thousand pounds; and with this he resolved to purchase an estate, to marry and to settle for life.

"He was a young man addicted to no vices, of a fair understanding, and a most excellent heart, and was connected with friends high in rank and likely to afford him ever proper assistance and advice. The estate was purchased, I believe, about the year 1812 or 1813, for eighty thousand pounds, one moiety of the purchase money being borrowed on mortgage of the land bought. In 1822-23 he was compelled to part with the estate in order to pay off his mortgage and some arrears of interest; and when this was done he was left without a shilling, the estate bringing only half its cost in 1812! Thus, without imprudence or fault of any kind, was this amiable man, together with his family, plunged in irretrievable and inevitable ruin, by the act of a legislature which ought to have protected both, and which was fully warned of the consequences of what it was about to do; but which, in requital, chose to laugh those who warned to utter scorn. My readers must not suppose that this was either an exaggerated or uncommon case. On the contrary, the country teemed with similar examples, and on the commencement of the session of 1823, the tables of both Houses were loaded with petitions, detailing scenes of hardship and destitution appalling in the extreme. As a sample of the whole, I have selected one which most fully exhibits the dreadful effects of this infatuated measure upon the welfare and happiness of the community; and of this petition I here insert as complete an abstract as I can frame. The substance of this very extraordinary document was as follows. It was presented to the Commons by Lord Folkstone, and to the Lords by Earl Stanhope.

"It sets forth:

"'1. That the petitioner, having contributed both in purse and person to the maintenance of the State, had a right to expect *protection* of person and property in return; but that instead of this, he is ruined by act of the Parliament.

"'2. That he imputes no *intentional* wrong-doing, but grievous error to the Govenment; yet he hopes the Government will not change error into injustice by persevering in it.

"'3. That the petitioner's ruin, as well as that of thousands of other persons, arose from Peel's bill for returning to cash payments; but that few cases can exceed his in hardship.

"'4. That the petitioner and his father were wine merchants, and made a large fortune, with part of which, in 1811 and 1812, they bought land.

"'5. That they bought the estate of Northaw, in Herefordshire, for £62,000, and laid out £10,000 more in improvements, investing in all £72,000.

"'6. That in 1812 they bargained with John A. Trenchard, Doctor of Divinity, for the estate of Pontrylas, for which they agreed to give £60,000, paying £5555 as a deposit. That the title not being satisfactory the result was a suit at law, which was not decided until 1819, when judgment went against them, awarding a gross sum of £71,957 19*s*. 5*d*. to Dr. Trenchard, being purchase money and interest.

"'7. That in the mean time petitioners had experienced heavy losses in trade, and could not pay this sum; and, therefore, gave Dr. Trenchard a mortgage on *both* the estates of Northaw and Pontrylas for £65,000.

'8. That after 1819, when the suit ended, petitioner and his father paid £5,000 in part of the debt, and £8,000 interest up to 1821.

"'9. That on the suit ending in 1819, they received up to 1821, out of the estate, for rent and wood, £3,410.

"'10. That in July, 1821, the *two* estates were offered for sale, but *would not bring the sum for which they were mortgaged.*

"'11. That in 1821 petitioner and his father were *bankrupts.*

" '12. That Dr. Trenchard then got possession of *both estates*. and gave notice to *forclose the mortgage*.

" '13. That petitioner and his father thus actually paid Trenchard £18,555, and have only received out of the estate £3,410 ; and they are now about to loose both the estates of Pontrylas and Northaw ; the last which cost £72,000.

" '14. That Trenchard, on the other hand, has received in cash £18,555, with all the rents of Pontrylas from 1812 to 1819, and that he is now about to get the two estates, with all arrears of rent from February, 1820, in lieu of his debt of £60,000.

" '15. That petitioner's assignees are praying the Court of Chancery not to allow this, for that if it be granted, the result will be that Dr. Trenchard will have received all the rents and profits of Pontrylas estate, except for two years, £1,470 for timber, £18,555 in cash from the petitioner, and in addition to his own original estate of Pontrylas, he will also have got the other estate of Northaw, which cost £72,000.

" '16. That petitioner and his father had other estates in Middlesex, Essex and Hamshire, which cost £36,-000, but have now been sold for £12,000! That by the depression in trade they became bankrupts. That petitioner's father died in 1822 of a broken heart, and that he is himself a ruined man, with with seven children of his own, ten of his brother's and seven of his sister's, all depending on him.

" '17. That petitioner, therefore, prays for an equitable adjustment of this and all similar contracts.'

"This petition was that of Charles Andrew Thompson, of Chesewick, in the County of Middlesex, and is certainly calculated to tear in pieces, almost, the heart of every just and sensible man that reads it."

CHAPTER XIII.

THE CREDITOR CLASS:

EFFECTS OF CONTRACTION ON THEM.

It has been common for the creditor class, and all who embrace the theories of bullionists, to argue that an increase of the volume of money lessens the value or purchasing power of money, reduces the value of debts in the hands of holders, and is therefore injustice and an injury to the creditor. This proposition is not an axiom by any means. In fact, it is attended with much doubt. If the only thing the creditor intended to do was to collect and lay the money out in realized wealth, houses and lands, and hold them, the proposition would be in part true. But such is not the common object of creditors. They look to money profits, interest, safe, paying investments. Interest and profits on loans depreciate with a contraction of the currency. This is evidenced by the low rate of interest at which government bonds were sold in England during the scarcity of money there, after resumption in 1820, and it is evidenced in this country now by the rapid sale of four per cent. bonds. Below we give a table of the rate of interest in New York, as appears in the report of the comptroller of the currency, and one of the ratio of earnings to capital and surplus of the national banks from March, 1869, to September, 1877, taken from the annual report of the comptroller of the currency, for 1877.

TABLE OF RATES OF INTEREST.

1874, call loans, 3.8 per cent.; commercial paper, 6.4 per cent.
1875, call loans 3.0 per cent.; commercial paper, 5 6 per cent.
1876, call loans, 3.3 per cent.; commercial paper, 5.3 per cent.
1877, call loans, 3.0 per cent.; commercial paper, 5 2 per cent.

TABLE OF RATIO OF BANK EARNINGS TO CAPITAL AND SURPLUS.

March, 1869 to September, 1869	6 0	per cent.
September, 1869 to March, 1870	5.8	"
March, 1870 to September, 1870	5.2	"
September, 1870 to March, 1871	5 2	"
March, 1871 to September, 1871	5 0	"
September 1871 to March, 1872	5.0	"
March, 1872 to September, 1872	5.4	"
September, 1872 to March, 1873	5.4	"
March, 1873 to September, 1873	5.5	"
September, 1873 to March, 1874	4.8	"
March, 1874 to September, 1874	4.9	"
September, 1874 to March, 1875	4.7	"
March, 1875 to September, 1875	4.6	"
September, 1875 to March, 1876	3 6	"
March, 1876 to September, 1876	3.3	"
September, 1876 to March, 1877	3 1	"
March, 1877 to September, 1877	2.5	"

This table shows a large decrease from 1869 to 1877, during which time there was a contraction of the currency $80,000,000, and in 1873 a collapse of credit, which has not recovered since. It will be observed in the table that the smallest earnings before the panic of 1873 was in 1871. This exactly corresponds with the greatest contraction of the currency between 1869 and 1873. We take the experience of the national banks as an exemplification of the universal fall of interest, attending contraction, except on loans to unsafe borrowers. As has been said before, the full effects of contraction were not felt until in 1873, when the panic came and cut off credit. So, from that year on, the banks have experienced the effects of contraction in a very great decrease of earnings. Then, one of the injuries to creditors which contraction brings, is a great depreciation of interest profits. The magnitude of this depreciation of interest is determined principally by the extent of contraction and destruction of credit.

There is another great injury done to creditors by contraction, which is commonly overlooked. It is the total or partial annihilation of the value of debts. While the number of dollars which the debts calls for, would, if realized, possess greater purchasing power in times of contraction than in times of inflation, yet, contraction often so reduces the debtor's profits and the value of his property as to render him unable to pay. Then the creditor must sue him or sell him out under mortgage and realize one-half or three-fourths of his debt, or buy the property in, and be encumbered with a lot of troublesome, tax-bearing, unproductive property, which has scarcely any marketable value. Besides this, the great increase of cases in bankruptcy in times of contraction, increases the creditor's liability to loss, by the debtors going voluntarily or being forced into bankruptcy.

While contraction reduces the volume of money, and thus reduces the ability of all to pay, it never brings a corresponding decrease of the rate of taxation, and is thereby another means of loss to the creditor as well as the debtor. On the other hand, while inflation reduces the purchasing power of money and thereby reduces the relative value of debts, it greatly modifies the disadvantages enumerated, increases interest and profits, better enables the debtor to pay, multiplies opportunities for the safe and profitable investment of capital, and thus, itself, compensates the creditor class in several directions for the injury supposed to be inflicted upon them in another. Taking the sum of results of moderate inflation to the creditor class there is no injury or injustice done to them by it. This is amply evidenced by the vast profits of capital during our flush times. Contraction has in this country caused great depreciation of the value of municipal, railroad, and other corporation bonds and stocks, and greatly injured all of the holders of such securities and ruined many. The only creditors benefited by such a contraction of the currency as we have had, are those who hold first-class bonds. Even those holding bonds of some of the states have lost heavily on account of the inability of the latter to pay.

We therefore conclude that while contraction injures all, a reasonable expansion of the volume of money injures none, but greatly benefits the great body of the people, especially the debtor, commercial, industrial and laboring class.

CHAPTER XIV.

CONTRACTION—ITS GENERAL EFFECTS.

BRIEF ARGUMENTS AGAINST IT.

There is not gold and silver enough in the United States, even if the Government could command every dollar of it, to redeem the outstanding legal tenders. If they are redeemed it must be done by a resort to strategy; that of trading interest-bearing bonds for legal tenders.

This would effect a destruction of our legal tender paper money, and increase our bonded indebtedness, without placing a dollar of coin in circulation to take the place of the paper. There is not now, nor is there likely to be, coin enough in the United States to sustain $300,000,000 of national bank issues. Under existing circumstances, the vast indebtedness of the country, $135,000,000 of coin interest to pay annually to foreign capitalists, and the uncertain tenure by which we hold foreign commercial balances, we cannot hope for the accumulation of a large stock of coin. Before the war, when our country owed no foreign debt, our stock of coin never reached $300,000,000. Under the adverse circumstances against the country now, the probabilities are that our stock of coin cannot reach that sum for years to come. When all the legal tenders shall have been redeemed, the national banks must then bank on coin. Every dollar of their issues will be redeemable in coin. If we should be so fortunate as to accumulate a stock of $300,000,000 of coin, which we believe impossible for years to come, then the bank issues could not safely exceed $225,000,000 to $250,-000,000, a sum but little over one-third of our present volume of currency. Such a contraction of the currency would utterly ruin the business of this country. It would produce a revolution. But suppose the banks then would hold $75,000,000 of coin as reserves, and the other $225,000,000 should circulate among the people: this is the most sanguine supposition we could entertain. Even then our total volume of circulating money, both paper and coin, would be only $450,000,-000 to $475,000,000. This would be less than the present volume of money actually circulating. So small a sum could not serve all.

Money, like other things, is hard to get, is within the reach of few, when scarce and dear; but when plentiful, it is cheap, and, like every other cheap article, is within the reach or command of a much larger number of people than when scarce and dear. It might be made so scarce that it would be very dear, and as hard to command as diamonds. Who, then, but the wealthy could possess it?

If past finance history and experience be any index to the future, even this, the most hopeful condition that can be looked for, must inevitably result in a further continuing shrinkage of values, reduction of profits, business and wages, and increase of bankruptcies, crime and pauperism, until the volume of money sinks to about the sum above stated. To reach that point, a journey of three or four years over a rough and rugged road, flanked on either side by chasms and pitfalls of ruin, awaits the country. Along that cheerless and desolate way will be strewn wrecks of ruined fortunes, expiring corporations, collapsed banking houses, untenanted homes, abandoned factories, rusted and wasted machinery, vacant stores and warehouses, and rotten hulls. State, municipal and corporation stocks and bonds will be hawked about among the groups of money-mongers as worthless bits of paper. Tales of woe will be written in mortgagee's sale notices, posted on abandoned and desolate houses and along the dull and heavy highways. The workman's tools will become dull and silent, and the auctioneer's hammer be heard resounding from morning till night. Poverty and want, clad in rags, and pinched with hunger, will swarm as the locusts of Egypt to devour the country. Beneath the whole, the smouldering fires of wrath and revenge of an oppressed and tortured people will be ready to spring up into consuming flames of destruction! Is the country prepared for this? Can it afford to take the chances, or even risk the possibility of such a catastrophe?

If the government persists in enforcing the Resumption Act, disaster is inevitable. The ridicule of the bullionists, the fine-spun theories of gold worshippers, cannot avert the pending calamities, or change the natural laws of finance and commerce. Like the pyramids of Egypt, standing the test of ages, the unchanging laws of money and trade, and the experience of all countries, broad-based and indestructible tower to the heavens as land-marks for the nations. A decreasing volume of money brings misery; an increasing volume of money brings prosperity and happiness. This great truth is indelibly written on the pages of History. Experience of all commercial nations attests it.

AUTHORITY EMPHASIZES WHAT EXPERIENCE TEACHES.

[From the Report of the Monetary Commission.]

"The two metals together fill but scantily the measure of the money needs of the country. In the whole history of the human race, not a single instance can be pointed out of a fall in the value* of either or both of the metals which has not proved a benefaction to mankind, while on the other hand, during every period, whenever a rise in the value* of metalic money has occurred, it has been attended by financial, industrial, political and social disaster. 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. The steadiness of general prices can only be maintained when money and population increase in equal relative proportions. General prosperity and a general fall in prices never did and never can co-exist.

"The suspensions of specie payment in Russia (in 1857), in the United States (in 1862), and in Italy (in 1866), all within twenty years, not only liberated a very large amount of specie, which was exported to specie-paying countries, but cut off the demand of the suspending countries for the supplies of gold and silver which would have been required to keep up their stock of money if it had remained metalic. Were it not for this extraordinary supply and decreased demand, it is more than probable that the specie prices of commodities would now range lower than they did in 1849. It is certain that a resumption of specie payments in all or either of these countries would make such a demand for specie as would greatly appreciate its value, and force prices to a much lower level.

*Purchasing power over property.

"During certain periods in the past when prices have been falling, by reason of a shrinkage in the volume of money, a slow and toilsome advance has been made in the accumulation of wealth. Under such conditions its just distribution is impossible. 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.

"On a comparison with any country on a metalic basis, $500,000,000 is the least amount of metalic money that can be assumed to be sufficient for this country in the event of resumption. It is in the shadow of a shrinking volume of money that disorders, social and political, gender and fester, that communism organizes, that riots threaten and destroy, that labor starves, that capitalists conspire and workmen combine, and that the revenues of government are dissipated in the employment of laborers or in the maintainance of increased standing armies to over-awe them. The peaceful conflict which under a just money system is continually waged between money, capital and labor, and which only tends to secure the rights of each, is changed under a shrinking volume of money to an unrelenting war, threatening the destruction of both.

The mischief which practically threatens the world, and which has been the most prolific cause of the social, political and industrial ills which have afflicted it, is that of a decreasing and deficient money. It is from such a deficiency that mankind are now suffering, and it is the actual and present evil with which we have to deal.

From David Hume's Essay on Money:

"It is certain that since the discovery of the mines in America industry has increased in all the nations of Europe. * * We find that in every kingdom into which money begins to flow in greater abundance than formerly, everything takes a new face; labor and industry gain life; the merchant becomes more enterprising, the manufacturer more diligent and skillful, and even the farmer follows his plow with greater alacrity and attention. * * The good policy of the magistrate consists only in keeping it, if possible, still increasing; because by that means he keeps alive a spirit of industry in the nation and increases the stock of labor, in which consists all real power and riches. A nation whose money decreases is actually at that time weaker and more miserable than another nation which possesses no more money, but is on the increasing hand."

Alexander Hamilton, in his report (1791) on the mint, says:

"To annul the use of either of the metals as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from a comparison of the benefits of a full with the evils of a scanty circulation."

William H. Crawford, Secretary of the Treasury, in a report (February 12th, 1820), to Congress, says:

"All intelligent writers on currency agree that when it is decreasing in amount, poverty and misery must prevail."

Mr. R. M. T. Hunter, in a report (1852) to the United States Senate, says:

"Of all the great effects produced upon human society by the discovery of America, there were probably none so marked as those brought about by the great influx of the precious metals from the New World to the Old. European industry had been declining under the decreasing stock of precious metals, and an appreciating standard of values; human ingenuity grew dull under the paralyzing influences of declining profits, and capital absorbed nearly all that should have been divided between it and labor. But an increase in the precious metals, in such quantity as to check this tendency, operated as a new motive-power to the machinery of commerce. Production was stimulated by finding the advantages of a change of the standard on its side. Instead of being repressed by having to pay more than it had stipulated for the use of capital, it was stimulated by paying less. Capital, too, was benefited, for new demands were created for it by the new uses which a general movement in industrial pursuits had developed; so that if it lost a little by a change in the standard, it gained much more in the greater demand for its use, which added to its capacity for reproduction, and to its real value.

"The mischief would be great, indeed, if all the world were to adopt but one of the precious metals as a standard of value. To adopt gold alone would diminish the specie currency more than one-half; and the reduction the other way, should silver be taken as the only standard, would be large enough to prove highly disastrous to the human race."

The *Encylopædia Britannica*, 1859, (article Precious Metals, by J. R. McCulloch,) says:

"A fall in the value of the precious metals, caused by the greater facility of their production, or by the discovery of new sources of supply, depends in no degree on the theories of philosophers, or the decisions of statesmen or legislators, but is the result of circumstances beyond human control; and although, like a fall of rain after a long course of dry weather, it may be prejudicial to certain classes, it is beneficial to an incomparably greater number, including all who are engaged in industrial pursuits, and is, speaking generally, of great public or national advantage."

Ernest Seyd, 1868, (*Bullion*, page 613,) says:

"Upon this one point all authorities on the subject are agreed, to wit, that the large increase in the supply of gold has given a universal impetus to trade, commerce, and industry, and to general social development and progress."

The *American Review* (1876) says:

"Diminishing money and falling prices are not only oppressive upon debtors, of whom, in modern times, states are the greatest, but they cause stagnation in business, reduced production, and enforced idleness. Falling markets annihilate profits, and as it is only the expectation of gain which stimulates the investment of capital in operations, inadequate employment is found for labor, and those who are employed can only be so upon the condition of diminished wages. An increasing amount of money, and consequently augmenting prices, are attended by results precisely the contrary. Production is stimulated by the profits resulting from advancing prices; labor is consequently in demand and better paid, and the general activity and buoyancy insure to capital a wider demand and higher remuneration."

Leon Fauchet, (1843,) in Researches upon Gold and Silver, says:

"If all the nations of Europe adopted the system of Great Britain, the price of gold would be raised beyond measure, and we should see produced in Europe a result lamentable enough."

Before a French monetary convention in 1869, M. Wolowski said:

"The sum total of the precious metals is reckoned at fifty milliards, one-half gold and one-half silver. If, by a stroke of the pen, they suppress one of these metals in the monetary service, they double the demand for the other metal, to the ruin of all debtors."

These arguments for the double standard are arguments for more money and apply with equal force against a contraction of the currency.

The specie Resumption Act is a fraud and ought to be repealed, for that reason as well as others. The true character of that act was not understood either by Congress or the country at the time of its passage as it is now interpreted. The phraseology of the act created the impression that there was to be no reduction of the aggregate of paper money, but that legal tender notes were to be diminished only as bank notes were increased. As the act is administered in practice, both classes of notes are being reduced at the same time, while the population of the country is expanding. The words of the act may justify this method of administration, but it was not with that understanding that it was sanctioned by Congress. This act is perpetuating the evils of the crisis of 1873. It is constantly diminishing the currency, reducing values, clogging the wheels of commerce, stopping the machinery of industry, destroying profits, multiplying bankrupts, lowering wages, pauperizing labor, breeding a myriad of revolutionary ideas, and inciting riots and insurrections. A declining volume of money is always attended by an accumulation of ills to human society.

CHAPTER XV.

ROMAN, FRENCH AND GERMAN FINANCES.

ROME: MONETARY AFFAIRS.

Paper money in the form of treasury bills saved Rome, and an inadequate supply of money caused the downfall of that empire.

"The great contest between Rome and Carthage, which Hannibal and Scipio conducted, and Livy has immortalized, was determined by a decree of the Senate, induced by necessity, which postponed the payment of all obligations of the public treasury in specie to the conclusion of the war, and thereby created inconvertible paper currency for the Roman Empire. More, even, than the slaughter on the Metaurus, the triumph of Zama, this decree determined the fate of the ancient world, for it alone equipped the legions by whom those victories were gained."—*Alison.*

"The censors found the treasury unable to supply the public service. Upon this, trust money, belonging to widows and minors, or to widows and unmarried women, were deposited in the treasury, and whatever sums the trustees had to draw for were paid by the quarter in bills on the banking commissioners, or *triumvirs mensarii*. It is probable that these bills were actually a paper currency, and that they circulated as money, on the security of the public faith. In the same way the public contracts were also paid in paper; for the contractors came forward in a body to the censors, and begged them to make their contracts as usual, promising not to demand payment till the end of the war. This must, I conceive, mean that they were to be paid in orders upon the treasury, which orders were to be converted into cash when the present difficulties of the government should be at an end."—*Arnold.*

"Rome, itself, saved in its utmost need by an expansion, sunk in the end under a still greater contraction of the national currency. The fall of the Roman Empire, so long ascribed, in ignorance, to slavery, heathenism and moral corruption, was in reality brought about by a decline in the gold and silver mines of Spain and Greece, from which the precious metals for the circulation of the world were drawn, at the very time when the victories of the legions and the wisdom of the Antonines had given peace and security, and with it, an increase in numbers and riches to the Roman Empire. The supplies of specie for the old world became inadequate to the increasing wants of its population, when the power of its 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 £380,000,000, had sunk in that of Justinian to £80,000,000 sterling; and the golden *aureus*, 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 irrevocable; 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 defence."—*Alison*.

FRANCE: MONETARY AFFAIRS.

The immediate cause, the occasion which brought about the grandest, most terrible, and bloodiest revolution of which modern history gives an account, was scarcity of money and oppressive taxes. This was the French Revolution of 1789. Long continued feudatory oppressions of the peasantry, mal-administration of justice, royal prerogatives and corruptions in government for a long series of years, spread general discontent among the common people, such that they longed for a change of condition. This longing for change, this intense desire of the people for a better state was like the smouldering fires of a volcano. They wanted but the occurrence of some circumstance, some irritating cause to make them burst forth with destructive energy.

The profligacy of the government and financially oppressed condition of the people is seen in the following table of general deficiencies of the revenue for several years preceding the revolution:

Year	Income	Expenditure	Deficit
1784	236,833,000 frs.	283,162,000 frs.	46,329 000 frs.
1786	474,047,649	589,184,995	115,137,346
1787	474,048,239	599,135 795	125,087,556
1788	472,415,549	627,255 089	154,839,540

We do not claim that want of money was the underlying cause of the French Revolution. But the facts detailed in *Thiers' History of the French Revolution* indicate most clearly that it was the irritating cause, the occasion.

Frederick Schoberl, the translator and editor of the American edition of that history, in his introductory remarks in relation to the cause of the revolution, says: "The immediately propelling cause was no doubt financial."

In a commercial nation, where a large part of the people live by buying and selling and by wages for their labor, there is nothing, there can be nothing, in which their prosperity and happiness is so bound up as in money. Cut off the supply of money and their means of living are gone.

History records no case of revolution precipitated by the industrial or commercial classes of any country while money was abundant. Governments would act wisely to note the swift and terrible revenge of a financially-oppressed and tax-ridden people.

Much has been said and written about the French Assignats, which were issued during the revolution, at the close of the last century. They armed the new empire with irresistible power.

But there were two causes which produced a great depreciation of their value. The first and greatest cause of their depreciation was want of confidence in the stability of the republic and the fear that the titles of the confiscated estates in which they were redeemable would fail.

The second cause was the enormous issues of them. They amounted to thousands of millions, more than was necessary to serve the business needs of the people, and, as a matter of course, they depreciated, just as gold did after the great increase of supplies from the Australian and California mines. But notwithstanding their great depreciation from the causes stated, a singular phenomenon appeared in 1793, which forcibly illustrates the wretched reasoning of bullionists, and the immense power of legislation on the relative values of money. The precious metals were demonetized and the severest of laws passed against the use of them in financial and commercial operations. The result was a destruction of their uses as money and a depreciation of the demand for them. One thousand millions of Assignats, equal to about $200,000,000, were funded and retired from circulation. The republic had lately been very successful in war, and confidence in the stability of the government had greatly revived. These three things had the extraordinary effect of bringing the Assignats, which had been depreciated four-fifths below gold, to par with it, while there were yet outstanding thousands of millions of them.

These Assignats were an absolute paper money, not redeemable in coin at all. Holders might buy the confiscated estates of the republic with them, and this was all the redeemability they had, and yet the success of the French arms and legislation brought them to par with gold.

The wisdom of the French government in making the paper a legal tender in 1848, and the extensive and beneficial operations of the bank, the surmounting of the difficulties of a drain of specie from the country and the energizing of business and employment of labor resulting therefrom, are interesting and instructive, as will be seen by reading the following comment from the *London Times*, of February, 1849, upon those transactions:

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

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

"Besides the strictly monetary operations, the bank of France found means to furnish a series of loans to the Government—50 millions on exchequer bills on the 31st of March, 30 millions on the 5th of May, and on the 3d of June 150 millions, to be paid up before the end of March, 1849; of this last sum only one-third has yet been required by the State. The bank also took a part in the renewed loan of 250 millions, and made vast advances to the City of Paris, to Marseilles, to the department of the Seine, and to the hospitals, amounting in all to 260 millions more. But even this was not all. To enable the *manufacturing* interests to weather the storm, at a moment when all the sales were interrupted, a decree of the National Assembly had directed warehouses to be opened for the reception of all kinds of goods, and provided that the registered invoice of these goods, so deposited should be made negotiable by endorsement. The Bank of France discounted these receipts. In Havre alone, 18 millions were thus advanced on *Colonial produce*, and, in Paris, 14 millions on *merchandise*—in all, 60 millions were thus made available for the purposes of trade. Thus, the great institution had placed itself, as it were, in direct contact with every interest of the community, from the Minister to the Treasury down to the trader in a distant port. Like a huge hydraulic machine, it employed its colossal powers to pump a fresh stream into the exhausted arteries of trade, to sustain credit, and preserve the circulation from complete collapse."

Hon. Wm. D. Kelly, in an address, has given the history of the remarkable transactions of France during and after the Franco-Prussian war, so concisely and correctly and brought forward the vital points of the policy so forcibly, that we give it in his own words, as follows:

THE BASIS OF FRENCH FINANCE.

"The distinguishing characteristic of the financial policy of the French government is found in the fact that it assumes the duty of preventing alternate periods of inflation and their inevitable consequent contraction, and that to accomplish this end, whenever war or other exigency has caused an issue of irredeemable paper, it has invested such issue with the character of legal tender—made it available for all purposes to which money could be applied in France, whether the transactions were between citizens or between citizens and the government, or *vice versa*, and has taken measures to prevent the withdrawal of the paper until a continuous balance of trade had brought into the country metallic money enough to supply the channels temporarily filled by the paper money with which the exigency had been met. Colbert taught the French people, and Napoleon emphasized the lessons of Colbert, that it is labor that supports government and society, and that to arrest the employment of productive industry is to impoverish the public treasury and produce discontent and possible disorder among the people.

THE WAR AND ITS RESULTS.

"The war between France and Germany was declared July 10, 1870, and was terminated by the treaty of May 10, 1871. In April, 1870, the circulation of the Bank of France was $288,750,000, and it held of specie and bullion $261,550,000. In August the government required it to suspend specie payments, and by the same decree made its notes a legal tender. The first statement published after peace had been restored showed a circulation of $442,000,000, with $110,000,000 of specie. In consideration of the suspension of specie payments, and the use of its notes as legal tender, the bank loaned the government $306,000,000, at 1 per cent. interest, and agreed to pay the tax above referred to on its circulation. When, in August, 1870, the French armies had been defeated, and consternation had seized the people of Paris, the Bank of France and the other credit institutions of the city entered into co-operation, and determined, as a matter absolutely necessary to the maintenance of society, to advance to the people within a fortnight 180,000,000 francs ($36,000,000), and it is a matter of history that not a single failure of moment took place in France pending the use and liquidation of these loans. * *

"These loans were made to merchants, manufacturers, shopkeepers, artisans and mechanics; to any citizens indeed, whose books showed that their business during a sufficiently long period had been fairly prosperous, and whose industry and integrity were established, and of course much importance was attached to this latter fact. Many of the advances to artisans and mechanics were made without indorsement or collateral at all, or on other security indeed than a fair business and an honest name. The effects of this extraordinary operation were of commensurate public importance. In the midst of the most frightful and accumulated military and political calamities in the gradual environment of the French capital by the German hosts, the trade and labor of France were preserved and even stimulated; and it was altogether owing to this patriotic and most sagacious audacity that, in a period of special and terrible trial, no noteworthy commercial or industrial failure occurred, and that France was afterward enabled to provide for the payment, without serious difficulty, of an indemnity intended permanently to crush her, and which excited by its magnitude the astonishment of the whole world.

"The decree of legal tender (*course force*) fixed the maximum of the issue of the bank at $480,000,000. It was, however, increased by the law of December 29, 1871, to $560,000,000, and finally, by the law of July, 15, 1872, to $640,000,000. What effect had the issue of this vast amount of paper money on the premium in gold? * *

"In November, 1871, when a large payment on account of the war fine, which, as you know, amounted, with interest and charges, to $1 100,000,000, in addition to the surrender of the magnificent provinces of Alsace and Lorraine and their wealthy and industrious people to Germany, was due, the premium on gold rose to its highest point, 2½ per cent., at which, to the French people, exorbitant rate it remained for but a few days, and when the irredeemable circulation had been increased from $460,000,000 to $490,000,000, the premium fell to 1 per cent., and in October, 1873, when the volume of notes had actually reached $614,000,000, the premium was merely nominal, and was only demanded on large sums. Legal tender, gold, silver and paper money were then circulating in common and at par with each other. As I have said, the war fine amounted to $1,100,000,000. The total cost of the war to France has been officially estimated at $2,000,000,000, and the direct loss to agriculture at $800,000,000; yet the last payment on account of the war fine was made on the 5th of September, 1873, or in two years and four months after the conclusion of the treaty of peace. * * * The advance of the banks to the manufacturers in August, 1870, enabled them to maintain their industries and by paying living wages to place the whole people in a position to, not only respond to the demands of the government for taxes, but to meet its call for two loans, one for $550,000,000 and the other for $827,000,000; the tenders in response to the latter call amounted to the fabulous sum of $8,600,000,000, or four times the amount of the national debt of the United States. * *

THE TRANSFER OF BULLION.

"The highest estimate I have seen anywhere of the loss of the precious metals by France in the payment of the fine is $240,000,000.

* * * The French government shipped $100,000,000 of specie and bullion directly to the German government. Yet the tables of the two countries (and they are confirmed by the British tables of exports and imports of specie) show that France lost from her intercourse with Germany, from January 1, 1871, to December 31, 1874, but $140,000,000 in gold and silver.

"This is the statement of M. Leon Say, made during the time he was Finance Minister, which he continued to be till MacMahon changed his Cabinet. * * * Between January 1, 1871, and December 31, 1874, the dates just referred to, she sent $110,000,000 more of gold and silver to Germany than she drew from her. Assuming, which there is no good reason for doing, that all this went on French account, and it appears that Germany received but $250,000,000 of cash from France in payments thereof. The truth is that France being, for the reasons stated in my introductory remarks, the creditor of all commercial nations, paid Germany in bills drawn against foreign debtors by the French people, or, in other words, Germany was paid in foreign merchandise, the imports of which in excess of exports from January 1, 1870, to December 31, 1874, having been, according to the Bavarian Vaterland, $1,132,000,0 0. Many of the earliest of those bills were drawn against German merchants and bankers, and served to transfer money which had been in circulation in Germany to the Imperial Treasury, and thus withdraw it from commercial use. Thus the industrial and financial sagacity of the French government enabled France to revenge herself upon Germany by the methods with which it settled the unconscionable war fine imposed upon her."

The secret of this grand success of France is not a secret, in fact, to any but those who having eyes see not, and ears hear not. It was simply the furnishing of the people with the means of successfully applying their powers in the industries and commerce. It was money. This set that powerful people to work. Every brain and muscle brought forth wealth, and the commerce of France, thus produced, paid Prussia $1,100,000,000 without impoverishing France.

GERMANY.

Germany achieved the grandest military success of the age, in her war of 1870-71 with France. At its conclusion she levied the most gigantic fine on her conquered foe of which history makes mention, $1,100,000,000! Germany was thus made rich, she thought. Her financial policy prior to that time had been considered wise. Her money had consisted of silver and paper. But, feeling proud from her successes, she changed her financial system to comport with, what she deemed, her newly acquired wealth. She demonetized silver and prohibited the issuance of small bank notes. This greatly depressed business and dried up the fountains of commercial prosperity. Her expectations based on the French fine added to these depressing measures, a spirit of extravagance. The result was that but little over one-fifth of the French fine was received by Prussia in money. The balance was paid in bills of exchange on her own people and in merchandise. And now, while Prussia did actually have added to her coffers over two hundred millions in cash and eight hundred millions in merchandise, she is, to-day, suffering from a great stringency of money and depression of business. She is in immeasurably worse circumstances than her conquered foe. Why? Because her unwise legislation deprived her people of money and depressed business, thus bringing much greater loss than the gain of the thousand millions French fine

The wealth of a nation is its industries; the productive labor of its people; its commerce. Money is the life of these. Cut off the supply of money and these languish. A thousand millions is no compensation to a people for the depression of business.

CHAPTER XVI.

OUTLINE OF ENGLISH HISTORY: FINANCIAL, COMMERCIAL AND DOMESTIC.

1793 to 1829.

The precipitation of England into war with France in 1793 created apprehensions, causing money to seek its hiding places, resulting in commercial embarrassments.

The government ordered the issuance of £5,000,000 of exchequer bills to restore confidence. The ripples of financial disturbance disappeared, and the surface of the commercial tide became smooth and serene. In the spring of this year, 1793, France had called out 300,000 men for the army, and declared war against all Europe. This caused a general resort to arms, and the invasion of French territory. Then France sprang to combat as a giant and the continent fairly trembled under the tread of her armies. She levied a new army of 1,200,000 men, and thenceforth, for several years, the tide of success was for France.

This in turn, necessitated greater preparation for war on the part of England and the other allies.

In the beginning of 1795, the anti-war party in England was losing power, and a steady growth of feeling in favor of the war became visible, but the success of the French arms again raised the power and influence of the opposition at the close of 1795, and beginning of 1796. The heavy and increasing weight of taxation and apparent inability of the allies to successfully resist Bonaparte made the opposition violent. Added to these causes of discontent were the high prices of provisions, resulting from scarcity, and a considerable contraction of the currency. Stringency in money was sensibly felt. These depressing conditions resulted in outbreaks and an attack on the king, but without serious results. During this year, Ireland, ever oppressed and ever anxious to throw off the yoke of British government, was in an alarming state. Secret arrangements were made with the French for an organized revolt. The conspiracy was wide-spread. An organization of 500,000 Irishmen was ready to join Hocke, who prepared to set sail with a fleet and army across the channel. The winds and waves crippled the fleet and it was compelled to return to port, saving England from a great Irish rebellion.

At the beginning of 1797, the public affairs of Great Britain were in a deplorable condition. The rejection by France of overtures for peace, the violence of party spirit, increasing embarrassment in commercial circles, continued pressure on the bank of England, and insurrection, discontent and suffering in Ireland, added to the reverses of the allied armies, increased taxation and augmentation of the public debt, spread a gloom over the whole country and threatened a destruction of public credit. The three per cent. bonds fell from 99 at the beginning of the war to 51, and petitions from all quarters were presented, asking for a change of ministers and government. Among these disasters, one of the most serious was the threatened suspension or breaking of the Bank of England. For two years the bank had felt a growing pressure for money, owing to the demand for specie to meet government loans to the allies and to supply the army on the continent. In the latter part of 1796 matters were brought to a crisis by "runs" upon the country banks, which arose from dread of invasion, and the desire of everyone to convert his paper into coin. These banks having no other source of relief, applied to the Bank of England. The panic soon reached London, became general, and such was the run upon that bank that it was on the very verge of insolvency; when an order of government in council was issued, for their relief, suspending all cash payments until Parliament could devise some means of preserving the public and commercial credit of the country.

On the assembling of Parliament, early in 1797, the order of council was framed into a law. Cash payments were suspended, and Bank of England notes made legal tender. The bill was limited in its operations to June 24th, 1797, but afterward was renewed from time to time, and in November was continued until six months after general peace should be restored. This wise act at once stopped the run on the banks, prevented a universal crash, restored confidence, business and internal prosperity.

Amid the dark surroundings of this crisis, an occurrence took place which threatened the very existence of the British empire. It was a great mutiny of the fleet. The causes of the mutiny were published by the sailors in a petition to the government. They claimed that wages and rations were insufficient. Concessions were made by government to the sailors and the mutiny ended.

The cause of this crisis was neither inflation of the paper money nor credit, because, in 1796, the country bank issues had been lessened about £4,000,000, and in 1797 the Bank of England issues were £7,000,000 less than in the preceding year. The amount of commercial paper discounted at the Bank of England in 1797 was only £1,800,000 more than in 1796, and was less by £500,000 than in 1798, a year of prosperity. The drain of coin from the country, necessitating a contraction of the currency, caused the crisis. Immediately following the act suspending specie payments and making bank notes a legal tender, Bank of England issues increased from £9,674,000 in 1797 to £13,095,-830 in 1798. Business revived and prosperity returned in a corresponding degree.

Such was the commencement of the paper system of Great Britain which enabled her to unite the allies against France, to ultimately overthrow Bonaparte, to maintain armaments of great magnitude, and to develope wealth and commerce during the war period in a wonderful degree.

On the 27th of March, 1802, the treaty of Amiens was made between England and France, closing a nine years' war. From 1797 to the close of the war in 1802, the British Empire had been steadily increasing in wealth and prosperity. Notwithstanding the increase of her debt to £484,465,000, a larger increase of taxation and the famine of 1799, her internal and foreign commerce had greatly increased, her merchant and war marines had improved, her army was strengthened, her wealth had grown, her credit was first-class, prices of all property and labor had advanced, none were idle, peace and order prevailed everywhere, and prosperity blessed the land. Following is a table showing the amount of Bank of England note circulation, commercial paper discounted at the Bank of England, and exports and imports from 1795 to 1802, official value:

Year.	Bank of England Notes.	Discount.	Exports.	Imports.
1795....	£14,017,510....	£2,946,000....	£27,123,338....	£23 736,889
1796....	16,729,520....	3,505,000....	30,518,913....	23,187,319
1797....	9,674,000....	5.350,000....	28,917,000....	21,013,000
1798....	13 095 000....	5 870 000....	27,317,000....	25,122 000
1799....	13,389,000....	5,403,0 0....	29,556,637....	24,066,000
1800....	16,854,800....	6.401 000....	33,381 000....	28,257,000
1801....	16,213,000....	7 905,000....	34,838,000....	30,435 000
1802....	15,186,880....	7,523,300....	37,873,320....	28,308,373

Agriculture advanced even in a greater degree than commerce; contrary to all precedent, the country had eminently prospered during the long and arduous struggle, and the disaffection and divisions which appeared during the early part of the war disappeared. From the close of the war in 1802 to the renewal of hostilities in 1803, an era of prosperity reigned in England. The revenue increased £2,000,000 without any increase of taxation. Internal as well as external peace blessed the country. An extensive paper currency maintained the prices and activity of war times, and the opening of the ports of Europe made the English seacoast cities the emporiums of the world.

The peace of Europe was again destroyed by declaration of war in 1803. Notwithstanding the vast expenditures and increase of the debt of Great Britain from 1803 to 1809 to meet the emergency of war, there was no stringency in money matters. The country was blessed with internal peace and prosperity. In the years 1810 and 1811 the harvests were very poor, insufficient, causing the exportation of £4,271,000 in specie to pay for grain. There was much distress in the manufacturing districts. To add to the trouble of the times, a strong opposition to the war was aroused, headed by Sir Francis Burdett. The government caused him to be arrested and lodged in the Tower. This added much to the discontent. During this time a stringency and threatened panic in the money market occurred. This has been attributed to the Milan and Berlin decrees of Bonaparte, the destruction of a large English merchant's fleet in the Baltic, and to the American Non-intercourse Act. These produced a sensible effect upon English business, but alone did not create the general financial distress that prevailed. The real cause for this is found in the fact that the shipments of gold abroad to buy bread so reduced the reserves of the banks, that the country banks greatly reduced their issues, thus reducing the volume of money, and at the same time there was an immense cutting off of credit. The discounts of paper at the Bank of England fell from £23,000,000 in 1810 to £15,000,000 in 1811. While this shipment of coin abroad was going on, the supply was sensibly diminishing on account of the wars in the mining country of South America. Besides this, there had been a constant increase of population and business in England.

In 1811 the combination of circumstances pointed to a want of more paper money, at the time when it and credit were being reduced. Parliament was wise enough to see the cause of the distress and applied the right remedy. Provision was made for the issuance of

£6,000,000 exchequer bills to the commercial classes, at nine and twelve months. This act restored confidence and credit and prevented a crisis. During the depression of 1811, prices fell greatly, and there was a considerable decrease in wages and demand for labor, causing much distress among the working class in the manufacturing districts. Amid this state of affairs, a widespread conspiracy was formed among laboring men for the destruction of improved machinery, they believing it to be the cause of the fall in wages and their inability to obtain employment. This conspiracy was suppressed by the execution of a few of the ringleaders.

From 1811 up to the close of the war in 1815, England constantly increased in population, in commerce and in wealth. The internal affairs were prosperous and peaceful. At the close of the war, there was universal joy and high hopes of a great increase of all business. The transition from war to peace in 1815 transferred 100,000 soldiers from the battle-field to business pursuits. In 1815, the export merchants greatly increased their exports, insomuch that for that year the amount reached £44,053,455, being £8,000,000 more than for 1814. The fall of prices all over Europe, as well as in England, after the war closed, caused the exporters immense losses on these goods.

Simultaneously with this condition of things—in fact, preceding it—the banks began a rapid retirement of their notes, in preparation for the evil day of resumption, which was to take place six months after the close of the war. The contraction of the currency was from £46,272,000 in the early part of 1815 to £42,000,000 in 1816, being a reduction of £4,272,000 within a few months. This together with the apprehensions of the results of resumption greatly reduced credit. The discounts of commercial paper at the Bank of England fell from £20,600,000 in 1815 to £11,182,000 in 1816. During this rapid contraction of currency and credit and consequent paralysis of business, a failure of the grain crop sent the prices of food up high in the latter part of 1816, necessitating the payment of high prices for living out of low wages and small profits, thus adding ruinous living rates to insufficient remuneration of industry. The result of this combination of circumstances was distress and suffering severe and widespread. Merchants, shippers and manufacturers were in failing circumstances. The agriculturalists were in like distress. The laboring classes were on little more than half wages or in idleness, and many in want.

As usual, in times of general depression, so in this case, the suffering and those thrown out of employment, joined by hosts of wretched vagabonds assembled in crowds, held meetings and announced an ultimatum. They, contrary to facts, held that the reckless prodigality of government sustained by a fictitious paper credit were the sources of all their distresses; that it was this which made provisions high, wages low, and want of employment universal. They demanded a sudden reduction of public expenditures, and a return to metallic currency. These meetings resulted in serious riots, in which several lives were lost.

The general suffering and discontent manifested itself in a vast plan of insurrection, having its head in London and ramifying through all the manufacturing and mining districts, having for its object the overthrow of the monarchy and the establishment of a republic.

Great meetings were held by the discontented, under the direction of leaders. The Prince Regent was openly attacked. Open insurrection broke out in Derby, and it was only by the most vigorous and severe measures that the contemplated general uprising was prevented. The opening up of the grain trade from the Baltic, in the end of 1816 and in 1817, suddenly reduced the price of grain and rendered the condition of the farmers, already depressed, almost desperate. This made bread cheaper for all, especially laborers, but correspondingly reduced the farmers ability to buy manufactured goods, and thus lessened the demand for labor so that the reduction in the price of corn was of little benefit to the laboring classes beyond lessening the chances of immediate starvation.

This crisis and distress, and those riotous demonstrations of the laboring classes, were not caused by a decline of commerce, because in 1815 the exports exceeded those of the previous year by £8,000,000 and imports fell below those of 1814 £600,000, and this, according to the generally accepted theories, indicated commercial prosperity. In 1816 the exports fell £8,-000,000 below those of the previous year and the imports fell off £5,500,000, but this decline in commerce did not precede, but followed the crisis. The exports of each of those years exceeded the imports several millions, and were an average of those previous to 1815. There is, then, nothing in the foreign commerce to account for the crisis. The losses of the exporters on shipments of 1815 do not account for the depression of the times, because, had this been the only circumstance of importance, it would have resulted simply in weakening or breaking the exporters, and there stopped. Other men would have taken their places, and, beyond local and isolated cases of loss occasioned by the failure of those shippers, the community would not have been affected. The failure of the grain crop in 1816 could not have produced the disastrous state of affairs just related, because the failure did not come until after the crisis came, and in the last part of 1816 and in 1817, after large importations from the Baltic had set in, although prices of grain were reduced to half, yet the condition of all classes remained unimproved, and the distress of all the agriculturalists was aggravated. Furthermore, by reference to the history of 1799, we find that prosperity existed when there was almost a total failure of crops The clamor against public extravagance had no foundation, because the revenue and expenditures of government were considerably reduced below those of previous years. The sudden transition from war to peace cannot be considered a cause of the woeful times of 1816, because a cessation of war and a return to peaceful pursuits is a relief from the exhausting influence of war and enables a people to turn all their powers to the accumulation of wealth, and if it decreases the demands for munitions of war it increases demands for domestic consumption. This fact is illustrated in the history of the United States during the first few years after the close of the rebellion. No period in their history has been marked by greater prosperity and accumulation of wealth than that from 1865 to 1870. It is also proven by the condition of France after the Franco-Prussian war. When peace was declared, she bent all her energies toward production and commerce, and the gigantic results have astonished the world.

England owed no debt abroad that drained her coffers. She was at peace with all nations. There was nothing in either her internal or external condition or relations which, prior to the money crisis, indicated the approach of such a catastrophe. There is but one other source we can turn to for a cause: that is the finances. The war which had just closed had kept the country well drained of specie to maintain the English army on the continent. The supply of gold and silver from the South American mines had fallen from £10,000,000 in 1809 to £2,500,000, on account of the revolution there, so that England had no adequate supply of coin to carry on her business. Simultaneously with this reduction of the coin and the other depressing circumstances related, the banks, instead of enlarging their paper circulation to hold up and strengthen the arms of industry and spread the sails of commerce, were compelled, by the law, on the close of the war to begin a vigorous retirement of notes in order to be prepared for resumption. Thus the paper currency was reduced four or five million pounds within a short time, followed by a panic, and consequently credit was rapidly reduced and all business paralized. Besides this, a large amount of exchequer bills was retired by the government in 1816, thus still further reducing the volume of money. Another fact tending to accelerate the approaching ruin was the general apprehensions and forebodings felt in view of the coming day of resumption. Furthermore, at the close of the war all the powers of Europe pursued the same unwise policy of funding their unfunded and floating debts, reducing the paper money and returning to specie payments, thus reducing the aggregate volume of money and causing a universal fall in prices over Europe.

In this, then, rests the cause of the crisis and labor riots of 1816—rapid contraction of the currency; and this resulted from the approach to specie resumption required by law. In the parliamentary debates on the distress of 1816, Lord Liverpool, Lord Castlereah, and Mr. Vansittart mentioned that "co-incident with the fall in prices of corn, has been a great reduction in the amount of the circulating medium. Beyond all question, this is the principle cause of the distress which now generally prevails." Even the bullionists, headed by Messrs. Horner, Ponsonby, and Tierney, in moving for resumption of cash payments, were compelled to admit that "a greater and more sudden contraction has never taken place in any country than in this, since the peace, with the exception, perhaps, of France after the failure of the Mississippi scheme. This sudden contraction has been the cause of all our distresses; it is, and will long continue to be, the cause of all our difficulties." The last clause was prophetic, and yet their faith in a metallic currency and specie basis of prices was so blind that they relentlessly moved for resumption, although they knew the suffering it would entail upon the people.

Sir A. Alison said of 1816: "The sudden contraction of the currency, from the prospect of a speedy resumption of cash payments, then involved one-half of the farmers and traders of the United Kingdom in bankruptcy."

This condition of affairs continued through the first half of 1817.

The Remedy.—Parliament, after long debating, deferred a resumption of cash payments, and issued £7,500,000 exchequer bills. The banks were thereby enabled to reissue their notes with safety, and the volume of currency rapidly grew in the latter part of 1817 and 1818, so that in the latter year it had increased £5,000,000, this with the exchequer bills making a total increase of circulating medium of £12,500,000. Symptoms of improvement appeared in the enlarged issues of country banks in the latter part of 1817. An advance of prices and a restoration of peace and prosperity followed all through 1818 and in the first part of 1819.

1819, 1820, 1821, 1822, and first part of 1823. —In 1818 Parliament thought it expedient to still further defer a resumption of specie payments, until July 5th, 1819, which was accordingly done. At the opening of Parliament in January, 1819, affairs were in a prosperous condition; so much so that the Prince Regent said in his speech: "There is a considerable and progressive improvement of the revenue in its most important branches, and trade, commerce, and manufactures of the country are in a most flourishing condition." Parliament rejoiced at the auspicious circumstances under which they met. The country being thus blessed with internal peace and prosperity, and there being nothing to mar the present happiness or excite apprehensions for the future, Parliament, early in February, took up the question of resumption of specie payments. Upon news of this action becoming spread abroad, merchants, traders, and bankers sent petitions in praying for a still further postponement of resumption, and warning members against the dangers liable to follow a return to specie payments. The subject was lengthily discussed, and so universal was the conviction of members that the time for resumption was auspicious, that when the resolutions for partial resumption to begin February 1st, 1820, and full resumption to begin in May, 1823, were put upon their passage there was not one dissenting voice against them. The effects of this act were terrible in the extreme. The country banks, alarmed, at once refused to extend credits, and quickly reduced their circulation nearly £5,000,000 sterling. The entire paper circulation was reduced from £46,278,000 in 1818 to £40,928,428 in 1819. Credit was almost destroyed. Commercial paper, discounted at the Bank of England, fell from over £20,000,000 in 1815 to £6,515,000 in 1819. "The current of business was at once congealed, as the flowing stream by an artic winter." Imports and exports fell off from ¼ to ⅓. Prices fell to half their former amount. Distress was universal in the latter months of 1819. Distrust, the forerunner of all financial disasters, was in all branches of industry and business. The three per cent. government bonds fell from 79 in January to 65 in December. The bankruptcies increased from 86 in January to 178 in May; and for the whole year were 531 more than for the preceding year.

The effects of this panic spread disaster and distress over the whole country, and the discontent and suffering resulting were soon manifested in gigantic and threatening assemblages of the laboring classes. Mistaking the cause of their sufferings, these meetings, which became general all over the manufacturing districts of England and Scotland, demanded universal suffrage and annual parliaments. The leading topics of discussion were the depression of wages and misery of the poor. They organized and drilled in military exercises. They assembled at different points in great numbers, sometimes as high as 30,000 or 40,000, with flags, banners and mottoes, with such inscriptions on them as these: "No Corn Laws;" "Annual Parliaments;" "Universal suffrage;" "Vote by Ballot;" "Equal Representation or Death;" "Liberty or Death;" "God armeth the Patriot." One of the greatest of these meetings was dispersed by the military. It soon appeared how little effect the violent suppression of the Manchester meeting had in preventing assemblages of a similar or a still more alarming character throughout the country. Meetings took place at Birmingham, Leeds, Westminster, York, Liverpool, and Nottingham, attended by great multitudes, at which flags, representing a yeoman cutting at a women, were displayed with the word "*vengeance*" inscribed in large letters, and resolutions vehemently condemning the Manchester proceedings were adopted. In order to suppress these gatherings of suffering and desperate humanity the government was compelled to open the lists for volunteers, and by adding 11,000 recruits to the home force succeeded in suppressing them here and there for a time. But, while the insurgents were thus dispersed and cast down, they were not broken. Finally, in February, 1820, one of the most alarming and brutal conspiracies ever known was formed for the destruction of the English ministry, the overthrow of the monarchy, and the establishment of a provisional government. The plan was for hired emissaries to seek out the ministers at their places of abode and murder them, seize the artillery, take possession of the government property and force submission to the conspirators. This nefarious conspiracy would have succeeded, perhaps, at least in part, had not one of the number secretly revealed the conspiracy to the authorities. Secret measures were at once taken, and the ringleaders were captured unawares. On the heels of this came insurrections and outbreaks all over the north of England and Scotland, having for their object the overthrow of the government. These outbreaks necessitated an increase of the yeoman soldiery to 35,000, besides the regulars and militia. This state of affairs continued from the latter part of 1819 to and including the greater part of 1823. Riots, incendiarism, house breaking, strikes, insurrection, conspiracies to overthrow the government, destruction of property, and universal distress among the laboring classes, and great depression among agriculturalists, merchants, and manufacturers, rent and distracted the country during the space of over three years.

Following is a graphic description of the terrible results of British resumption measures from 1816 to 1823, taken from Doubleday's History of England:

"Prices fell, on a sudden, to a ruinous extent; banks broke; wages fell with the prices of manufactures, and before the year 1816 had come to a close, panics, bankruptcy, riots and disaffection had spread through the land. Vast bodies of starving and discontented artisans now congregated together demanding a reform of the Parliament, a repeal of the corn laws, and a reduction of taxation. The discontents, the government, as usual, put down by an armed force, who, with the Constitution in their mouths, sabred the people *a la Cossaque*. The commercial distress they ascribed to the transition from war to peace, and contented themselves with the application of some palliatives in the shape of advances of money and exchequer bills through the Bank, hoping that affairs would gradually come round to a settled state. In this they were, after a time, partly gratified The mercantile part of the community accommodated themselves gradually, perforce, to the new scale of prices, after a transition which rendered bankrupt no less than eighty-nine country banks, together with an enormous number of traders of all grades and descriptions. In the midst of this turmoil, another grand cause of confusion remains to be mentioned, and this was the new and ticklish position of the Grandam of so many years of villainy and egregious folly, to-wit, of the 'Old Lady of Threadneedle Street,' as she now began to be called; that is to say, of the Bank itself. The reader will remember that throughout the various times when the act for continuing Pitt's 'Bank Restriction' were to be renewed or altered, one clause was always retained, that was the clause binding the Bank to *resume cash payments* within a few months after peace should come. It has been asserted that Pitt never meant this clause to be enforced, *at least so far as regarded the fund-holder*; and that he intimated as much in Parliament on one occasion. This may possibly be true; but the clause, nevertheless, was adhered to; so that, before the Waterloo bonfires were well out, the Bank Directors, with this clause staring them in the face, began to bethink themselves how they might most quickly lessen the enormous bales of their paper that were afloat, so as to give them some chance of paying the remainder in gold and silver 'on demand.' This was a new feature. During the former revulsions, such as that in 1810, caused by the decrees of Bonaparte against the admission of British goods, the Bank had come promptly forward with loans and discounts to relieve the pressure. Now, however, the Directors scarcely dared to move an inch. They knew that the 'political economists' were strong in the House, and that *they* were bent upon cash payments at all risks. They knew that the Jews of Change Alley would secretly abet the same doctrine. Against a combination of usurers and theorists, one set all selfishness, the other all crochets, there was no defence to be made. The country gentlemen, who were the dupes of the economists, were led to believe that cash payments were necessary for both the interest and security of themselves. Those who had the power were resolved, and nothing was left to the Bank but to narrow its issues, and look about for gold and silver wherewith to meet the storm. This was altogether a difficult business. In the year 1816 alone, *thirty-seven country banks* had become bankrupt. The commercial world, therefore, required additional propping. But the government was in the same dilemma; and to it the merchants were sacrificed. Between February and August, 1816, the Directors lessened their discounts from *twenty-three millions to eleven millions*; and before February, 1817, to *eight millions*; and before August of the same year to *seven millions*; whilst up to nearly the same period, they held of exchequer bills, etc., *twenty-five millions!* This reduction of private discounts answered two purposes of the Bank: it kept their circulation within bounds; and, if it slaughtered the merchants and manufacturers, it brought about another novelty, viz., *a reduction in the price of gold down to four pounds the ounce*; or nearly to the mint price! This enabled them to get gold on easier terms, and to make a flourish, by the voluntary issue of a large sum in sovereigns; a measure absurd and premature to the last degree, for by this addition thrown into the currency, the prices of gold and silver bullion were again raised a little, and the whole of this new coin was exported!

"This reduction of the Bank issues, and destruction and crippling of the country banks, had another and still more important effect, inasmuch as by causing the price of gold to fall to nearly the mint price, it encouraged the political economists to press forward, and at last, in 1819, to pass an act, the most important in its consequences, and extraordinary in its circumstances, that ever was decided upon by any legislature, in any age or country. This was the celebrated 'Bill for the Restoration of Cash Payments,' passed in 1819, and since famous as 'Peel's Currency Bill.' * * * * *

"When the two Houses of Parliament met for the session of the year 1822-23, to the eyes of intelligent observers an extraordinary scene presented itself. There, on one side, were the two Houses, constituting the 'Imperial Parliament,' gaged and pledged, as deeply and solemnly as ever men were pledged in all the world, to set the currency question 'at rest forever,' as far as extinction of all Bank notes for sums under five pounds, and the payment of the remainder on demand, in sovereigns coined out of gold at the rate of £3 19*s.* 10½*d.* per ounce Troy, could set it at rest; and there, on the other side, were Mr. Cobbett and his readers with their *gridiron* ready either to repeat upon the person of that extraordinary man the sad story of St. Lawrence, or to be adopted as a type and token of the triumph of his principles as to this grand topic for ever and ever! At this period, however, Mr. Cobbett did not stand so much alone as he did at the time of his hazarding the prediction, with all its penalties annexed to it. As the memorable first of May, 1823 drew near, the country bankers, as well as the Bank of England, naturally prepared themselves by a gradual narrowing of their circulation, for the dreaded hour of gold and silver payments 'on demand,' and the withdrawal of the small notes. We have already seen the fall in prices produced by this universal narrowing of the paper circulation. The effects of the distress produced all over the country, the consequences of this fall, we have yet to see.

"The distress, ruin and bankruptcy which now took place were universal, affecting both the great interests of land and trade; but amongst the landlords whose estates were burthened by mortgages, jointures, settlements, legacies, etc., the effects were most marked and out of the ordinary course. In hundreds of cases, from the tremenduous reduction, in the price of land which now took place, the estates barely sold for as much as would pay off the mortgages; and hence the owners were stripped of all, and made beggars."

The cause of this chaotic state of society was not a decline of commerce, because that did not precede but followed the crisis. In 1818 the exports were £44,-564,044, and the imports £35,845,340, both several millions greater than they had been since 1815. For 1819, the year the crisis began, the exports were £35,-643,415, being nearly £9,000,000 less than those of the preceding year; and the imports were £29,681,640, being over £6,000,000 less than for 1818. This was during the crisis. The exports of 1819 were £6,000,-000 greater than imports, showing a healthy balance in favor of England. The crisis in France and Belgium of 1817 and 1818 was not the cause of the English chaos, because, at the time when the former were suffering most severely, England was most prosperous, as appears from her commerce and internal conditions in 1818. There was no scarcity of provisions. Prices of food were low, and plenty filled the country. England's foreign relations were all peaceful. The country abounded in agricultural, mechanical and mineral products. Taxes had been considerably reduced, and government expenditures brought down several millions.

There were no changes in the form of government; no radical transitions or changes in society; no great questions of church or state; nothing in the condition of things, except the unwise legislation of Parliament, which could have produced such a state of affairs as distracted England from 1819 to 1823. The exportation of gold in 1818, one of England's most prosperous years, to pay for previous importations of grain, together with the payment of a small French loan, had reduced the bullion in the Bank of England from £11,914,000 in 1817, to £6,363,000 in 1818, and the small supply of bullion continued until 1823; but this of itself could not have been the cause of the disasters, else the crisis would have taken place in 1818. That the exportation of bullion was not alone the cause of the crisis is evident from the fact, that during all the prosperous years, from 1800 up to 1809, the bullion in the bank averaged fully as low as it did in 1818. Want of credit cannot have been the cause, because discounts for 1819 were £1,100,000 greater than they had been in 1818. But credit was much below what was needed.

The real, the moving cause of the crisis, was the act of Parliament, early in 1819, fixing a day for a partial resumption of specie payments, to begin February, 1820, and full resumption, May, 1823. So soon as this act was passed, the banks began a rapid contraction of their issues. The contraction in 1819 was £8,-000,000, being one-sixth of the entire currency, within a few months, and it continued until sometime in 1822, when it fell to the sum of £26,586,000, but little over half what it had been in 1818. The effects of this contraction of the currency have been but feebly portrayed.

THE REMEDY.—At length the distress had become so great, and the dangers so alarming, that government recognized the fact that some remedy must be administered, or revolution might ensue. Accordingly, in July, 1822, Parliament, driven to it by the necessities of the times, passed an act permitting the Bank of England to issue £1 notes, and making the £5 and upward notes of that bank a legal tender. Authority was also conferred for issuing £4,000,000 exchequer bills for the relief of the agriculturalists. Thus it was, after three years of suffering, distress, riots, strikes and threatened revolution on the part of the people, the bullionists in Parliament were compelled to reverse their steps, renew the legal tender character of the bank paper, and issue a large sum of exchequer bills to relieve the country. The result was an expansion of the currency £6,000,000, and relief to the country.

The volume of currency stood as follows: for 1822, £26,588,600; for 1823, £28,096,544; for 1824, £32,-789,152; and in the beginning of 1825, £41,048,298.

1825.—The year 1825 opened auspiciously. Lord

Derby said in his speech, at the opening of Parliament: "Our present prosperity is a prosperity extending to all orders, all professions, and all districts." The *Annual Register* said:

"Agricultural distress had disappeared; the persons engaged in the cotton and woolen manufactures were in full employment; the various branches of the iron trade were in a state of activity; on all sides new buildings were in a state of erection and money was so abundant that new plans of enterprise found no difficulty in commanding funds."

The *Quarterly Review* said:

"The increased wealth of the middle classes is so obvious that we can neither walk the fields, visit the slopes, nor examine the workshops and storehouses without being deeply impressed with the change a few years have produced."

This prosperity seemed to rest on a solid basis. The three per cent. government bonds advanced to 96 in July. Prices of almost all commodities advanced, as did also stocks of banks and corporations; exports had risen to £48,735,351 from £40,831,744 in 1822; imports had reached £42,680,954 from £30,500,000 in 1822. This prosperity existed until the autumn of 1825, when the storm of financial disaster, which had been gathering for some months, burst suddenly upon the country, sending dismay to the hearts of the people, and spreading ruin through the land.

"In the end of November, the Plymouth bank failed. This was followed on the 5th of December by the failure of the house of Sir Peter Pole & Co. in London, which diffused universal consternation, as it had accounts with fifty country banks. In the next three weeks, seventy banks in town and country suspended payment. The London houses were besieged from morning to night, by clamorous applicants, all demanding cash for their notes. The Bank of England itself had the utmost difficulty in weathering the storm, and numerous applications were made to government for an order in council suspending cash payments. But this was steadily refused so long as the Bank had a guinea left; and meanwhile the consternation over the whole country reached the highest point. Every creditor pressed his debtor, who sought in vain for money to discharge his debts. The bankers, on the verge of insolvency themselves, sternly refused accommodation even to their most approved customers. Persons worth £100,000 could not command £100 to save themselves from ruin."—*Alison.*

The cause of this was not the condition of commerce, for it was steadily increasing and in a healthful condition, the exports of 1825 being £6,000,000 greater than imports. The exports had exceeded the imports for a series of years. Credit was not the cause, for in that year it was low—only £7,691,464 in discounts at the Bank of England, which was £5,000,000 less than it had been in the year 1816 and £13,000,000 than that of 1815. There was no war; no failure of crops—nothing which could produce such a crisis prior to the contraction of currency.

The Cause.—On account of expenditures of English capitalists on their South American mines, large amounts of coin were needed by them. This created a pressure on all the banks for the precious metals, and the country banks being unable to supply the demand applied to the Bank of England. This resulted in a reduction of specie in its vaults from £14,200,000 to £8,779,000 between July and November, and ultimately to £1,000,000 in December. The Bank at once proceeded to draw in its notes and reduce its circulation in order to insure safety. This was done so rapidly that its outstanding notes fell to £17,709,000 in the first week in December from £26,000,000 in the summer, and the entire bank circulation was reduced during the same time from £40,000,000 to £31,000,000. This enormous contraction in the space of two or three months unsettled all business, brought prices down and almost bankrupted the country. It may be proper here to explain that the charter of the Bank of England was such that its paper circulation was regulated by the amount of coin in its vaults, and although its notes were legal tender all over the kingdom for everything, yet they were by law required to be redeemed by the Bank in coin, whenever presented. The country bank issues were redeemable in Bank of England notes or coin, so that whenever a demand for gold arose for any purpose, the country banks and people applied to the Bank of England with its notes, which were then paid in specie. If coin became scarce, the Bank was compelled, in consequence of the provisions of the law, to retire a sufficient quantity of its notes to bring itself within the bounds of safety. Thus it was that when coin was scarcest and most paper money was needed there was least of it, and when coin was plentiful and there was least need of paper money, there was most of it. The whole banking system of England was, in effect, although not in terms, based on coin, and, consequently, subject to all vicissitudes incident to the constantly varying volume of the precious metals, resulting from their migratory tendencies.

THE REMEDY.—"In this extremity, government, despite their strong reliance on metallic currency, were fairly driven into the only measure which could by possibility save the country. It was evident to all, what the crash, which threatened universal ruin, was owing to. It arose from the currency of the country being suddenly contracted in consequence of the drain of specie from the banks at the very time when an expansion of it was most called for to sustain the immense engagements of the people. The remedy was obvious—expand the circulation irrespective of the drain of gold. This accordingly was done by government. Immediately after the failure of Cole & Co.'s bank frequent cabinet councils were held; and it was at length wisely determined to issue one and two pound notes of the Bank of England for country circulation. Orders were sent to the Mint to strain every nerve for the coinage of sovereigns; and for a week 150,000 sovereigns were thrown off daily. But here a fresh difficulty presented itself. Such was the demand for the Bank of England notes, that no amount of strength applied to throwing them off could enable the bank to keep pace with it. In this dilemma, when the specie in their coffers was reduced to £1,000,000 and runs (for coin) were daily increasing, an accidental discovery relieved the bank of their immediate difficulties and enabled them to continue the issues to the country bankers, which saved the country from total ruin. An old box containing £700,000, in one and two pound notes, which had been retired, was accidently discovered in the

Bank of England and immediately issued to the public. By this means the demand was supplied till the new notes could be thrown off. The effects were soon apparent. The people having got notes, abated their demand for gold; confidence began to revive, because the means of discharging obligations were afforded; and at a meeting of bankers and merchants in the city of London, resolutions declaratory of confidence in government and the Bank of England were passed, which had a great effect in restoring general confidence. So vigorously were the new measures carried into effect that the circulation of the Bank of England, which on the 3rd of December had been only £17,000,000, was so raised that on the 24th of December it was £25,611,800. Thus was the crisis surmounted, though its consequences long continued, and left lasting effects on the legislation and destinies of the nation. Markworthy circumstance! The danger was overcome, not by any increase in the metallic treasure of the country, but by a great issue of paper when there was no specie to sustain it."—*Alison.*

The total issue of bank paper increased from £31,000,000 in the first week in December, to £40,000,000 on the 25th of same month. This was a short but sharp and dreadful panic. We give its history because it was the beginning of a long season of financial disasters, and exhibits the wonderful and rapid effects which may attend contraction or expansion of the currency.

1826.—Although the issue of £9,000,000 of bank paper between the 3rd and 25th of December, 1825, averted the panic and saved the country from a universal financial crash, yet it was not equal to restoring entire confidence and making business prosperous, because the law requiring cash payments at the bank still existed and the people and the bank were held in constant dread of a recurrence of the catastrophe of December. The Bank of England was almost entirely depleted of coin, and just so soon as the panic was over, it and the country banks again proceeded to contract their issues, resulting in a reduction of the currency from £40,000,000 on December 25th, 1825, to £30,219,661 in 1826. The consequence was a restriction of accommodations at banks, fall of prices, reduction of work, discharge of manufactory hands, much distress, want, and suffering, and, in many places, the most appalling proofs of wretchedness.

"The great distress, as usual in such cases, led to serious acts of riot in several of the manufacturing districts. The recent improvements in machinery were generally regarded as the main cause of the general suffering, and in Lancashire the indignation of the operatives against what they deemed an invasion of their birthrights, broke out in various and most melancholy acts of outrage. It was a woeful spectacle to see the streets of Manchester, and the chief towns in its vicinity, with vast crowds, sometimes ten thousand in number, whose wan visages and lean figures but too clearly told the tale of their sufferings, snatching their food from bakers' shops, breaking into factories and destroying power-looms, mills, and throwing stones at the military, at the hazard of being shot, rather than relinquish an object on the attainment of which they sincerely believed their very existence depended. Serious riots took place in Carlisle; and in Norwich, where twelve thousand weavers were employed, an alarming disturbance, attended with great violence, occurred. In all the iron districts, strikes to arrest the fall of wages took place; and in Dublin and Glasgow immense crowds of operatives paraded the streets entreating relief."

THE CAUSE.—The falling off in exports from £48,-735,550 in 1825 to £40,965,735 in 1826, and of imports, from £42,660,000 in 1825 to £37,686,000 in 1826, was not the cause of the disasters, because the crisis of 1825 and the stringency beginning with the beginning of 1826 preceded the decrease of commerce. The improved machinery, complained of by workmen, was not the cause, for the reason that no revolution in the method and means of manufacturing took place in that year; and for the further reason that improved machinery does not lessen the demand for wages of labor, because it lessens the cost of producing the manufactured article; this puts it in the power of a greatly increased number of people to buy the article and largely increases the demand; this again calls for more hands to work the machinery, and thus increases the demand for labor. There was no lack of bread, for the country was blessed with abundance. There was no war, nothing to cause the want, wretchedness, riots and strikes above detailed, but the rapid contraction of the currency as above particularized. The distress was enhanced, and the contraction accelerated by the heavy exportations of coin by capitalists, on account of their liabilities arising from their South American mines. The immense investments in railroad building, which had sprung up lately, also added to the complications and aggravated the suffering of the country.

The Remedy.—Notwithstanding the attachment of government and the House of Commons to the cheapening system, and their determination to enhance the value of money by reducing values of property to a specie basis, the necessities of the country drove them to adopt some measures of an opposite tendency. The first was an act permiting private bankers to have an unlimited number of partners, instead of six, to which they had been restricted by law. This gave more capital and strength to these banks, and enabled them to extend accommodations. The second was an act authorizing the establishment of branches of the Bank of England in the country towns. This gave a wider circulation to the small notes of that bank during the three years they had to run. The third was an act guaranteeing £3,000,000 of advances by the bank, on goods and other securities, to merchants and manufacturers. These sensibly averted the effects of the crisis of December, 1825, and the stringency of 1826, and brought a slow but steady relief to the country until the summer of 1829.

CHAPTER XVII.

OUTLINE OF ENGLISH HISTORY.

FINANCIAL, COMMERCIAL AND DOMESTIC.

1829 TO 1833.

With the latter part of 1829 began a period of stringency in money matters, depression in business, losses, bankruptcies, riots, strikes, predial crimes, incendiarism, insurrections, agitations and outrages, disastrous and appalling. From 1829 to the latter part of 1833, a deeper gloom and distresses more general and acute afflicted the country than all the disasters of the 21 years' war with France. To attempt to follow up and give individual cases of bankruptcy, ruin and distress would be a vain and useless effort. On the assembling of Parliament, in February, 1830, the King in his speech said:

"The exports in the last year of British produce and manufactures had exceeded that of any former year. He laments that, notwithstanding this indication of an active commerce, distress should prevail among the agricultural and manufacturing classes in some parts of the United Kingdom. It would be most gratifying to the paternal feelings of his majesty to be enabled to propose for your consideration measures calculated to remove the difficulties of any portion of his subjects and at the same time compatible with the general interests of his people."

Of the distress of the times, Earl Stanhope said:

"The speech from the throne spoke of distress in some parts of the country; but what part of the country was it in which Ministers had not found distress prevailing, and that, too, general, not partial?

The Kingdom is in a state of universal distress—one likely to be unequalled in its duration, as it is intolerable in its pressure, unless Parliament think fit to inquire for a remedy It is not confined to agriculture; it has extended to manufacturing, to trade and to commerce. All these great interests had never before at one time, been at so low an ebb, nor in a condition which demanded more loudly the prompt and energetic interference of Parliament The speech ascribed the distress which was so uninersal to a bad harvest; but did a bad harvest make corn cheap? and yet it is the excessive reduction of prices which is now felt as so great an evil, especially by the agricultural classes. The evil is so notorious that nobody but the King's Ministers doubt its existence. And how could even they deny it if they cast their eyes around and saw the counties spontaneously pouring on them every kind of solicitation for relief; while in towns, Mr. Alderman Waithman has attested the stocks of every kind have sunk in value 40 per cent.?

"There can be no doubt to what this universal distress is owing, it is to be ascribed to the erroneous basis on which our currency has been placed since 1819. Prices have not fallen in agricultural products only; the depression has been *continuous and universal ever since the Bank Restriction Act passed, and especially since the suppression of small notes took effect in the beginning of the year.* All these things have sunk in value together; and in manufactures and traders' stocks the fall has been so great that in the last ten years it has amounted to 68 per cent. Such a universal and continued depression can be ascribed only to some cause pressing alike upon *all* branches of industry, and that cause is to be found in the enormous contraction of the currency which has taken place When we recollect that the Bank of England notes in circulation have been reduced from £30,000,000 to £20,000,000, and the country bankers' notes in a still greater proportion, it is easy to see whence the evil has arisen, and where a remedy is to be found."

Following are given the outlines of some of the commotions, outbreaks, riots, and other demonstrations expressive of the agony and suffering of the common people:

1829.—"Manufacturers' stocks had fallen in price 40 per cent. This great fall in prices pervaded all branches of industry, both agricultural and manufacturing, and caused a corresponding and distressing fall in wages, and, in many places an entire cessation in demand for labor. In many places two and a half pence a day was the amount paid for labor. This lamentable fall in wages of labor was soon attended by its usual consequences—a variety of outbreaks and disturbances in the districts which were more immediately affected. Constrained by the general fall in the price of their produce to lessen the cost of production, the masters everywhere lowered the wages of their workmen, and this immediately gave rise to strikes and disturbances. A general strike took place at Macclesfield, and the delegates from Spitalfields openly recommended the destruction of looms by cutting out the silks. Ignorant of the real cause of their

sufferings, the whole vengeance of the working men was directed against the engine-looms, the visible rival of their labor, and the supposed source of their distress. The delegates assured them that 'the destroying angel was the best ally they had,' nor were they long of acting upon the advice. At Coventry, Nuneaton, and Beadworth serious strikes took place; and such was the terror produced by the violence of the workmen, that the masters generally gave in for a time to their demands. They soon found it impossible, however, at existing prices, to go on with such wages, and a reduction again took place. Upon this, riots again ensued, and they were particularly violent at Barnsley, in Yorkshire, where the combined working-men attacked the dwelling houses of obnoxious manufacturers and deliberately piled their furniture in great heaps to which they set fire. The workmen who had taken in work at the reduced prices were next assailed; and such was the alarm produced by this 'reign of terror,' as it was called, that they were compelled to return the materials they had received from their masters and join the strike."
—*Alison.*

The extreme suffering of Ireland during the same year made the time opportune for politicians to excite the people. There was no lack of such leaders, and a violent agitation arose for the repeal of the Union. Mr. O'Connel was the leader, and in the peroration to one of his warmest speeches said:

"The new society of 1782 shall be formed nor cease to spread its influence over Ireland till her Parliament be restored, her sons be of one creed, all joined in common cause of seeing old Ireland great and glorious among the nations of Europe"

The Catholics at once embraced the project. The Protestants as quickly opposed it, fearing, if successful, it might result in religious proscription. Thence resulted the most serious consequences. In Clare County the two parties met, one armed with muskets and bayonets, the other with scythes and pitchforks; and a conflict ensued in which lives were lost and much damage done. The County of Fermaugh assumed the aspect of open war. Catholics to the number of some thousands encamped on Benauglen Mountain, to which reinforcements speedily poured in from the adjoining counties. A large body of military only prevented open civil war.

"Before the great strife of parties began in Parliament, symptoms of discontent attended with danger and alarm began in several agricultural districts. It had been predicted that, unless relief was granted in answer to petitions which had been sent in for several years by agriculturalists, the working classes would break out in open acts of violence. This prediction was now verified. The disturbances began in Kent, from which they rapidly spread to Surrey, Sussex, Hampshire, Wiltshire and Buckinghamshire. Night after night new conflagrations were lighted up by bands of incendiaries; corn stacks, barns, farm buildings, and live cattle were indiscriminately consumed. Bolder bands attacked mills and demolished machinery; threshing mills were in an especial manner the object of their hostility. During October and November, these acts of incendiarism became so frequent as to excite universal alarm, and it was not till several examples were made by a special commission sent into the disturbed districts, and a large body of military quartered in them, that they were at length put down."—*Alison.*

The reception of the King by the Lord Mayor of London, on the 9th day of November, an ancient and honorable custom, was postponed for fear of violence and a general uprising of the people. Thousands of handbills had been printed and circulated, calling on the people to come armed on the occasion. Such notices as these were widely circulated:

"To arms! Liberty or death! London meets Tuesday next. An opportunity not to be lost for revenging the wrongs we have suffered so long. Come armed, be firm, and victory must be ours."

"Englishmen, Britons, and honest men: the time has at length arrived, and all London meets on Tuesday. Come armed. We assure you from ocular demonstration, six thousand cutlasses have been removed from the Tower for the immediate use of Peel's bloody gang. Remember the cursed speech from the Throne. These damned police are to be armed. Englishmen, will you put up with this?"

Their intention was to have a great riot in London and attack the Ministers of Government. The effects of the announcement of this conspiracy were immense. The most alarming reports were spread, and the people imagined that the awful scenes of Paris during the French Revolution were to be enacted in the streets of London. The panic was general. The public funds fell 3½ per cent. in two hours. But the King's reception was deferred. The opportunity for the acts contemplated by the conspirators being removed, no violence occurred. Lord Grey said in Parliament that the southern counties around London "were in a state of open insurrection." The condition of Ireland was even worse. Riots, incendiarism and violent agitation for the repeal of the union distracted that suffering country over its whole length and breadth.

1831.—From the time of the crisis of 1825, agitation for reform set in, and in 1831 it culminated in the introduction of a bill to that end, the main feature of which provided for a great change in the basis of representation. Parliament was prorogued and the canvass for the fall elections was marked with the most brutal violence. The brickbat and bludgeon were freely used. Opposers of the bill were daubed with mud and ducked in mill ponds, and their windows were smashed in. The Lord Provost of Scotland was seized by the mob on the day of the election, and an effort made to throw him over North Bridge. The mob continued their depredations through the whole day. At Ayr the opposers had to flee. In London the windows of the Duke of Wellington, Mr. Baring, and other leading anti-reformers were all broken. At Lanark a dreadful riot occurred, and the Conservative candidate was seriously wounded in a church where the election was held. At Dunbarton the Tory candidate, Lord William Graham, escaped death by being concealed in a garret all day. At Jedburg a band hooted the dying Sir Walter Scott.

The political unions formed to force the carriage of the Reform Bill. They were thoroughly organized and claimed to be able to muster two armies, either of which was as large as the allied army at Waterloo, and threatened to march on London. The political unions to the number of 150,000 assembled at Birmingham and petitioned the King. They portrayed the awful consequences which might ensue on a rejection of the bill. Their language and demonstrations at the meeting were violent in the extreme. Similar meetings were held at Liverpool, Newcastle, Edinburgh, Glasgow, and all the great towns, at all of which the most violent language was used, and the most revolutionary ensigns were displayed. At Derby the mob demolished the windows of anti-reformers. Some of the leaders were thrust into jail, but the mob broke the doors and rescued them. At Nottingham they stormed the castle of the Duke of Newcastle, sacked and burned that venerable structure to the ground. They burned other houses in the rural districts. At Bristol they gathered in great numbers in the streets and about the Mansion House, hissing, groaning, and throwing stones and brickbats at the anti-reform leader, Sir Charles Wetherall. The riot act was read to them; this infuriated them. The constables were attacked and driven back; the Mansion House was stormed and its furniture smashed and pillaged, and the iron railings in front taken as weapons by the rioters. The occupants of the house escaped through back ways. The mob then stormed the Council House, but being charged by the military dispersed. Next day thousands were added to the mob. The bargemen from the neighboring canals flocked in on all sides, and those wild-looking haggard desperadoes began to appear in the streets.

"Thus reinforced, the mob returned on the following morning, broke open and ransacked the cellars of the Mansion House, and soon intoxicated wretches added the fumes of drunkenness to the horrors of the scene."

There now being nothing more to destroy at the

Mansion House the rioters dispersed in bodies over the city. The most frightful scenes of violence and devastation ensued. One detachment proceeded to the Bridewell, where they broke open doors, liberated prisoners, who immediately joined them, and set the building on fire. Another went to the new jail, which was also broken open, the prisoners liberated and the building consigned to flames. The Gloucester County prison shared the same fate, and the chief toll-houses around the town were destroyed. A band next proceeded to the Bishop's palace, which was set on fire and totally consumed. The Mansion House shared the same fate, and not content with this, the rioters set fire to the Custom House, Excise Office, and other buildings in Queen Square, which soon were wrapped in one awful conflagration. An attempt was made to fire the shipping in the docks, but happily repulsed by the vigilance and courage of seamen. Exclusive of the Mansion House, Jails, and other public edifices, forty-two private houses and warehouses were burnt, and property to the amount £500,000 destroyed. During the riot many lives were lost.

1832.—During the pendency of the new reform bill, decisive proof of the ungovernable and revolutionary spirit of the times exhibited itself. The political unions and radicals assembled in great numbers, and the violence of their speeches exceeded anything which had yet transpired. Threats, denunciations, predictions of approaching and organized rebellion formed the staple of the harangues. At Liverpool, Glasgow, Edinburg, Manchester, Leeds, Paisley, Sheffield and all the great towns, meetings attended by 30,000 or 40,000 persons were held, at which violent threats were repeated, and revolutionary ensigns were displayed. The National Union, on the 3d of May, declared *that if the Reform Bill was defeated, the payment of taxes would cease, the other obligation of society would be disregarded, and the ultimate consequences might be the extinction of the priviledged orders.* The Reform Bill *passed and became a law, but it did not relieve the country.* The greatest disorders, distraction, distress and threatened revolution existed in Ireland.

"The scene of predial violence and bloodshed which followed those savage denunciations had never been paralleled in Europe, save in the Jacquerie of France, and the most violent excesses of the insurrection of the Boors in Germany."

1833.—Mr. Attwood, member of Parliament, said: "Distress, general, extreme, unnatural, is greater than in any former period of our history."

The violence which had distressed the country for years began to pass away in 1833. Business assumed more vigor, and men's countenances bore a more cheerful aspect.

The Causes.—England had engaged in no war since the fall of Bonaparte. She owed no debt abroad which drained her coffers, her debt being owned at home. The taxes had been reduced. The revenue and expenditures of the government had been decreased. Her subjects had a full measure of personal liberty; and all their industries, agriculture, manufactures, mines, shipping and fisheries, yielded abundantly under the fostering and protecting care of the government. No calamity had befallen the nation; no famine had starved, nor pestilence destroyed—excepting the cholera one season. Excepting Ireland, which has always been restless under the yoke of British government, there was no sectional, local or class quarrel. Excepting the payment of tithes to the church of England, and the differences between catholics and protestants in Ireland—and these things were not peculiar to the period of time under review—there was no church question to disturb the peace. Commerce had been in a healthful state for a number of years, both exports and imports steadily increasing, the former always exceeding the latter, except for the year 1829, which was marked by a great falling off of exports and an excess of imports over the exports. The government owed an enormous debt of nearly $4,000,000,000, contracted under the French war, but it was nearly all owned by British subjects, and the interest was at the low rates of from three to four per cent., so that the annual expenses of the public debt were but little over those of the United States at this time, and the interest being paid to Englishmen the money was kept in that country instead of being sent abroad, as is the case with the United States now.

The internal and external relations and conditions of the government and country were healthful. And yet, during all these years, from 1829 to 1833, one continuous wail of distress pierced the heart, and riot, conflagration and bloodshed startled the sense of the country.

In reviewing this history, one is forced to conclude that the vicissitudes of the currency, and the contraction of the volume of money below the needs of the country, were the direct causes of commercial and financial distress, and the irritating causes which excited every other feeling of discontent and aroused the suffering laborers and gave occasion to desperate characters to engage in riots, strikes, house-burnings, insurrection and bloodshed. Below we give two tables, one showing the Bank note paper in circulation and the amount of commercial paper discounted at the Bank of England from 1815 to 1834 inclusive, the other showing the amount of exports and imports during the same time:

Year.	Paper Money.	Notes Discounted	Year.	Paper Money.	Notes Discounted
1815..	£46,270,650..	£20,600,000	1825..	£40 000,000	Dec. 25th
1816..	42,090,620..	11,182 000	1825..	....	£7 691,464
1817..	43,294,900..	3,960,600	1826..	30,219,661..	7,369,749
1818..	49,278,700..	5,113,748	1827..	32,732,900..	3,389,725
1819..	40,928,428..	6,321,748	1828..	31,478,988..	3,322,754
1820..	34,145 395..	4,672,123	1829..	27 674,517..	4,589,370
1821..	30,727,630..	2,722,587	1830..	26,965,096..	3,654,071
1822..	26.588,600..	3,622,151	1831..	26,452,846..	5,848,478
1823..	28,096,544..	5,624,698	1832..	26,763,895..	3,247,169
1824..	32,759,152..	6,255,342	1833..	27 684,014..	....
1825..	41,000,000	In first half	1834..	29,347,600..	....
1825..	31,000,000	Dec. 5th			

TABLE OF EXPORTS AND IMPORTS.

Year.	Exports.	Imports.	Year.	Exports.	Imports.
1815..	£44,053,455..	£31,822,053	1826..	£40,965,735..	£37 686,113
1816..	36,697 610..	26,374,921	1827..	52,219,280..	44,887 774
1817..	41,558,585..	30,834,299	1828..	52 797,455..	45,028,805
1818..	44,564,044..	35,845,340	1829..	35,522,627..	43,981,317
1819..	35,634,415..	29,681,640	1830..	69,691,302..	46,245,241
1820..	40,240,277..	31,515,222	1831..	71,429,004..	49,713,889
1821..	40,240 277..	30,729,769	1832..	76,071,577..	44,586,741
1822..	40,831,744..	30,500 094	1833..	(Not known to author)	46 245,241
1823..	44,286,533..	34,591 260	1834..	73,821,550..	49,362,811
1824..	43,804,372..	36,056,551	1835..	78,376,731..	48,911,542
1825..	48 735.551..	42,660,954			

Sir Archibald Alison, in his History of Europe, in commenting upon the public clamor for reform and assigning a cause for the distresses of the country, said:

"A circumstance occurred at this time which most materially tended to swell the cry for reform in Parliament, by increasing the difficulties under which, from the effect of legislative measures, the industrious classes labored. By the act passed in February, 1826, regarding small notes, it had been provided that, though no new stamps were to be issued for small notes after its date, the notes already in circulation were to continue to circulate and be received as legal tender three years longer. These three years expired in March, 1829, and all notes in England below £5 immediately disappeared from the circulation. Great was the effect of this decisive change upon the fortunes and wellbeing of the industrious classes, both in town and country, over the whole nation. Coinciding, by a singular chance, in point of time, with the sudden conversion of so many statesmen and legislators, in both Houses on the subject of Catholic claims, and the passing of the Relief Bill in consequence, it powerfully tended to inflame the desire for radical change, by superadding personal and private distress generally in the industrious classes to indignation at public measures, distrust in public men. The diminution in the circulation in consequence, was immediate and decisive These considerations explain how it came to pass that the passion for reform, unfelt as a national feeling prior to 1820 became gradually stronger, until in 1832, it was altogether irresistible. The feeling which produced it was the most powerful which can agitate an intelligent community, and which, when it pervades all ranks in the state, ere long acquires such force that it must obtain its entire direction. 'Deliverance from evil!' was the universal cry. This desire which had acquired such force and intensity as to have become a perfect passion with nearly all classes, and especially the agricultural, is easily explained when we recollect how deeply all interests, and especially those of labor and production, had been affected by the prodigious change of prices of commod ities of all sorts, from grain to cotton, which had been effected by the successive contractions of the currency in 1819 and 1826. With each of these contractions the cry for reform was revived: with the last it became so powerful as in six years wrought an entire change in the feelings, desires, and interests of all classes. It is in this reduction of prices that the explanation of the English revolution, with all its mighty effects, foreign and domestic, is to be found. Every article of production or exchange fell gradually in price after the suppression of small notes in 1826, till it settled at about two-thirds of its former amount. There was no class of society, save the holders of realized wealth, which was not affected or ruined by the change. The capitalists and fundholders alone were benefitted; thence the cry, that the rich were every day getting richer, and the poor poorer. This was no senseless popular outcry; it was the simple statement of an acknowledged and undoubted fact. The organs of the moneyed interest made a boast of it, when after the contraction of the currency had worked out its full effects, they said their measures had made the sovereign worth two sovereigns. They had done so, and not less certainly had they made the laborer's shilling only sixpence. They had halved the remuneration of industry when they doubled the value of money. The two effects were consistent for they both sprang from the same cause.

"This constant decline of fortunes and diminution of income in the largest, most industrious, and most important class of the community, was felt as the more galling, from the contrast exhibited at the same time by the holders of realized wealth, who were every day becoming richer, not from an addition to their incomes, but an addition to its exchangeable value. Every holder of commodities felt them every day getting cheaper; the longer he retained them, the worse was his sale, the greater loss on his transactions. Manufacturers and farmers found that they could not with markets constantly falling, work to a profit, except by saving every shilling in the cost of production, and lowering to the uttermost the wages of their workmen. Thence a steady fall at once in the profits of stock and the wages of labor, and the distressing recurrence of strikes and organization of trades union to arrest the decline. Thence, too, the origin of the sore and angry feelings between the employers and employed, which has never been allayed, and has so much aggravated, in periods of distress, the danger of our social position. All classes, save the moneyed, were suffering from the long continuance of the fall of prices; and this general suffering produced the ill-humors which, skillfully directed by the popular leaders against the nomination boroughs, produced the change of the constitution."

The distresses of the people had faned to a flame every smouldering spark of dissatisfaction. Violent political agitation for a repeal of the union distracted the country. A universal clamor for reform and a change of constitution was carried successfully. Various acts looking to a remedy for existing evils had been enacted by Parliament; but all to little purpose. Distress still scourged the country. On the 21st of March, 1833, Mr. Attwood, who had been an active member of the Political Union and a strenuous supporter of the reform bill, in a speech before Parliament portraying the existing wretchedness, incidentally admitted the futility of the acts which had been passed to bring relief. He said:

"What is the good of having a reformed Parliament if they do not apply a remedy to the existing distress? And what will people think of a Reformed Parliament having sat so many weeks without attempting any one measure in behalf of the distressed. Distress, general, extreme, unnatural, is greater than in any former period of our history.

"In agriculture, one-half have more labor than they can bear, while the other half have nothing to do; and yet the laborer can produce four times more than is required for the support of himself and family. In manufactures the proportion of the produce to the wants of the laborer is still greater, but matters, instead of getting better. are daily getting worse. Labor is badly paid; manufactures scarcely carried on with any profit—in some with a loss; commerce is declining in the same proportion; and such is the distress of the shipping interest that two-thirds of the shipping in the Thames is under mortgage, which is not fore-closed only because it is not considered worth the redemption. The poor-rates have doubled in real weight, from the price of the produce from which they are paid having been halved. There are 100,000 men walking about London in search of employment. In many parts of the country, able-bodied men are working night and day for 8*s*. or 7*s*.6*d*. a week, and often can earn no more than 4s. England may be divided into two classes, the distressed and the affluent. In the first class are included the whole land holders, in the last the bond and fund holders. The former are depressed by charges on their estates which were to be paid in a currency 50 per cent. dearer than that in which they were contracted; the latter are enriched by receiving £90 in gold for their £60. The land-holders, in these circumstances cannot contribute to war, and the fund-holders will not, because it will reduce their £90 back to £60. Thus we do not venture to take a decided part in foreign transactions and surrender Antwerp to France, and Constantinople to Russia rather than endanger the ill-gotten gains of the class whom it had been our sole object to enrich. The result of the distress is an enormous increase of crime. These deplorable effects are all owing to the alteration made on the currency, which, it had been said, would only alter prices 4 per cent., but had in reality lowered them 100 per cent. and in the same proportion reduced the gains of the producing classes."

The effect upon prices produced by the monetary system adopted by England in 1819, and pursued to 1833, was clearly demonstrated by Mr. Waithman, from the Parliamentary returns. The values of exported and imported articles were determined by a schedule of prices adopted by the government in 1697. Hence, the official values of exports and imports do not show the money or commercial values of them. Mr. Waithman demonstrated that from 1814 to 1820, though the greater portion of this time were years of distress, the excess of real or money value over official value in exports was £41,000,000, or an average of £5,857,142 per annum, while for the eight years, from 1821 to 1828, the excess of the official over the real or money value of exports, was £80,000,000, or £10,000,000 per annum.

"Whoever considers this immense depreciation and the effects it must have had on industry of every description, while taxes, bonds, bills and money debts of every description remained the same, will have no difficulty in discerning what it was that uprooted the attachment to old institutions,"

and produced the distress referred to from 1819 to 1833.

There is a coincidence between the large volume of currency of certain periods reported in the foregoing table, and the peace and prosperity of the country during the same period, no less remarkable than the coincidence between the small volume of currency and the depression of business and disturbances of other periods. For instance, in 1814 the volume of currency was £47,500,000, and in 1815 it was £46,272,000. Those were remarkably prosperous years, while 1816 and 1817 were years of great depression, and the currency amounted to only £42,000,000 in the former, and £43,294,000 in the latter year. In 1818, a year of peace and prosperity, the currency was £48,278,000, while in 1819, a year of very great distress, riots and disturbances, the currency was reduced to £40,738,-000, and it continued to decline in volume during the distressing years of 1820, 1821 and 1822, until in the latter year it fell to the low point of £26,588,000. From this point it began to expand again, followed by corresponding improvement in peace and prosperity, to £28,000,000 in 1823; £32,759,000 in 1824 and £41,-000,000 in the first half of 1825, when it rapidly fell to £31,000,000 on the 5th of December, when there was a great crisis; from which it again expanded to £40,000,000 on the 25th day of December, the same year, stopping the panic. It again fell to £30,219,-000 the next year and continued to lessen in volume followed by a corresponding increase of suffering, riots, strikes and desperate deeds, until the latter part of 1833, when a slight expansion set in, followed by appearances of returning peace and prosperity. The reports of exports and imports exhibit nothing upon which the disasters referred to could rest. On the contrary, they, taken alone, exhibit evidences of prosperity during the periods of the most appalling wretchedness. It was argued that the corn laws, protective tariff, free trade, extravagance of government, war, peace, whig administration and tory administrations, abundant harvests, failure of crops, speculation, debts, want of credit—in fact, every immaginable thing, was the cause or were the causes of the disasters of England from 1819 to 1833. All these things, doubtless, had more or less effect upon the state of the country. But that neither one nor all of them brought the distress narrated is evident, for three insurmountable reasons.

1st. We find that every one of the foregoing alleged causes existed during two exactly opposite conditions of the country. They existed in "flush times" and in "tight times." 2d. They are not of a financial nature, nor did they affect all branches of business, nor were their effects alike upon all branches of business. 3d. But, whether there was war or peace, protective tariff or free trade, corn laws or anti-corn laws, abundance or scarcity of gold, abundant harvest or failure of crops, whig administation or tory, high taxes or low, little credit or much, the old constitution or the new; it mattered not what existed, the absolute and distinct element, *money*, under all circumstances, secretly, but powerfully operating, produced one or the other of two clearly defined universal effects upon society, resulting from one or the other of its (money's) states. That is, whenever money was plentiful, there was internal peace and prosperity, and when scarce, depression and commotion. We therefore conclude, that the greatest factor, if not the sole one, which caused the wretchedness of Great Britain from 1816 to 1833, was the mutations and contractions of the currency.

THE REMEDY.—The charter of the Bank of England was renewed in 1833 for 21 years, making the issue thereof a legal tender. The legal tender character of the notes, thus enacted, enabled that bank to expand its issues with safety whenever there was no great demand for gold to ship abroad, and gave the people a money which answered all the purposes of gold for internal commerce. The effects of this act, though slow at first, began to be felt very soon. The volume of currency was increased £1,000,000 in 1833, and the commercial interests, always the first to be affected, at once began to be materially improved. The next year the currency was expanded £3,000,000 more, and continued to so expand until in 1836 it amounted to £36,200,000. The prosperity and internal peace and happiness of the country were entirely restored and so continued until another contraction of the currency occurred.

By a critical examination of statistical reports and history, it will be found that a fall of prices of property, stocks and bonds, an increase of crime, pauperism, mortality rates, emigration, internal commotion, riots, strikes, and agrarianism, and a decrease of the revenue receipts of the government followed right upon the heels of contractions of the currency. The foregoing historic facts and the following tables, compared with the foregoing tables of currency, verify the proposition:

Year.	Emigration.	Mortality.	Pauperism.	Crime.
1820	18.984		Between 1829 and 1834 pauperism increased fourfold.	23.277
1821	13.194			1 to 1,500
1822	12.349	1 to 41		
1823	8.860	1 to 33¾		1 to 1,366
1824	8 210	1 to 34		1 to 1,361
1825	14.891	1 to 33		1 to 1,037
1826	20.900	1 to 37		1 to 909
1827	28.003	1 to 34		1 to 1,041
1828	26 092	1 to 30		1 to 873
1829	31.198	1 to 34		1 to 790
1830	56.907	1 to 37		1 to 719
1831	88.160	1 to 30		1 to 848
1832	103.140	1 to 20*		1 to 768
1833	62.684	1 to 32		1 to 633

Year	Revenue in round numbers	Year.	Revenue in round numbers
1815	£79,000,000	1824	£59,000,000
1816	67,000,000	1825	56,000,000
1817	68 000,000	1826	54,000,000
1818	58 000,000	1827	54 000,000
1819	56,000.000	1828	55,000,000
1820	57,000,000	1829	50,000,000
1821	58,000,000	1830	50,000,000
1822	60,00 000	1831	46,000,000
1823	57,000 000	1832	46,000,000

The Banking System of England.—Excepting the issuance of Treasury bills by the government for temporary purposes, the entire paper money of England is issued by banks. The oldest, the parent bank, is the Bank of England, which was chartered in 1694, with a capital of £1,200,000, and was required to loan the government the same amount on government securities. The bank charter has been renewed a number of times, with slight changes, until in 1816, its capital stock in public securities reached £14,000,000, upon which it always has been and is yet permitted to issue an amount of notes equal to the amount of capital in public securities prescribed for it by law. From its organization up to 1844, its custom had been to issue about £3 in notes for every £1 in coin in its vaults in addition to its issues on public securities. Its notes were always re-

*Cholera.

deemable in coin when presented at the bark, except during suspension of cash payments provided for by law from 1797 to 1823, and excepting also, the time of suspension of cash payments in 1847, 1857 and 1866. Its notes were, by law, made a legal tender everywhere from 1797 to 1823, and everywhere except at the Bank, by the act of Parliament of 1833. The country bank notes were issuable on stocks and securities, and redeemable in coin on the Bank of England notes.

While the Bank of England might issue £14,000,000 and country banks their entire issues, on stocks, bonds and securities, yet, excepting the periods when the law suspended cash payments, country bank notes being redeemable in Bank of England notes or coin, and Bank of England notes, the whole issue, redeemable in coin whenever they were presented at the Bank, the whole banking system of England in effect rested on a specie basis, and the currency was and is yet subject to all mutations and changes resulting from the migratory tendencies and ever changing volume of the precious metals. So it was that when coin or bullion was plentiful in England, it was presented at the bank and notes taken for it, on account of their greater convenience, and thus the currency, at such a time, expanded when there was least need of it, resulting in abundance of money and a consequent energizing of all business until the country was in the delirium of great prosperity, when, unlooked for, a sudden contraction of the currency, the effect of the silent unobserved transition of gold from the country, brought an appalling and disastrous crisis; and the bank officers, standing amid the wreck and ruin, looking to the redemption of their notes and their depleted coffers, were unable to avert the crisis or extend help when the country needed it most.

"Unobserved amidst the strife of parties, unmarked by political leaders, unknown to the dominant multitude, one cause of paramount importance and irrisistible force was, during the forty years' peace, incessantly acting on the British Empire. *The mutations of the currency*, anticipated before 1819, experienced since that period, furnishes the key to all the variations in social happiness which were experienced during that eventful period. They explain the alternations of feverish and short-lived prosperity, and exhausting and long continued distress, which invariably occurred; and they account for the vast political changes which ensued, and the entire alteration in the balance of internal power, and in the tendency of foreign and commercial policy which occurred during their continuance. Without a constant reference to this paramount, irresistible cause, all attempts to explain the politics of Great Britain during this long period will prove nugatory, and the most important lessons to be derived from contemporary history will be lost."—*Alison.*

Such is a brief outline of the domestic and business history of England. The years 1797, 1816, 1817, 1819 to 1823, 1825, 1826, 1829 to 1833 have recorded tales of woe and wretchedness that pierce the heart with pity and make one wonder that the suffering, the distressed, the starving, made wretched by the unwise policy of the government, did not rise in their frenzy, lift from their places the pillars of government, and, like Sampson of Isræl, bury it and themselves beneath the ruins wrought by their own hands.

CHAPTER XVIII.

MONETARY HISTORY OF THE UNITED STATES: CRISES TO THE CLOSE OF THE REBELLION.

We do not discuss the finances of the revolutionary period, because the financial measures of that period were peculiar, unlike anything before or since that time. The continental currency was not a national legal tender; the adoption of pro-rata portions of it by the States made it a local currency; the adversities, extremities and fears of failure, and the great quantities of it destroyed the people's confidence in it. That these facts are true is evidenced by the fact that in 1781 a change of system was effected, whereby new notes were issued, bearing five per cent. interest, and redeemable in specie in six years. They depreciated, as the old ones, and no considerable quantity of them ever got into circulation. They were legal tenders, bearing interest, and redeemable in coin, yet they were almost worthless. It was want of faith in the government—not in the kind of money—that destroyed the value of both kinds of money.

The contractions of the currency which occurred prior to the passing of the resumption act, and that resulting from that act, have produced the same general effects upon the country, with the exception that sometimes an extension of credit, and at other times a destruction of it, have followed contraction.

Forced resumption means contraction, and contraction, no matter by what means effected, produces the same general results, with the exceptions named. The resumption act is in its material effects upon the country but a continuation of the process of contraction, instituted by the government in 1866-67. Hence, we have considered the effects of contraction prior and subsequent to the passage of the resumption act together, beginning with the early financial history of the country, and dividing the account into two chapters, at the year 1866.

After the close of the last war with England, the United States, possessed of territory nearly as large as Europe, with virgin soil full of richness and prolific in productions, watered by innumerable rivers, the natural commercial highways of the nation, wanted but two things to make it the richest and most populous nation on the globe. These were men and money. They were indispensable to fell the forests, till the soil, and open up the mineral and commercial wealth. A considerable number of immigrants from Europe were annually swelling the population and adding to the productive powers of the country, but they were soon almost lost when scattered over the vast districts of country.

The demand for labor was great, but capital to open up business enterprises was scarce. The high wages of labor of workmen presented little inducement to European capital. The world's annual production of gold and silver had fallen to half its former amount, on account of the South American revolution, and but little of this found its way to America. Thus it was that the United States, possessed of as much natural wealth as ever blessed a people, was without the means of developing it and might have remained a wilderness but for the energizing power of a new agency. This was paper money. To this the achievement of their independence is attributable as much as to all things else, save their patriotism and valor. As it had been with Rome, in her wars with Carthage, and with Great Britain, in her wars with Bonaparte, so it was in the revolutionary struggle of the United States; paper money was the sinnews of war. It proved to be of equal strength in peace. Except during the depressing effects of the crises of 1818, 1819–20, 1837–8–9 and 1840, and the later ones, the advancement of the United States in population, wealth and universal prosperity among the people has been unexampled. The demand for labor has been unbounded, the prices of all property have generally ranged high; all the industries have increased; commerce has multiplied itself many times; in the rural districts and in the towns and cities the cheerful hum of successful business life, and unmistakable evidences of prosperity, have gladdened the hearts of the people. But these cheering conditions were changed to scenes of depression, bankruptcy and general distress during money crises.

One of these terrible crises came in 1818–19–20. The charter of the first U. S. bank expired in 1811. From that time until 1817 the currency was supplied by state banks. The immunity from redemption of their issues, resulting from the suspension of specie payments in 1814, caused a great expansion of the currency by the state banks. It rose from about $33,000,000 in 1811 to $110,000,000 in 1815. In 1817 the second bank of the United States having been chartered in 1816, went into operation. The removal of all government funds from state banks to the Bank of the United States and a return to resumption of specie payments produced an enormous contraction of the currency. From $110,000,000 in 1815 it fell to $45,000,000 in 1819, when there was a general crash and a destruction of credit. An immense number of bank and other failures ensued. It was estimated that two-thirds of all the traders in the United States failed. Lands and agricultural products fell to one-half of what they readily commanded in 1808–10, and great distress and suffering fell upon the people. Between 1811 and 1820 no less than 165 banks, in different parts of the Union, either became bankrupt or withdrew from business. During this period of return to cash payments, industry was essentially blighted; suffering was universal, and the people, glad as usual to fix the responsibility of misfortune on anyone but themselves, generally ascribed it to the banking system, which, though grieviously abused, had been the mainspring of their progress, and the principal cause of their prosperity.

So terrible was the prostration that the Pennsylvania Senate appointed a committee to report on the subject. On the 20th of February, 1820, they reported this as the condition of affairs:

"I. Ruinous sacrifices of landed property at sheriff's sales, whereby in many cases lands and houses have been sold at less than a half, a third, or a fourth of their former values, thereby depriving of their homes and of the fruits of laborious years a vast number of our industrious farmers, some of whom have been driven to seek in the uncultivated forests of the west that shelter of which they have been deprived in their native State.

"II. Forced sales of merchandise, household goods, farming stock and utensils, at prices far below the cost of production, whereby many families have been deprived of the common necessities of life, and of the implements of their trade.

"III. Numerous bankruptcies and pecuniary embarrassments of every description, as well among the agricultural and manufacturing as the mercantile classes.

"IV. A general scarcity of money throughout the country, which renders it almost impossible for the husbandman or the owners of real estate to borrow at a usurous interest, and where landed security of the most indubitable character is offered as a pledge. A singular difficulty of procuring on loan had existed in the metropolis, previous to October last, but since then been partially removed.

"V. A general suspension of labor, the only legitimate source of wealth, in our cities and towns, by which thousands of our most useful citizens are rendered destitute of the means of support, and are reduced to the extremity of poverty and despair.

"VI. Numerous lawsuits upon the dockets of our courts and of our justices of the peace, which lead to extravagant costs and loss of a great portion of valuable time.

"VII. A general inability in a community to meet with punctuality the payments of debts, even for family expenses, which is experienced as well by those who are wealthy in property, as by those who have hitherto relied upon their current engagements. With such a mass of evils to oppress them, it cannot be wondered at that the people should be dispirited, and that they should look to their representatives for relief. Their patient endurance of suffering, which can only be imagined by those who have habitually intermingled with them at their homes and by the firesides, merits the commendation of the legislature and prefers a powerful claim to their interfernce."

No candid mind can fail to see that a return to specie payments ruined the banks, forced them to greatly reduce their circulation, and this contraction of the currency caused a precipitation of prices down one-half, bringing general distress to the country. If inflation had been the cause of the crisis, it would have come in 1815, according to the arguments of bullionists. They claim that the crisis is reached at the highest point of inflation. Secretary Sherman affirms that inflation of paper money and credit causes crises. Who ever heard of a financial failure because of too much money? Who ever heard of the financial ruin of a debtor so long as he could command ample credit? With all due respect to the opinions of that high functionary, we must say that the theory of the Secretary of the Treasury is radically wrong. Crises are caused by a contraction of the volume of the money or credit, or both. After the Bank of the U. S. got into full operation, with general confidence in it and its paper, together with an increase of the stock of specie in the country of about $1,000,000, and a slight enlargement of the volume of paper currency, confidence was measurably restored and promises of better times began to return; in 1820 and from 1821 on to 1837 an era of prosperity blessed the country. Below is a table of the amount of specie held by banks, and the circulation of all the banks in the U. S. on the 1st of January for the years named:

Year	Circulation	Specie	Year	Circulation	Specie
1811..	$ 33 500,000..	$ 21,200,000	1841..	$110,000,000..	$ 34 813,958
1815..	110 100,000..	17,000 000	1842..	83,734,011..	28,440 423
1819..	45,000,000..	not known	1843..	58.563,608..	33,515,806
1820..	48,452,825..	23,212.995	1844..	75,167,646..	49,898,269
1830..	74,248,043..	29,722,993	1845..	89,608,711..	44,241,242
1834..	114,047,949..	not known	1846..	105 552,427..	42,012,095
1835..	121,032,292..	59,645,994	1847..	108,519 766..	35,132 516
1836..	163,376,460..	48,437,582	1848..	128,506 091..	46,369,765
1837..	122,906,977..	40,553,789	1849..	114 743,415..	43,619 368
1838..	160,633,858..	38,954,954	1850..	131 366.526..	45,379,345
1839..	141,153.616..	49,286,280	1851..	155,565,251..	48,671,048
1840..	113,604,433..	34,574,829			

Another of these reverses began to be felt in the latter part of 1836, and settled with terrible effect upon the country in 1837, lingering and blighting industry and commerce in varying degrees until 1849. Many now living remember the fluctuations and immense fall of prices and general depression of business that affected the country during that period. During the first three years of the crisis, nearly all the banks in the United States stopped payment, and a great number of them failed. Almost nine-tenths of the commercial houses became bankrupt, the cotton planters of the South were ruined, and the commercial wealth of the country was nearly destroyed. Debtors were ruined, creditors were subjected to immense losses. Everywhere, in every nook and corner of the republic where civilized men dwelt, the searching hand of "hard times" thrust its lean and bony fingers into every household and spared neither age nor condition from its chilling, pinching, distressing grasp. Between 1837 and 1849, there were short seasons of apparant return of prosperity, but they were delusive; exciting hopes only to blast them again.

"Although the United States shared to a certain degree in the commercial disasters consequent on the resumption of cash payments in Great Britain, in 1819, and the consequent monetary crises in 1825 and 1832, yet this period was, upon the whole, one of extraordinary and unprecedented prosperity over their whole extent. Prices were high, but wages were still higher; ease and contentment generally prevailed; cultivated land was encroaching at the rate of seventeen miles a year over a frontier seventeen hundred miles in length, upon the gloom of the forest; and the seaport towns on the coast, sharing in the vast commerce which such a rapid increase required, were rapidly advancing in wealth, population and enterprise During these fifteen years the population of the United States advanced 65 per cent.; its exports and imports doubled, and a vast stream of emigrants from the British Isles, which had come at last to be above 50,000 a year, added to the prolific power in providing hands to keep pace with this immense increase. It is to the influence of the American banks, in furnishing the means of cultivation and improvement to the hardy settlers in the forest, that the superior aspect of the American side of the St. Lawrence to the British, which has attracted the notice of every traveler, is mainly to be ascribed

"The charter of the United States Bank being only for twenty years from 1816, the Directors of the establishment under the direction of their able chairman, Mr. Biddle, brought forward a bill in 1832 to authorize the renewal of the charter for the like term of years. This was the signal for the deadly strife which ensued. War to the knife was immediately proclaimed by the whole Democratic party of the Union against the United States Bank. Both Houses of Congress passed the bill renewing the charter of the United States Bank by considerable majorities. But the Democratic party were not discouraged. Secure of the concurrence of General Jackson, the President, they raised such a clamor against the Bank in the newspapers, that he was induced to oppose the VETO, which the Constitution intrusted to him, to the bill. Not content with putting a negative on the act passed by Congress renewing the B nk charter, General Jackson, in the succeeding year, went a step further, and withdrew the whole public deposits from the United States Bank and its branches, and handed them over to the local banks.

"The states in the valley of the Mississippi, encouraged by the support of government. and strong in the possession, through their banks, of the public deposits, rushed, as it were, with inconsiderate fury into the void created by the contraction of the business of the United States Bank, which had been conducted with comparative prudence. It was soon seen what free trade in banking will speedily become. The President had sought to destroy one bank of which he was jealous; he did so; but in so doing he reared up a hundred. The effects of this state of things was to the very last degree disastrous in every part of the United States. The whole bullion of the country was withdrawn from the commercial cities on the coast, where it was essential to support the banks and regulate the exchanges, and thrown, as government deposits, to stagnate unemployed in the vaults of remote provincial banks. The gold and silver so abstracted from the great commercial cities found no channel for return; for when the Western banks began to restrict their loans, the merchants in those parts were deprived of the means of making remittances, and the proceeds of the goods remitted to them having been for the most part invested in the purchase of land, were now locked up in the banks to meet the Treasury orders. Thus credit was destroyed. and transactions of all sorts were stopped alike in the cities on the coast and the forests in the interior. The banks, compelled to pay in specie by the existing law, could get none, and their only resource was sternly to refuse accommodation even to houses of the first respectability. Terror and distrust universally prevailed; the machine of society, like a huge mill turned by water which was suddenly frozen, came to a stand. General Jackson retired from office, having served his time in March, 1837, and was succeeded by Mr. VanBuren.

"The catastrophe was for a short period kept off by the expedient adopted by the chief merchants and bankers in New York and Philadelphia, of drawing bills at twelve months on certain great houses in London and Liverpool, which accepted them, and on which cash was paid in the mean time. But this expedient only postponed, it did not avert, the disaster; England itself was involved in the consequences of the crusade against paper raised in the United States; the acceptors for the most part failed before the bills became due; and the crash set in with unexampled severity, in March. 1837. It first began in New Orleans, in consequence of the great transactions in cotton of that place with Great Britian, but rapidly spread to New York, Philadelphia, and other cities on the coast, and the scene of confusion and panic which ensued baffles all description. A universal run took place upon the banks, which being in a great degree unprovided with cash, in consequence of its having been drained away to the banks in the West, were unable to meet the demand for specie. They all, including the United States Bank, accordingly soon suspended cash payments, and upon this the panic became universal and the crash as widespread. Deprived of the wonted resource of discounted bills to meet their engagements, the greatest as well as the smallest houses in the commercial cities became bankrupt. Two hundred and fifty houses stopped payment in New York in the first three weeks of April; and in Boston, Philadelphia, Baltimore, and other cities, the devastation was not less universal. Cotton fell from 14*d*. the pound, in 1835, to 7½*d*, and all other articles of export in a similar proportion. Soon the distress spread like a pestilence through the various ramifications of society. Public works, railways, canals were brought to a stand; the shipwright and builder dismissed their men, the manufacturer closed his doors; one sentiment pervaded all classes—the anticipation of universal ruin and individual beggary.

"The merchants of New York presented a petition to the President, praying him to retract his steps, relax the laws as to the payment of the price of lands sold, and convoke Congress to consider what means could be devised to alleviate the public distress. They met only with a stern refusal. The calamities which prevailed were ascribed entirely to the mania of speculation and over-trading; the 'mercantile aristocracy' were signalized as the authors of all the public misfortunes; and the deposit banks were charged with 'base treachery and perfidy unparalelled in the history of the world, all purely with the view of gratifying Biddle and Barings.' At the same time to evince his determination to persist in the course of his predecessor, Van Buren issued a circular to the different collectors of the revenue in the United States to *receive nothing but specie*, or notes of banks still paying in specie, in payment of revenue bonds or debts due the States. But it was easier to issue such a circular than give the means of complying with it; and the public revenue, entirely dependent on the Custom House duties and the sales of public lands, almost entirely disappeared. Within six months after the general suspension of cash payments, it was found that not more than *five* per cent of the sum due on the public debts had been paid to the collectors; the government, without a revenue, were compelled to bring in a bill authorizing them to appropriate $9,367,214 lying in the Treasury—which, under the existing laws of the 23rd of June, 1836 should have been distributed among the States—and give them Treasury bonds instead.

"So utterly was the government bereaved of money, that they were reduced to the necessity of issuing Treasury Bills to the amount of $10,000,000 more, which was justified to the public upon the humilating confession that above $28,000,000 were due to government by State banks of deposit, and $15,000 000 by private banks and individuals, and that it could recover no part of these sums; a state of things, it is believed, unparalelled in any other age or country.

"Such was the scarcity of specie, in consequence of its being locked up in Western banks, that the banks on the coast were compelled to apply to England for assistance before they could resume cash payments; and the Bank of England, with praiseworthy liberality, in April, 1838, remitted the United States Bank £1,000,000 in specie. This enabled them to resume payment in specie and recommence operations on a large scale, which soon restored credit, as all the other banks did the same. Their efforts were immediately directed to arrest the fall in prices of cotton, the great article of commercial export, which had fallen to 4*d.* a pound, being *not a third* of what it had been three years before, and that although the last crop had been deficient rather than the reverse. For this purpose they made immense advances on long-dated bills drawn on and accepted by houses in England to the holders of cotton, to prevent their stock being forced into English markets at these ruinously low prices. This operation, which was indispensable to arrest the ruin of the country, succeeded for a time, and prices of cotton rose considerably in the first half of 1839; but, unhappily, the crash which ensued at that time in England utterly destroyed the means of carrying it forward. The Bank of England, itself nearly as hard pressed as the banks of America, was obliged, in the Autumn of 1839, rapidly and rigidly to contract its advances; the houses which had accepted the long-dated bills became bankrupt; and the consequence was, that the crash came on again in America, after this vain attempt to arrest it, with more severity than ever. The United States Bank stopped payment, finally and irrecoverably, on the 5th of October; all the other banks in the Southern States of the Union suspended cash payments, and before the end of the year nine-tenths of the whole commercial houses in America were bankrupt, and nearly the whole commercial wealth of the country was swept away.

"The banks were ruined; the 'commercial arristocracy,' the object of so much jealously, was destroyed.

"Immense was this change upon the government and policy of America; the revolution was as great and irremediable as that of 1789 had been in France—that of 1832 in Great Britian. But at what price was this victory gained? At that of national wealth, the national happiness, the national honor. Foreign commerce was almost destroyed; that with England was reduced to a little more than *a fourth* of its former amount. The embarrassment in the interior, from the failure of the customs and the diminished sales of the public lands, became so great that payments of public debts was impossible, since no legislator had ever ventured, for general and national objects, to pronounce the words *direct taxation*. Thence the REPUDIATION OF STATE DEBTS became general in the United States, and has affixed a lasting and ineffaceable stain on the national honor and on the character of the people for common honesty."

We have given this lengthy extract from the account of our crises of 1837 and 1839, by Sir A. Alison, of England, because he was one of the most critical observers of the financial measures of nations and their operations of the time in which he wrote.

The real cause of the distress was not, however, as Mr. Alison supposed, the destruction of the United States Bank, and the transition of coin from the banks of the East to those of the West. It resulted from a great contraction of the currency, and the contraction of the currency resulted from an insufficient supply of the precious metals to sustain the bank issues.

The study of the table of money given a few pages back, in connection with the history of the corresponding times, reveals to the inquirer the causes of the state of affairs just related. It will be observed that on the 1st of January, 1835, the total paper circulation in the United States was $121,032,292, and the amount of coin in the banks was $59,643,904. The banks then banked on coin. Their issues being based on coin, the volume of paper money was increased or reduced, as a rule, in proportion to the increase or reduction of coin in bank vaults and in the country. Operating on this principle we find the banks, in consequence of the immense amount of coin in their vaults on January 1st, 1835, enlarging their issues until, on January, 1836, they rose to the unprecedented sum of $163,376,460. On the 1st of January, 1836, the specie in banks had been reduced to $48,437,582, and in consequence during 1836, the bank issues were reduced so that on 1st of January, 1837, they stood at $160,633,858, and specie in banks was but $40,553,789. This further reduction of specie necessitated a further contraction of the currency during the year 1837, so that it fell to $122,906,977 on the 1st of January, 1838. The cause of this drain of specie and consequent contraction of the currency is visible in the reports of exports and imports for 1835 and 1836.

Following is a table of exports and imports for the years named, and the balances in favor of and against the United States:

Year.	Exports.	Imports.	Bal. in favor of U. S.	Bal. against U. S.
1824	$75,986,657	$80,549,007	....	$5,562,350
1825	99,535,388	96.340 075	$3,195 312	....
1826	77,595,322	84,974,477	....	7,379,155
1827	82i324,867	79 484,068	2,840,759	....
1828	72,264,686	88,509,814	....	16,255,188
1829	72.358,671	74,492,527	....	2,133,856
1830	73,844.508	70,876,929	2,972,588	....
1831	81,310 583	103,191 124	....	21,880,541
1832	87,176,943	101,929,266	....	13,842,323
1833	90,140,433	108,118,311	....	17.978,378
1834	104,348 973	126,521,332	....	22 174,359
1835	121,693,577	149,895,749	....	28,202,172
1836	128,663,040	189,880,035	....	61,216,995

It will be seen that, from 1831 to 1835 inclusive, balances against the United States ranged from $13,842,-323 to $28,202,172, these balances, being comparatively small, were either carried over each year to the next or settled in coin.

It will be observed that in 1836 there existed against the United States the immense sum of $61,216,995 foreign balances. This necessitated large shipments of coin abroad, reducing the stock in banks from $48,-437,582 to $40,553,789 on the 1st of Jan., 1837. At the latter date the currency stood at $160,633,858, but a rapid contraction set in which reduced it to only $122,906,977 on the 1st of January, 1838. In the spring of 1837 the effect of this rapid contraction culminated in the great crisis just described. This ruinous crisis which scourged the country for three years, and left its blight upon it until 1849, has been ascribed to various causes.

It has been held that the speculation in wild lands in the west, from 1830 onward, caused it. That the veto bill of the charter of the Bank of the United States, by Jackson, and the removal of the deposits to State banks did it. That the spirit of speculation and increase of debt, caused by the inflation of the currency, did it. But whoever studies history, and draws such conclusions from it, studies to little purpose. That these facts affected the country, no one doubts. But to say that they were the cause of the universal ruin of 1837-39 is to dignify accidental, irritating circumstances, and attribute to them the character and power of general and fundamental causes.

The speculation in wild lands in the west could not have seriously affected any, except those who sustained loss on the lands. The veto of the Bank of the United States and the removal of the deposits, simply transferred the money power from one bank to others: it did not produce the crisis. If it be said that the removal of the government deposits to the State banks caused the latter to inflate, we answer, that this was a circumstance of an accidental character, and the same result would have followed an accumulation of treasure in State bank vaults, obtained from any other source. If it be said that inflation caused the crisis, we answer that the cause existed in the kind, not in the quantity of the paper money. The inflation inflated *coin* values, because the paper was redeemable in coin. This inflation of *coin* values induced large imports for *profit*, producing a foreign balance of $61,000,000 against the United States in 1836. This, in turn, forced a large amount of coin out of the country to pay it, and this demand for, and drain of, coin depleted bank reserves, depreciated their notes, necessitated a rapid contraction of the currency, producing rapidly falling prices and a panic and universal distress.

It has been said, that the spirit of speculation and increase of indebtedness, produced by inflation, caused the crisis. Such has been the broad assertion and the cause assigned for all crises, and is the constant staple of a certain class of thinkers. We answer that they take it for granted that inflation caused both speculation and an increase of indebtedness. But if such were true, if there had been no contraction, the disasters would have been confined to those who lost on speculation, and those who went in debt beyond their ability to pay. There would have been no universal fall in prices, no suffering of laborers, no general stagnation of business, no universal distress, disaster and gloom, such as made the heavens black, and swept the country with commercial and financial ruin.

There is more reason for attributing the crisis to the great balances of trade against the United States in 1835-36.* That large foreign balance against the U. S. produced a drain of coin from the country, and greatly reduced the bank reserves. This necessitated a reduction of their issues by the banks, because they were banking on coin. But this was only an accidental cause. If the banks had had a surplus of reserves, the balance of trade against the United States would not have caused the contraction, and the country would have been spared the universal suffering of such a crisis. Any other circumstance which might have caused a reduction of the bank reserves would have produced the same effect that was produced by the balance of trade against the country.

Paper money was at a discount, and as always is the case, under the circumstance, coin almost ceased to circulate, and found its way to its hiding places. This being the case, the paper constituted the circulating medium, and it amounted to about $10 *per capita*. The most ardent advocate of resumption will not assert that that was more money than the country needed. The crisis, then, was not owing to the amount of money —to too much money.

The fundamental cause of the crisis of 1837-39 rested

* This balance was produced, as has been shown, not by the quantity but by the kind of paper. Such must always be the effect of inflation of redeemable bank paper, because it produces an inflation of *coin* prices, being redeemable in coin. Such is never, cannot be the effect of an inflation of irredeemable paper, because inflations of the latter only inflate the paper prices, not coin prices, hence, it creates no inducements to import goods.

in the financial system of that time. The nature of the banking system was the fundamental cause, and the drain of coin from the country the accidental or immediate cause. That system, or any other which makes bank notes redeemable in coin on presentation, induces an inflation of the currency when bank reserves or prospects of bank reserves are favorable, and necessitates a contraction of the currency when bank reserves are reduced or when the prospects for ample reserves are adverse. These characteristics of the system subjected the currency to frequent, various and sudden mutations, induced by foreign balances or any circumstance causing an outflow of coin. And the contraction of the currency drying up the fountains of trade, cutting off the means of paying obligations and crippling credit, brought down prices of all property, reduced wages, diminished demand for labor, ruined debtors, and distracted the country with the universal cry of hard times and suffering. This was the cause of the crisis of 1837. Had the $163,000,000 of paper currency out in 1835 been legal tender, and its volume remained undiminished, the crisis could not have come.

There was another remote cause which operated on the financial and commercial affairs of the United States between 1837 and 1849. This was the crisis that occurred in England, and the panic in Belgium and France. These, reducing values and increasing the general demand for gold, operated unfavorably upon both the commerce and finances of America. With varying degrees of intensity and occasional symptoms of returning prosperity, the blighting effects of the crisis of 1837-39 continued for several years, followed by another in 1847, the effects of which continued until 1849. The crisis of 1857 resulted from causes similar to those of 1837. On the 1st day of January, 1857, the total bank paper in circulation was $214,-799,000, and coin in banks $59,272,000. This was an undue issue of paper in proportion to the coin reserves, but it was not more money than the country needed. Over-issues necessitated, at some time or other, a drawing in of bank notes. This process was resorted to in that year. The contraction of the currency was so great in 1857, that, by the first of January, 1858, it was reduced to $155,208,000 from $214,769,000 on the same date of the preceding year. Such a destruction of the means of conducting business and paying debts produced a heavy fall of prices, and disastrous effects among the commercial and business classes of the country. This crisis was not caused by too much paper money for the uses of the country. It was caused by the increased imports for the year ending June 30th, 1857, amounting to $38,000,000 more than for the preceding year. This necessitated large shipments of coin abroad, caused runs on the banks, a heavy reduction of the volume of money, and the crisis. These experiences will not fail to excite in the dullest brain a sense of danger attending any financial system based on the precious metals. Gold and silver are the world's money. They are constantly flowing in and out of all countries, but in very irregular volume. Their volume and value in any nation are subject to quick and material changes, effected by crises, resumption of specie payments, war, or great prosperity in any other powerful nation with which the former has commercial relations. Thus, a crisis in England affects the world. A crisis in France, Germany, or America affects each other and England. It appears unwise to the writer for any nation to adopt a system of finance which is subject to disaster from the extraneous causes and circumstances named. Any paper currency based on or redeemable in coin is subject to these evils.

The Secretary of the United States Treasury, in his report of December 7th, 1874, says: "The quality of a stability in money attaches only to coin." This idea has been the base upon which has rested English and American financiering for nearly a century. It is also the great error which has distressed these countries with frequent and dreadful financial crises. It is not true: coin is not stable, either in value or volume. This is too well known by every observer to need confirmation.

The discovery of gold in California and Australia reduced its value from 20 to 50 per cent. Its volume has experienced changes equally great. Look at the changing volume of coin in England, as reported in the preceding pages. Consider the reports of the Mint Director, who says the coin in the United States in 1874 was $166,000,000, and that it was $242,000,000 in 1877. Consider the fluctuations of the values of gold and silver with reference to each other: they have range from 1 to $11\frac{10}{100}$ in A.D. 1543 to about 1 to $16\frac{50}{100}$ in 1877. Remember that banks, when banking on coin, issue about half to two-thirds as much paper as there is coin in the country, and from two to four, and sometimes ten, times as much as they have coin in their vaults. If in such case the coin is doubled, the paper issues will about double, producing inflation. If, on the other hand, the coin should be reduced one-half, volume of paper money will be reduced one-half.

Fluctuations, sudden and great, in the volume, and consequently in the value or purchasing power of money, are the great evils attending a paper money redeemable in coin.

CHAPTER XIX.

MONETARY HISTORY OF THE UNITED STATES:

THE PRESENT CRISIS.

The watch fires of the armies had hardly died out, the smoke of battles had scarcely dispersed, before the government began to tinker with the currency. Not content with the devastations of war and the desolation of battles, they were intent on experimenting upon the nation's money. Either ignorantly or wickedly they set in motion a force more destructive of the commercial wealth of the nation than the deadly conflict of battles or the exhausting powers of a long war.

Blinded by the fallacious logic and truculent to the overshadowing powers of the bond-holders and bullionists, which have so long controlled the financial measures of Europe and America, the government of the United States, immediately upon the close of the war, proceeded to destroy the money which had nerved the arm of the nation and carried it successfully and triumphantly through one of the most gigantic wars of modern times.

Disregarding the fundamental laws of national prosperity and determined to force financial policies totally inconsistent with the conditions of the times, they inaugurated a rapid contraction of the currency in the face of enormous indebtedness, to reduce values and destroy the means of discharging obligations. Whether it was ignorantly or wickedly done matters little to the people now, because whether in the one or the other spirit, the same result has followed: a destruction of wealth and an accumulation of misery and wretchedness unsurpassed even during the war period. Measures were inaugurated for the funding of the floating debt of the United States. Within three years after the close of the war a thousand millions of the nation's money were destroyed, and interest-bearing bonds substituted instead thereof to oppress the people and eat up their substance for years. Credit made an effort to fill the great void made by the retirement of so much money, and succeeded in a wonderful degree; but the unprecedented indebtedness thereby created only aggravated the evil when the crisis came. It culminated in 1873 in a panic which threatened, and would have brought, general ruin throughout the nation but for the virtue of the remaining legal tenders. The contraction of the currency has continued with steady purpose since 1866. The Resumption Act of 1875 was but an auxiliary to fasten upon the country the destructive policy of contraction, and the effects of the crisis preceding.

The forces which produced the crisis of 1873 had been operating from 1866. Although credits retarded the fall of prices and sustained the business of the country with unexampled strength after the contraction of the currency set in, yet the tendency of prices was constantly downward all the time, and business classes, bankers, merchants, manufacturers, and traders, either contracted debts to meet losses and obligations falling due or curtailed their business. Thus two forces were constantly gathering destructive power—falling markets and increased debts. The decline of prices was not confined to special articles. It was general. With such powers acting it was only a question of time when a crisis would be reached. It needed but some disturbing cause. That cause was the enormous balances of trade occurring against the United States in 1872 and 1873. Notwithstanding the great fall of prices in the U. S. they were yet higher here in 1872 and the first part of 1873 than in Europe. That is to say, the coin values of merchandise were higher here than in Europe. The near approach of our paper to coin value in 1872 and '73, instead of indicating future prosperity, pointed to a coming crisis, because, while our paper prices, sustained by credit, were much higher than in Europe, the coin premium was not correspondingly high. This induced large imports for profit, resulting in great foreign balances against the U. S., much of which had to be paid in coin. Coin being very scarce, immense offerings of merchandise, stocks, corporation bonds and securities for sale to raise coin, precipitated the values of these things, already much reduced by the contraction of the currency, down to ruinous prices. Thence, the panic, immense losses, bankruptcies, stagnation of business, and the setting in of permanent hard times.

That crisis did not bring swift and general destruction upon debtors and business; but it, with the aid of the resumption act passed in 1875, brought a slow but steadily increasing stringency in money matters, decline of business, shrinkage of values, reduction of wages, increase of want and destitution, which culminated in 1877 in the most appalling and threatening uprising of the working classes which ever startled this nation.

It is claimed by some that business is reviving. Such is not the case. Year by year it decreases in the aggregate.

Following is a table of the business of the New York Clearing House, from 1869 to 1877, taken from the reports of the Comptroller of the Currency for those years:

1869....	$37,407,028,987	1874....	$20,850,681,963
1870....	27,804,539,406	1875....	23,042,276,858
1871 ...	29 300,986,682	1876....	21,597,274 247
1872....	32,636,997,404	1877....	20,876,555,937
1873....	33,972 773,943		

We estimate the business of New York, as shown by the clearings, at one-fifth of the entire business of the country. The clearings reached the highest point in 1869, when they were $37,407,028,987. In 1877 they were $20,866,555,937—less by nearly $17,000,000,000 than in 1869. This shows a decrease of the aggregate business of the country for 1877 of $85,000,000,000 below that of 1869—a decline of 85 per cent. This is not only so regarding the business of these years, but the decline has also been constant from 1875, as will be seen in the table. The clearings for 1877 are about $700,000,000 below those of 1876, $2,200,000,000 below those of 1875.

To give a detailed account of the disasters produced by the contraction of the currency, the cheapening system, since 1866, would be beyond the ability of the writer. It is not needed, for all people have seen or felt its terrible effects. Instead, we give reports from all classes of men from different sections of the Union, as found in public speeches, newspapers, books and pamphlets. The Hon. Wm. D. Kelley, in a speech delivered in the Academy of Music, Philadelphia, Jan. 15th, 1876, said:

"In 1865 and 1866, every man in America who had the skill and the will to labor could earn wages to support his family and lay something by. All industries were quick and active. Production ran on. The American people waked each new morning to feel that there were great duties before them, that there were mines to be opened, forges and furnaces to be erected to work the iron, the copper, the silver, and the gold of our mines New houses were to be built. Skill, energy, science, and genius were taxed to quicken and cheapen productive processes. Our wealth grew as it or that of any other people, had never grown. We were moving onward when one Hugh McCulloch tapped a great artery and let nearly all the blood flow from the body politic. Diseased, paralyzed, shrinking from day to day, what American has the energy to engage in developing a new mine? Pennsylvanians, who of you are ready to construct a new forge or furnace? Where are the factories building to-day? Your laborers—moody, sullen and in want-are begging the poor privilege of earning a day's food by an honest day's labor! Their homes are being stripped of everything they cherish. * * Courage gone hope gone, despair crushed him to the earth, and destroyed all the pride that made the American mechanic the boast and honor of his country. Many a man to-day, longing for honest work but powerless to obtain it, creeps and crawls from town to town, footsore, ragged, dusty, to beg from strangers rather than from those who know him and will remember it—to be denounced as a 'tramp,' and commended to the custody of the police. * *

"While the government has withdrawn 66 per cent. of our money, it has so destroyed confidence that those who own money deposit it as dead capital in the treasury of the United States, or in the vaults of the banks; they will not lend or use it The vaults of the banks at the great money centres and the treasury of the United States are gorged with that which should be money—was issued as money—and would be money if it were circulating; but which is in fact dead capital in the form of money. Therefore, all exchanges of labor or commodities not required by the exigencies of life are suspended."

Extract from a speech of Senator Beck, of Kentucky:

"The country has been brought by law to the point where all debts of the general government, of the states, of the municipalities, of the railroad and other corporations, as well as of private individuals, have to be paid in *gold alone*, or its equivalent, on and after the first day of January, 1879, about seventeen months from this date. * * We have not got, and cannot possibly obtain before that date, $300,000,000 in gold * * Forced resumption now fastened upon us is, under such circumstances, universal bankruptcy; the number and magnitude of failures of our business men are fearful to contemplate, and we are daily going from bad to worse. The federal and state governments, the banks and other corporations, are all compelled to contract their loans and their circulation in order to meet what they have outstanding in gold, which they must of course make the smallest amount possible. No prudent man dare borrow money now to invest in any business, as it is obvious that he cannot hope to realize enough from the sale of any product of industry hereafter to repay the money he borrows and its interest in gold. A lender may be willing to lend $10,000, taking a mortgage on a farm for $20,000, in the hope of buying it in for the $10,000 loaned; but the owner of such a farm, no matter how much he wants the money, dare not borrow. Yet we are told money is abundant! *Certainly*, because safe borrowers cannot be found. Manufacturing establishments, rolling mills, industries all over the land, which demand vast sums of money, are closed, and their hands are tramps or strikers, because there is not only no prospect of profit, but a certainty of absolute ruin by a continuance of the business. Yet the bondholders and other leeches who are demanding gold, and gold only, so that they can buy property at their own prices, are continuing the cry that money is cheap and abundant. Does any gentleman here (unless he is a banker or bondholder) know now where, or from whom, he can obtain gold to pay his debts or meet his liabilities? The government pays gold only to the bandholder; from him only can it be obtained, at his own rates, by those who are compelled to have it."

Extracts from an open letter from Peter Cooper to President Hayes, after the strikes of 1877:

"Although I have but lately addressed you an open letter on the sad state of the industrial and financial conditions of our common country, and the causes that have brought it about, yet the events that have since transpired, while they have given additional emphasis to that appeal, justify me in once more addressing you on the same subject.

"Surely the peaceful expostulations and complaints of so many thousands of your fellow-citizens, going up from every part of this distressed country, not to speak of the violence and lawlessness which the distress has occasioned, not only appeal to your humanity and patriotism, but call for the most earnest and instant action on the part of the government of which you are the Chief Executive.

"More than 200,000 men, within the last few weeks, have joined in 'strikes' on the various railroad lines, the workshops, and the mines of the country, on account of further reduction in their wages, already reduced to the living point. That some of these strikes have been attended with lawless and unjustifiable violence only shows the intensity of the evils complained of, and the despair of the sufferers. For four years past, since the 'panic of 1873,' millions of men and women, in this hitherto rich and prosperous country, have been thrown out of employment, or, living on precarious and inadequate wages, have felt embittered with a lot in which neither economy nor industry, nor a cheerful willingness to work hard, can bring any alleviation.

"Is it to be wondered at that enforced idleness has made tramps of so many of our laboring population, or induced them to join the criminal and dangerous classes?

"During the same period, immigration into this country of the hardy and industrious of all nations, who have hitherto built up our country, has, in a great measure, stopped, while thousands of artisans and mechanics, whom a prosperous country cannot spare, are emigrating to other countries. Our manufactories are, many of them, closed, or running at a loss, or giving starvation prices to their operatives. Our merchants are demanding a reduction of their rents, discharging many of their employees, and such as are in debt are fast going into bankruptcy. The mining and railroad interests of the country, on which the income and the employment of so many thousands depend, are fast succumbing to the general failure in the finances of the country, so that their stocks have become depreciated or worthless, and their employees discharged or mutinous on account of reduced wages. Real Estate has depreciated to less than half of what it would have brought four years ago; much of it cannot be sold for any price, and mortgages of one-quarter its value, if foreclosed, swallow up the whole. The thriving and enterprising farmer of the West, especially, feels this rise in the value of money, as compared with labor or property. With the hardy toil of years, he has opened and improved his farm, and the comparatively small loan, which laid but a light weight on the resources of his land in prosperous times and with a sufficiency of money, is now threatening to swallow up the labor of his life! Even the banks and the loaning institutions, not being able to invest their money on 'good securities,' are embarrassed on both sides—the failure of their debtors, that throws so many of the securities on their hands, and makes bonds and mortgages a 'glut in the market,' and the difficulty of making any new loans or investments—so that money 'goes a begging' at one and a half and two per cent.

'During the last ten years thousands of millions of money have been swallowed in government and railroad bonds and other securities, and in importations which, till lately, have far exceeded our exportations, It is a fact on record in the books of the United States Treasury, and by such authorities as Spaulding in his 'History of the Currency,' Mr Maynard, chairman of the committee on banking and currency in Congress, and Spinner, Assistant Secretary of the Treasury, that this country had, up to the year 1865, issued, in different forms of currency and treasury notes, current as money among the people, $2,192,395,527! This vast sum had, on the first of November, 1873, shrunk to $631,488,676 (see *Congressional Record*, March 31, 1874.)"

From a letter of Sydna Meyers, a banker and writer of ability, of Chicago, Ill.:

"Bounteous nature has lavished upon this land resources of wealth beyond all others. Her soil is fertile, her mines are rich and not yet fully developed, her timbers are varied and abundant, her rivers are navigable and furnish highways for commerce through thousands of miles of fertile regions, the extent of her railways exceeds that of any other nation, her climate is salubrious, her people industrious, and the material progress of the last century is only an earnest of her capabilities. With all these advantages, industry is paralyzed and the people are suffering distress.

"The depreciation of the greenback by the unwise mutilation of the legal tender power, and the abrogation of its convertibility into interest-bearing certificates, has been the main cause of all our trouble. It was this caused the depreciation of the greenback—it was the depreciation which led to the unwise policy of arbitrarily contracting the currency, as it was said, 'to raise its value to gold.' This policy has been a complete failure, for, after a contraction of $686,000,000 by Secretary McCulloch in two years, 1866–67, g ld was higher than it was before contraction began. And yet this policy is persistently going on. We are burning greenbacks, the best circulating medium, and substituting long-time bonds—adding to the interest bearing debt—bankrupting the country, and for what? To return to a system that has repeatedly failed and must ever fail.

"The contraction of the currency has paralyzed industries, depreciated the value of every kind of property to the extent of thousands of millions of dollars. It has increased the annual number of bankrupts from 530 in 1865 to 9,092 in 1876—has deprived 2,000,000 persons of employment, and spread a pall of gloom over the whole country, which is a sure forerunner of crime and turbulence."

Relating to the strike of 1877, the New York *Sun* said:

"When the five-twenty bonds were first issued, no condition was attached to them requiring payment in coin, except as to the interest. The debates and votes prove incontestably that there was no obligation to redeem, except in legal currency, and Mr. Sherman, now Secretary of the Treasury, was c nspicuous in asserting that fact at the time, and in opposition to an amendment to redeem in gold. The bondholders were largely represented in both Houses of Congress, and the outsiders were not idle. A great lobby was organized, and in 1869 these bonds were made payable in gold. By this legislation the bondholders profited to the extent of several hundred millions, and the taxpayers were burdened proportionately.

"Most of the legislation for the banks was manipulated by a committee of which the chairman was a shrewd bank president, and others were bank directors. Those institutions, under fostering charters and friendly protection at Washington, grew rapidly into wealth, and many of them paid fabulous dividends before the crash came. After seven years of fictitious success, the bubble burst by the bankruptcy of one of the pillars of the vicious system, and in spite of the illegal efforts of the then Secretary of the Treasury to prevent an inevitable catastrophe. The ruin and misery inflicted by the collapse of 1873, and by its consequences since then, cannot be measured in money Of all the sufferers, the laboring men and their families have had most to endure, not only in the reduction of wages, but also in the increase of their burdens—for it is not the rich class, by any means, who pay the bulk of the taxes. They are the favored few, who do not feel the turn of the screw which makes poverty shriek in agony.

"It is not to be supposed that the workingmen, laborers and others were indifferent spectators to these events. They saw great corporations and rings combining to increase their wealth and they combined also for their interests. * * * We must deplore the sad scenes and the awful events of the past week; but certainly no reflecting and candid man, who recalls the recent past and observes the actual present, can entirely wonder at them."

Mr. Smith. of Georgia, in Congress, June 14th, 1876 said:

"A casual survey of the condition of the people and government of the United States does not produce the most encouraging impressions. The cry for relief to Congress comes from every section of this great country—from every industry, and from every grade of human life. The distress is paralyzing the manufacturer, the merchant, the mechanic, the farmer, and the laborer; and so far from touching the bottom of this financial quicksand and re-ascending, it seems as if we were sinking deeper and deeper, and our condition becoming gradually worse and worse. * * * * *

"And why is there a clamor rising from the mouths of the millions—deep-toned—admonishing the country that there is something financially, criminally wrong in the administration of the monetary affairs of this country?

"Representatives, you have only heard the crepitation of the volcano; soon you will hear the explosion of the crater unless there is relief. And it is wise to give that relief before the lava is thrown high and far over hill and plain in scorching, consuming fires upon the authors of the people's wrongs."

The N. Y. *Telegram*, of July 9th, 1877, published the following in reference to Brooklyn workingmen:

"The summer of 1877 thus far bids fair to rank second to none in recruiting the great army of unemployed laborers, both skilled and unskilled. Cleanly, poor-looking men stand on the street corners looking wistfully up and down the block for the sign of 'a job.' And here and there, should an odd building be commenced, the applicants for work cluster in crowds. The action of the Commissioners of Board of City Works yesterday, in discharging a large number of laborers who were engaged in filling up sunken lots, has led to severe criticism, not only among the men who were affected by the action, but also among many taxpayers, who recognize the propriety of giving work to the poor laborers in the summer months, in order that they may be enabled to save a little money and make provision of some description for their families for the winter. The City Hall Park is the scene of large assemblages of idle workmen daily, who sit beneath the shade trees and look toward the great marble structure as though they were expecting momentarily a summons from the municipal government officials to go to work. One of these men remarked to his companions to-day: 'The politicians make well of us, any how. They get our votes, and after that we may go to the poor-house or to prison. In winter they tell us we shall have work when snow disappears—when the spring comes. In April they tell us the money is out, and when at last we get to work they discharge us, telling us taxes are too high and all public works must stop. So here we are, and the politicians are all right.'"

True Citizen, of August, 1877, on the tendency to concentration of property in this country, as in England, resulting from bad financial policy:

"CONCENTRATION OF PROPERTY.

"This journal has, with unswerving persistency, for many years patiently endeavored to impress upon the citizens of this republic the results which would surely follow from class legislation as contrasted with careful and conscientious attention to the rights of all. In exemplification of this, among other illustrations, we have referred to the experience of the Repub ic of Venice, where the buying and debt-paying power of its full legal tender paper money was for centuries largely greater than that of specie, which had been demonetized. In fact, the difference was at one time as great as thirty per cent against specie, when the government interposed and limited the difference to twenty per cent. In other words, *they made gold and silver legal tender at eighty cents on the dollar.*

"We have repeatedly compared the more recent practical working of the French contrasted with the English and American schools of political economists, but have done so mostly to show the effect of class legislation on the industries and contiuous employment of the people.

"The object of this article is to show how surely, though slowly, such special legislation stops the progress of civilization, and, by absorption of small estates, re-establishes the feudalism of the mediaeval barons which was fondly supposed to have been buried with other debris of barbarism.

"Mr. Wilkes, in a series of letters to the New York *Herald*, wrote from Paris, September 21, 1871, as follows:

" 'In England, through the centralizing influences of the laws of primogeniture and entails, which tie the land to families and fasten its descent from eldest son to eldest son, the entire surface, on which so many men depend for their subsistence, is owned by the ridiculously small number of *thirty-two thousand proprietors;* and the number of these proprietors is annually decreasing, through laws which load the transfer of land with so much expense that it has ceased to become a marketable article. * * * As an evidence of this, there were in England, a hundred years ago, two hundred and fifty thousand proprietors, for the thirty-two thousand owners of to-day. To quote from Mr. George Odger, who has recently published an able article upon the Land Queston in the *Contemporary Review* of London:

" 'A better notion of the growth of our land monopoly may be obtained from the following: The Earl of Breadalbane can ride on his own property 100 miles from his own house in a single direction. The Duke of Southerland owns the county of the same name; this county reaches from sea to sea. The Duke of Richmond holds possession of 340,000 acres at Gordon Castle and Goodwood; and the Duke of Devonshire 96,000 acres in the county of Derby alone. It has been authoritatively stated that less than 100 persons now own one-half of England and three-fourths of Scotland. The way in which political power, so largely monopolized by landed proprietors, has been used, may be gleaned from the fact that within the last two hundred years, 7,000,000 acres of common lands have been added to their estates—that is the estates of adjoining proprietors.'

"We are free to confess that upon the perusal of this letter, including the author's inference, that we in in this country were fast traveling in the same direction, at the time of publication, we felt inclined to classify the writer with the large and increasing school of Jeremiahs, and charitably ascribed its gloomy prophecies to a bad cold in the head or an attack of dyspepsia; but the annexed extract from the New York *Times* gives the correspondence almost the dignity of a prophecy:

"'It is very certain that American agriculture is on the eve of serious changes and of great improvements. This must be, for it cannot go back and it cannot stay where it is. The greatest industry of the country cannot remain in an unprofitable or unsatisfactory condition, nor can it long remain without the use of adequate capital to invigorate it and give it full scope. Thousands of persons now idle look to it for employment, and if there were farms to rent there would be plenty of tenants for them. Everything seems ripe for the change. Half the farms in the country are ready to be sold, if buyers would appear; and hundreds that can now be bought for less than their value 20 or 30 years ago need only some judicious outlay to make them as productive as ever. Few farmers can hope to provide their sons with farms of their own, and there is no place for these young men in the overcrowded cities. But to stock a rented farm is not so difficult a matter for a father intent on starting a son in life This would be easy to do if the farm could be rented on a long and satisfactory lease. But before this can be done the owner of the land must hold it as a permanent investment, and not as a property to be offered for sale to the first comer. When farm land is so held by the owners there will be some probability, if not certainty, that it will be permanently improved, and then such property will be eagerly sought for by tenants who will be able and willing to rent it on long leases, and cultivate it in a more productive and profitable manner than farms are now worked. And then will begin a new era in American agriculture, and *one that seems to be very desirable.*'

"Commenting on the foregoing bold proposition to establish on this hemisphere something akin to the serfdom which has been voluntarily discarded by the Russian Czar, Henry C. Carey, in an open letter to the President, says:

"'Throughout Mr. Lincoln's administration the internal commerce of the free States grew with wonderful rapidity, making such demands for labor and its products, raw and manufactured, that farmers everywhere were enabled to free their property from the mortgages by which it had before been bound. Under the present system the internal commerce, where not already dead, is dying, and with each successive day there comes increased necessity for forcing the products of the soil on distant markets, with constantly increasing competition for their sale, and as constant decline in their prices, as a consequence of which the pressure of interest becomes daily more severe, until at length the sheriff performs his part by converting the independent farmer of the Lincoln and greenback period into that humble tenant of the more civilized hard money man so wel described by the *Usurer's Advocate* of New York City.'

"Corroborative of the dismal picture drawn by the New York *Times*, is the subjoined extract from the *editorial* correspondence of the New Jersey *Free Press*, dated Sussex County, New Jersey, July 7th:

" 'With all the apparent wealth and prosperity in and about this region, we were pained to learn that some of the farmers have been obliged, this Spring, *to give chattel mortgages on their stock, in order to meet their interest and taxes*, and that the occurrence was not an uncommon one in the neighborhood. When such things can be, it proves that complete exhaustion is not far ahead, and unless tax-payers can have their relief soon, a general caving in of farmers will soon follow.' "

New York *Herald*, July 24th, 1877:

"Ever since 1873 railroads have been going into bankruptcy, and this is even now going on at a rate which few people, except those interested in this kind of property, suspect. During the six months ending the 1st of this month, foreclosure sales have been ordered of fifteen roads, with a capital stock of over forty-seven millions, and a debt of over eighty-five millions. During the same time thirty-two roads, representing nearly fifty millions of stock and over seventy-five millions of debt, have been sold, and receivers have been appointed for sixteen roads, with stock and debt amounting to over one hundred and fifty millions."

From the *Missouri Republican*, August 27th, 1877:

" MUNICIPAL DEBTS.—A recently-prepared table, giving the comparative valuations and debts of thirty-seven cities in this country, each with a population of over 40,000, for the years 1876 and 1866, throws a good deal of light on the present hard times. The aggregate valuations of these cities in 1866 were $2,300,842,000; in 1876, $4,008,580.981; their aggregate populations in 1866 were 2,671,554; in 1876, 5,043,618; their aggregate debts in 1866 were $152,055 877; in 1876, $436,608,119; and their aggregate taxes in 1866 were $42,-523,574; in 1876, $79,333,777. The increase in debt for ten years has been 187 per cent.; increase in valuation, 74 per cent.; increase in taxation, 86 per cent.; increase in population, 88 per cent ; proportion of debt *per capita* $86.50. The exhibit for 130 cities is as follows: Debts in 1866, $221,312,000; in 1876, $644,378,000; valuation in 1866, $3,451,719 000; in 1876, $6,175,082,000; taxes in 1866, $64,060,000; in 1876, $112,711,000; population in 1866, 4,919,000; in 1876, 8,576,000. Seven years of the decade here referred to, that is to say, from 1866 to 1873, inclusive, were regarded as a period of great prosperity; there was abundant employment for labor, enterprise was active, wages were good, all kinds of business were brisk, prices were stiff and profits were large. And yet, this was not a period of prosperity, as we now know; what we took for prosperity was a simulation; we were increasing our indebtedness and taxes faster than we were increasing in wealth—and a very large proportion of the mass of transactions that we called business was merely the multiplication of debts. Since 1873, everything in the country in the shape of property has shrunk in value, except debts and the money they are payable in; lands, houses, ships, steamboats, railroads, farm property, manufactories and labor have dwindled to half the value they bore in 1866, but the debts remain the same."

Ex-Gov. Hardin said 8th January, 1878:

"Although the newspapers continually talk about times changing, and the real estate agents insist that land is going up, yet I can see no change for the better. Everything seems dead; all kinds of business is stagnant; something must be done at once to revive business and awaken our business men to the importance of enterprise."

New York *Times* on miners:

"What shall be done to mitigate the miseries of the starving mining population in the district of which Scranton is the center? There, as at Pittsburg and other places, a vicious fiscal system has brought together vast bodies of working people, who are now thrown helpless upon the world. The coal companies, great and small, profited by the industrial inflation. They bought coal lands at high prices. They opened mines, which, for a time yielded them princely revenues. They divided large profits, added to their capital, and forced the development of their properties. To carry on their works, they brought together miners from Europe to an extent far in excess of the legitimate requirements of trade. They imported them from Wales, from the North of England, from Ireland, tempting them with promise of high wages and lasting employment. Can it be pretended that these corporations have no responsibility in these premises?—that they may cut down wages to starvation point, or suspend work altogether, without further care for those whom they took thither with expectations that have not been fulfilled? Moral responsibility there certainly is, but that, unfortunately, does not admit of practical application. It is not sufficient to say that the companies have been working at a loss. In the peculiar circumstances of the case, they owe more to their men than the stern economic law exacts. Exactly what their obligation is, and how it should be fulfilled, are questions which in view of their great suffering cannot always remain unanswered The Old World no longer faces alone the labor problem. It is here, and it presses for a solution. * * *

"The plain, unvarnished tale supplied by our special correspondent now among the Pennsylvania miners cannot be read with indifference by any just or humane man. We speak of 'hard times' when it becomes necessary to forego some luxury, to deny ourselves some familiar pleasure, and to reduce our general standard of expenditure. We complain when pinched to keep up appearances, and repine at the hardship which invades our comfort. In and around the coal fields of an adjoining State, however, *are tens of thousands of working men, who, with their families, are on the verge of starvation.* A large proportion are unemployed; *those that have work, are paid so scantily, that what they earn barely keeps soul and body together* The picture of squalor and wretchedness, of hunger and nakedness, is *shocking enough* to touch the *hardest* heart. It is made more painful by the fact that some of the companies add to the miseries of their people by the enforcement of the truck system. There may be reasons for suspending work in some cases, and for reducing wages in others, but the greed which prompts employers of labor to squeeze out of it the beggarly pittance through the agency of store-pay admits of no excuse. It is an infamy, which the law in other countries has suppressed."

The utterances of Secretary Sherman, when he was U. S. Senator, in 1869:

"The appreciation of the currency is a far more *distressing* operation than Senators suppose. Our own and other nations have gone through that process before. * * * For eighteen years, (previous to 1821) the notes of the Bank of England were practically a legal tender, and upon them, as upon our greenbacks, was based a currency issued by the country banks. When the war (with Napoleon) was over, measures were slowly adopted for the appreciation of the paper currency to the gold standard It is only necessary to appeal to the histories of the time to show the disastrous effects. Small traders, debtors and laborers were reduced to the *sorest distress*. The loss to them was far greater than the actual appreciation of the currency, *for all confidence and trust were lost. The only compensation to Great Britain was the rapid fall in the rate of interest, from the abundance of idle capital, and her ability to reduce the rate of interest on her public debt within a short period to three per cent.* If Senators wish other examples of the severe process of passing from a depreciated currency to a currency convertible into gold, let them read the story of the times after the Revolution, and after the war of 1812, and after the revulsion of 1837. all of which were periods of transition from a depreciated to a convertible currency.

"*It is not possible to take this voyage 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. To every railroad it is an addition of one-third to the burden of its debt, and more than that, deduction from the value of its stock.* It means the ruin of all dealers whose debts are twice their (business) capital, though one-third less than their actual property. It means the fall of all agricultural productions without any great reduction of taxes. What prudent man would *dare* to build a house, a railroad, a factory or a barn, with the certain fact before him that the greenbacks he puts into his improvement will, in two years, be worth thirty-five per cent. more than his improvement is then worth? Why not hold his money for two years until his building will cost him one-third less? When the day comes, every man, as the sailor says, will be close reefed; all enterprise will be suspended; every bank will have contracted its currency to the lowest limit, and the debtor, compelled to meet in coin a debt contracted in currency, will find the coin hoarded in the Treasury, no representative of coin in circulation, his property shrunk, not only to the extent of the appreciation of the currency, but still more by the artificial scarcity made by the hoarders of gold. To attempt this task by a surprise upon our people, *by arresting them in the midst of their lawful business and applying a new standard of value to their property, without any reduction of their debts, or giving them an opportunity to compound with their creditors or to distribute their losses, would be an act of folly without example in evil in modern time!*"

"OHIO RAILROADS.—In Ohio there are fifty railroads, exclusive of the narrow-gauge roads—eight of which did not pay their running expenses during the year 1875. Thirteen paid no interest on their bonded indebtedness. Seven are in the hands of receivers. The gross receipt of these roads for 1876 amounted to $34 119,049, while the operating expenses were $24,404,565, leaving $9,714,484. The total cost of these roads, including all debts, was $317,222,232 showing that the net earnings are a trifle over three per cent. of the invested capital. The total bonded indebtedness of these roads is $160,000,000 all of which bear six per cent. interest or more, so that the net earnings will not be sufficient to pay the interest on the bonded debt and leaving nothing for the millions invested by stockholders, of which there are 17,000. If this is the result, railroad investments in Ohio, the leading State in agricultural products, with growing manufacturing enterprises and coal and iron in abundance, what must be the condition of railroad property in less populous and favored States?"

"HARD TIMES FOR RAILWAYS.—Some facts are gathered by Chicago *Railway Age*, regarding the foreclosure of mortgages on American railways during the year just ended. It appears that the actual sales under foreclosures cover 3,875 miles of road, with bonds and debt of $119,938,700, and capital stock of $79 045,700. The capital stock is practically rendered valueless by foreclosure, and mortgages later than the first generally go the same way, so that it is probable that the proceedings recited above involve a net loss of not less than a hundred millions of dollars. In addition to this there have been ordered sold, but not yet brought to the hammer, 2,388 miles of road, with $128,833,400 of bonds and floating debt, and $126,921,-900 of capital stock; and in these cases the sales involve a loss of not less than $150,000,000. In the preceding year sales were made of 3,846 miles of road, with $218 000,000 of debt and capital, so that it is not unreasonable to set down the shrinkage of railroad property involved in the cases of these two years at $350,000,000. The end is not yet but it is generally believed to be near, and the 10,000 miles or more of road involved in the above statistics may, as a rule, be regarded as reduced to 'hard pan,' and ready to do fair work at reasonable profit for their present owners."—*New York Times*.

"DECLINE OF RAILROAD EARNINGS.—The New York *Financial Chronicle* gives a table showing the earnings of twenty-two leading railroads for the year 1877 (with the exception of the last week in December). Their gross earnings were $67,712,196. For the preceding year they were $78,189,781. The decrease has been only $477,585. All the roads referred to do not show an increase; the increase of those which have gained is $2,000,728; and the decrease of those that have lost is $2,478 313—leaving the net decrease $477,-585. The roads that show an increase are those running west and southwest from St. Louis. The increase in the earnings of the St. Louis, Iron Mountain and Southern was $494,173: that of the Missouri Pacific was $139,730: that of the Kansas Pacific was $288,911; that of the Denver and Rio Grande was $311,433. The great trunk lines leading from New York and Boston to the West show a decline. The gross earnings of the New York Central were $26,579,085 for

1877, and $28,046,588 for 1876; those of the Lake Shore and Michigan Southern were $13,214,434 for 1877, and $14,417,020 for 1876; those of the Erie were $14,708,887 for 1877, and $15,852,461 for 1876; those of the Boston and Albany were $6,762,147 in 1877, and $7,074,758 in 1876."

Hon. Britton A. Hill, in his preface to *Absolute Money*, page 9, says:

"The financial prosperity of this country never was so general, and commercial failure never touched so low a figure as during the years 1863–67, when the volume of our currency was at its highest. Then the effects of Secretary McCullough's policy of contraction began to be felt; and what has been the result? A gradual increase of commercial failures at a rate simply frightful to contemplate, and a general paralysis of every business enterprise which culminated in the great crash of 1873. The building of railroads has been stopped, our factories are closed, our commerce is languishing, our laborers are out of employment, and the tide of immigration from Europe has been checked by the reports of our financial distresses; and the reason? There is work enough to be done, resources enough to be developed, and not only enough, but rather too many for the instrument wherewith to operate: Money. We want a large lever for the work before us—a great amount of money wherewith to undertake our enterprise again"

Hon. J. A. Dacus, *Annals of the Great Strike of 1877*, says:

"Republican government in this country has just been subjected to a strain greater than any which our system has been before required to sustain. It is true, that great armies were not organized to meet in the shock of battle as in the civil war between the North and South. Nor were powerful sections arrayed against each other. But the phase assumed by the recent conflicts are far more threatening to social organization and political stability than was the terrible contest waged between sections from 1861 to 1865. In that collision, the North represented the idea of the organic unity of the several States of the Federal Government, the South the idea of State Sovereignty; but both represented the principles of social order, and contended for the reign of law. But we have witnessed an uprising of no mean magnitude, which represented nothing in common with the fundamental principles of republican institutions.

"The history of the great strike of 1877 affords material for thought, a basis for the most profound reflections

"The causes which produced the results, so startling to the friends of liberal institutions, have not ceased to operate, and as a consequence the records of the events connected with the inception, progress and culmination of the disorders must prove to be an interesting study to all thinking minds. The very foundations of American society have been disturbed; the whole political structure has been made to sway to and fro, as if about to be overthrown.

"The strength, the fearful power, which stopped the wheels of commerce, closed the marts of trade, and threatened to engulf all wealth, institutions, social organization, everything, in the vortex of ruin, was not the offspring of a conspiracy, was not generated by elaborate planning, and did not result from mature deliberation. And in this very fact, the man of calm reflection discovers, not far ahead, the rocks on which the ship of States is likely to be driven—on which every hope of mankind may be wrecked. If it had been a deliberately planned and concerted movement, if those engaged in it had exhibited evidence of organization, then its failure would have given a better promise of enduring peace and order But the spontaneity of the movement shows the existence of a wide-spread discontent, a disposition to subvert the existing social order, to modify or overturn the political institutions, under which such unfavorable conditions were developed. Somewhere there must be something radically defective, either in the system or in the manner of its control. Such spontaneous demonstrations by large masses of the people, as have been witnessed in the United States in the year 1877, do not take place without a sufficient cause. To discover that cause and take measures for its removal is one of the first and most important duties required of the patriotic citizen.

"Never before in this country—perhaps in no other country in the world—has so vast a number of men taken part in riots and strikes for increased wages. It was an impulsive, perhaps, an imprudent outburst, and certainly it was characterized by violence and lawlessness, that cannot be palliated or excused. The supremacy of the law is an essential condition of social order, the right to private property, the right to personal security cannot be assured without it. Social disorganization means political death. With the reign of anarchy commence the miseries of the people without distinction of class. In the throes of expiring society, all alike become victims.

"But social discords cannot take place in the midst of a prosperous community. The alarming movements of the present year are the logical results of the condition of society. They are but evidences of deep sufferings among a large class of the people of this country. Somewhere great wrongs have been committed, and society must pay the penalty for crimes The study of the natural causes that govern the rate of wages, is a study of the causes that distribute wealth to the mass of mankind. Capitalists cannot afford to oppress laborers, because such oppression endangers their own security.

"But neither government nor social order can be maintained when the majority of the people are homeless and hopeless. The poor man's hopes are the rich man's protection. The condition of Mexico may be cited as an illustration of the position here taken. A country containing a population of upwards of nine millions of souls is owned by less than a hundred thousand proprietors. What has been the result of this ill-distribution of wealth? The answer is, fifty years of anarchy. The poverty of the masses is fatal to the security of the wealthy proprietors"

The New York *Sun*, October, 1877:

"CITY REAL ESTATE.—Some of our contemporaries have of late painted the future of New York real estate in very rosy colors, but the man who owns mortgaged property and is compelled to realize or go under, takes comparatively very little interest in the probable prospective value of the property one, two, or three years hence.

"That real estate, as a general thing, is now very firmly held, and, except in the case of weak holders, not pressed for sale at going rates, is universally admitted. During the past four years enormous quantities of real property have been sold at foreclosure sales. It has mostly gone into the hands of mortgagees, at prices utterly ruinous to the owner of the fee. Property so bought pays, if improved, from ten to twelve per cent. net on the investment Where unimproved, and situated in choice locations in the building district, it can even now be sold at a handsome profit to speculative builders, who are again in the market as buyers.

"The whole area from Sixty-fourth to Eighty-sixth street, between Madison and Second avenues, is being rapidly covered with bricks and mortar, and presents a scene of great activity. Capitalists are buying lots in this district from weak holders at from 33⅓ to 50 per cent. less than they cost six years ago, the owners having in the meantime lost interest and paid taxes. In most cases, these buyers sell immediately at a considerable advance to speculative builders, making a building loan, which is paid in installments as the building progresses. Those capitalists, backed by shrewd lawyers, who have of late turned their attention to this matter of buying lots low for cash and reselling them with a loan, have found the business more lucrative than any other safe mode of investment or speculation. It is simply a way of investing money on first bond and mortgage at seven per cent., with the additional profit gained on the sale of the lots."

Hon. Mr. Haymand, of Indiana, said in Congress, April 1st, 1876:

"The President of the United States in his last message has recommended '*that the Secretary of the Treasury be authorized to redeem, say, not to exceed* $2,000,000 *monthly of the legal tender notes*,' and bills have been introduced in both Houses of Congress advocating a similar policy with the view of hastening resumption; yet with a contraction amounting practically to $2,000 000 per month, and without the expenditure of a single dollar in gold, we chronicle the result, namely, an increase of about 3 per cent. in the gold premium. During this period our financial troubles have increased instead of being diminished; trade and commerce have been in a more languishing condition than any time since the panic; the industrial and mechanical pursuits of the country have been paralyzed; enterprise and improvements have been suspended or discouraged; and thousands and tens of thousands of people, dreading the legitimate consequences of the policy inaugurated, are trembling on the brink of bankruptcy. While contraction has been going on and our financial troubles thickening, resumption, like the Will-o'-the wisp, has flitted ahead only to delude, and we are as far from the realization of this hope as we were a year ago.

"By this policy we are not only piling up an enormous indebtedness, 'like Pelion upon Ossa,' to consume the vitality of the nation and entail perpetual burdens upon the people, making them *hewers of wood and drawers of water* to the moneyed aristocracy of the world, but, worse even than this, it leads to the assumption that the legal tender currency of this country, the boasted money of the realm, based upon the faith and credit of the nation, is a greater evil than the interest-bearing indebtedness, which we now seek to increase, and which has already attained colossal proportions.

"We had a panic three years ago that swept over the land like a pestilence, and yet before its shadow has passed over the horizon, and confidence has been restored, the whole country is again precipitated in worse confusion by a species of legislation that attempts hastily and out of season to cramp and crush the business of the country down to a specie basis."

From a speech of Hon. Britton A. Hill, reported in the St. Louis *Times*, of November 13th, 1877:

"The people and their governments, municipal, State and Federal, are rapidly drifting into bankruptcy and lawlessness, under the fraudulent system of money contraction and specie resumption adopted by Congress in 1869, 1870 and 1875, which is relentlessly reducing our traders, manufacturers, mechanics and workingmen to distress and starvation. In the midst of peace, with abundant harvests, overflowing granaries, and a foreign war, creating a strong demand for all our supplies and products, the workingmen, mechanics and tradesmen are crying for bread. Misery, poverty and want in the midst of plenty appear everywhere, as I predicted would be the case in 1869, 1873 and 1875, if the gold basis and the money contraction were to be forced upon the people by the bondholders. The acts of Congress of 1869 and 1870, changing the greenback bonds into gold bonds, and the subsequent acts for the destruction and redemption of the people's greenbacks in gold, have brought this present ruin upon the workingmen, traders and mechanics, and even upon the farmers, in spite of their fair crops.

From a letter of Hon. J. A. Dacus, in the *Missouri Republican*, November 17th, 1877:

' Now let us consider some of the recent social developments in our own country. Some forty years ago Thomas H. Benton, in a speech in the United States Senate, declared that 'a republic does not want landlords and tenants.' As yet hurtful as the existence of such relations may be to the peace of society and the stability of government, facts prove that the tendency in that direction is alarmingly rapid. Statistics show that the increase of pauperism to the ratio of the increase in population is as 78 to 45, hence the appearance of that ubiquitous wanderer, the 'tramp.' He is here, there, everywhere, in the city, in the country, wherever there are inhabitants Now, why is he abroad? Where did he come from? What caused him to come? Why has he an existence at all? The country is not overpopulate, there are yet vast fields to be opened and tilled, there is yet much room for the erection of homes, and many industries to be developed. All these are undeniable facts. And yet the proportion of people who have no homes is steadily, certainly growing larger.

"To be without a home, and without the hope of acquiring one, is to be placed in a situation devoid of motives to either labor or exercise self-command. The laborer who possesses property, though he be unable to either read or write, possesses an educated mind. He has forethought, caution and influence guiding every action; he knows the value of restraint, and is in the constant habitual practice of it. The day laborer, who is not the owner of anything, on the other hand, is almost always improvident; he is generally content to live from hand to mouth. It is no blind instinct that attaches the idea of respectability to the possession of property. It gives the owner a *locus standi* in society, generates a feeling of self-respect, establishes a standard which conduces to and gives a claim to outward respect. But, on the one hand, too large possessions often create, out of self-respect, self-conceit and a disregard of the happiness of others; it is the comparative poor who must feel for and assist the poor, while a too minute subdivision of property might lead to an equally lamentable result by fostering the sentiment and developing selfish feelings from an opposite quarter. The benefactions of 25,000 persons, each owning $2,000, fairly estimated at $20 each, would be $500,000, a sum greater than Vanderbilt ever bestowed in any one year, though reputed to be the possessor of a much larger amount than the aggregate fortunes of the 25,000 men in moderate circumstances. The millions acquired by Vanderbilt during a life-time were equal to the aggregate fortunes acquired in a life-time by no less than *thirty thousand* honest, industrious and prudent laborers under our existing system. * * *

"The social problem forced upon the attention of the American people by recent events cannot be solved without a consideration of the causes which have produced the disease in our country. Mere expedients will not answer. Any plan calculated to lower the opinions and lessen the self-respect of men are objectionable. * * *

"It would be a fatal mistake to encourage men to become contented with their lot; and it would be impossible to carry out even so mild a plan as that suggested by Dr. Eliot, without detracting somewhat from the independence and manhood of some one who might be forced by a necessity, produced by misfortune, to become a temporary slave in order to preserve life. That man who is once *forced* to labor for a scanty support only, is not likely to gain in self-respect, and may readily accept his fate and become a permanent charge upon society. Men must have hope in life to be good citizens of a republic. Make labor hopeless and you make it dangerous. Place the unfortunate wanderer under the direction of an overseer backed by the authority of the government, and his individuality and manhood are at once destroyed. * * *

"The collapse of credits in 1873 induced—we will not say compelled—the employers of laborers to attempt to maintain their own revenues by curtailing the wages of employees. This course caused a shock to the whole labor system of the country, and great numbers of the working people, unable to descend at once to the standard which the reduction in their income imposed, sought in other fields of effort to retrieve their fortunes. They became tramps in search of work. The general depression in all departments of industry caused a failure of their projects for improving their condition hope expired, and many honest men have become wanderers—and some that were honest before have become thieves."

From a speech of the Hon. Thomas T. Crittenden, in Congress, Nov. 16th, 1877:

"In the language of Edmund Burke: 'It is to the property of the citizen, and not to the demands of the creditor of the state, that the original faith of society is pledged. The claim of the citizen is prior in time, paramount in title, superior in equity.'

"What has been the effect of this resumption law upon the finances and business of the country? It was passed at a time when the country was in distress, as a measure of relief. It was said by its friends that it would not contract, but, under the free-coinage and free-banking sections, it would gradually increase the currency. Has that been so? Let us see. On the 14th January. 1875, the date of the passage of the resumption act, there were outstanding in legal tender notes, $382,000,000; in national bank notes, $349,894,182; total, $731,894,182. On the 3d November, 1877, there were outstanding in legal tender notes, $354,490,992; of national bank notes, $316,775,111; total, $671,266,103; being a reduction in legal tender notes of $27,509,108; in national bank notes, $35,086,339; total, $62,595,447.

"And this is not all the promised blessings of that law. Besides the contractions above mentioned, others have followed in their track. Nine millions of dollars of legal tenders have been held in the Treasury Department with which to redeem the outstanding fractional currency, supposed to be worn out or burned, which sum of course is permanently retired, and $13 000,000 of legal tender notes are also held in the Treasury Department for the consummation of the withdrawal of national bank notes now in the process of retirement; to which also add $22,144,000 of fractional currency which has been retired and its place not filled by the subsidiary silver coins of fifty, twenty-five, twenty, ten, and five cent pieces, making in the aggregate, in round numbers, $107,000,000 of absolute contraction, and, too, at a time when money is in great demand.

"Since the resumption law went into operation in 1875, this country, North, South, East, and West. has been blessed with the most prolific crops, exporting annually over one hundred million bushels of wheat alone. Europe has been more or less in a disturbed condition, two of its grand powers actually engaged in armed hostility, one of which being the only formidable competitor that our country has had in wheat in the markets of the world, our exports annually exceeding our imports by $200,000,000. And yet in the midst of all this we are in the midst of bankruptcy, sorrow, and maddening distress. It is an anomaly that sets at defiance all theories of contractionists, all fine-spun ideas of these latter-day financial saints: Millions of idle men, women, and children, in the presence of the most stupendous crops of cereals, cotton, hay, and tobacco that ever loaded and graced any soil under the sun. With the enactment of this resumption law and such crops, 'these wise men of the East' said peace and prosperity would abound. In the language of one of old I say to them:

"Ye are forgers of lies, ye are all physicians of no value."

From a letter by an able writer in the St. Louis *Times*, of October 20th, 1877:

"The depreciation in the value of real estate throughout the Union is universally conceded to have been not less than 30 per cent., which, upon the census valuation of 1870, amounts to $3 000 000,000.

"The loss by the cessation of nearly all the industries of the country, and the shrinkage in value of stocks, bonds of railroads, and other corporations, cannot accurately be ascertained; but, including all other personal property which has suffered diminution in value, it has been estimated by experts at not less than $5,000,000,000.

"Bank, savings institutions, and insurance companies which have heretofore stood high in the public confidence have been compelled, by reason of the enormous shrinkage in the values of all securities and the disasters which have overtaken their customers, to suspend and go into liquidation, and in many cases into bankruptcy.

"Nearly 200 of our railroad companies have defaulted in the payment of their interest on bonds to the amount of $789,367,665, and the greater number of them have been placed in the hands of receivers. According to official reports, out of 811 railroads in the United States only 196 were earning dividends in 1876.

"Over one-half of the furnaces, foundries, machine-shops, and rolling mills of the United States are idle, and nearly all of those which are in operation are losing money. On the 1st day of September, 1876, out of 719 iron furnaces in the United States, 503 were out of blast.

"Our inland as well as our foreign commerce has almost ceased to have existence, and instead of hundreds of thousands of people coming from abroad annually, the strange spectacle is witnessed of foreigners returning to their native land to better their condition.

"Rents have fallen in all our cities from 30 to 50 per cent., and the people of some of our largest cities are unable to pay their taxes —*the delinquent lists in some cases exceeding the amount collected!*

"States—not even excepting some of Northern locality—are in default in payment of the interest on their public debt, not from choice, but from compulsion, the people being unable to pay their taxes.

"Thousands of business men have been keeping up their establishments at a loss each year, hoping—vainly, thus far—that a change for the better would occur. The misfortunes have come, not alone to the reckless, the extravagant, or the speculative. The wise and prudent business men of the country, in vast numbers, have been (and are being daily) overwhelmed by the great national calamity that broods over us. Men who by a lifetime of toil and economy had accumulated, as they supposed, a competency for their declining years, suddenly find themselves—scarce knowing how or why—utterly ruined; their business at a standstill; their income cut off, and their property sold to pay debts of not one-fourth its value. Hundreds of thousands of men willing and anxious to labor cannot find employment. Nearly every productive industry of the country is in a crippled, if not in a bankrupt, condition. 'Tramps' fill the land, and an almost universal cry of distress is heard in every part of the Union. In the eloquent language of Mr. Pendelton's recent

Columbus speech: '*Men are idle; women are suffering; children are hungry; and all are unhappy; our industries are all deranged; business is stagnant; enterprise and energy sit with folded hands, and all men look with anxiety for that which shall come to pass.*'"

From a speech of Hon. Wm. D. Kelly, in Congress, November 15th, 1877:

"Land, as Mr. Shuckers has shown us, sold in England for nominal prices during the approach to resumption. I hold in my hand the Philadelphia *Times* of November 5th, a conservative paper, which dissents in the main from my views, but which does believe that a government bond interconvertible at all times with money would be a safer depository for the people's earnings than savings-banks have shown themselves to be within the last four years, and would therefore allow the government to receive the people's earnings on deposit in exchange for such bonds. It says:

"To-day, at four o'clock, in the new quarter-master-house, Sheriff Wright will sell under the hammer the largest number of properties of unfortunate debtors ever exposed at one sale in this county. There are four hundred and thirty-nine writs on the list, embracing in all over fifteen hundred different properties. About seventy-five of these are sales to be made on foreclosed mortgages or building associations for money advanced mostly on the small homes of the laboring classes.

"I have heard gentlemen say: 'They who have rashly speculated ought to be wiped out, and the currency ought to be made more valuable.' Sir, the owners of these seventy-five homes have not been rash speculators. They characterize my native city which I have had the honor so long to represent here. They are working people; they train their children mainly to mechanical pursuits. They had, with their sons and daughters, learned how much they could earn a month and how much, after living comfortably, they could set apart as savings. These savings they put into stock in building associations. And I say here, as I have often said elsewhere, that the building association is, in normal times, the best savings institution I have ever known, and one calculated to make the best citizens of poor people. These working people have gone on paying until all the family lost employment, or all but one or two, whose earnings were necessary to support the household. Unable to pay their monthly installments, their homes, often paid for within two hundred or three hundred dollars, sometimes within one hundred, are being disposed of to the 'wrecker,' to quote from the gentleman from Georgia who spoke yesterday (Mr. Felton)—the wrecker who stands by and sees the ship stranded and her crew struggling in the surging waters, in the hope that the cargo may be picked up and purchased by him for a nominal price.

"Philadelphia does not suffer alone. Turn to the city of Boston and State of Massachusetts. How are values shrinking there? The assessed value of the real estate of the city of Boston shrank $54,000,000 in the last year, and the assessed value of the personal property of her citizens to a greater extent. The assessed value of personal and real estate in Massachusetts shrank last year more than $101,000,000.

"But, gentlemen, the worst has not yet come if this act is to be maintained. And I tell you—and you may book it to jeer and scoff at me fifteen months hence if it prove not to be a true prediction—the suffering we have endured during the three years this law has been in existence is like the chill which embellishes while it blasts with feathered frost the leaves and flowers of the tropical plants that surround the homes of our extreme Southern States, compared with the arctic cold that builds up the mountainous iceberg which chills the summer atmosphere of our coast as it passes near our shores "

From the *Banker's Magazine*, June, 1877:

"THE FINANCIAL SITUATION —Among the most prominent topics of discussion in financial circles is the revival that has been so generally expected from that widespread stagnation by which nearly all the commercial nations of Europe have suffered equally with ourselves. When the panic of 1873 occurred, few persons supposed that the effects of that disaster would extend so far or would last so long. The favorite theory was that, like all other recent monetary spasms, the Jay Cooke panic would soon pass away, leaving but little trace of its visitation. Many months elapsed before the true nature of the economic crisis which was then beginning was at all appreciated even by the shrewdest and most far-seeing of our financial observers. It is so natural to the human intellect to seek out arguments to prove and sustain its foregone conclusions, and the American mind is so habituated, in finance as elsewhere, to look upon the bright and hopeful side of the early future, that there is no wonder if a general disposition was manifested to regard the storm which was passing over the country as a mere temporary disturbance of the financial firmament, destined to close before long and to usher in a bright day of industrial prosperity and continued growth. It was not then seen how deep were the injuries which had been sustained by our commercial and industrial organism, in consequence of the protracted period of extravagant inflation and expanded credit, in which vast amounts of floating capital had been, year after year, converted into fixed forms of investment in railroads and a multitude of other productive enterprises; until, like Nebuchadnezzar's image, the great structure which had been reared fell in ruins without expectation, almost without warning, and from causes which were all but unknown.

"The panic of 1873 differed in several essential points from the financial revulsions which were before on record. In 1837, 1848, 1857, 1861, and 1866, the trouble was rather due to a disturbance of credit or of currency, which are two of the three great forces of the financial world. At present the evil lies in another quarter It is capital now which originates the financial perturbation. Hence, it has been well said that 'capital is on strike.' * * *

"The predictions of such conservative men were made light of, and the growth of the financial fabric went on with dangerous speed, until the panic of 1873 brought it down in disaster.

"From that time capital has been obstinately avoiding and refusing its old channels of absorption and investment, as is proved by the low rates at which it is now lending on call. The capital which formerly would have sought permanent investment is now timidly hoarded, and the plethoric reserves of loanable funds in all the great monetary centers are full to overflowing. Capital is on strike, not because it shrinks from employment altogether, but because it refuses its old employments in the channels of permanent investment.

"Nor is this the only feature of the present crisis. Another of equal importance is the check which has been given to enterprise and industrial activity Even were capital less timid, good borrowers are scarce. The men who are capable of organizing labor and of developing the productive energies of the country with safety and success, have been discouraged and repelled by the insecurity and incertitude which covered the financial world with gloom.

"The depression which has done so much to injure and impede the movements of capital, has of course spread much distress among the laboring population, and has thrown great multitudes out of work. In proof of this the following table has been prepared of the in-door pauperism in England at present as compared with a year ago. The table is as follows, and shows an increase during the last year of nearly five per cent., and the out-door pauperism is reported to show even a larger increase:

IN-DOOR PAUPERS, FEBRUARY 28, 1876 AND 1877.

DIVISIONS.	1877.	1876.	INCREASE.
The Metropolis........ ...	39.185	37,321	1,865
South-Eastern............	17,707	17 575	132
South Midland............	9,851	9,547	304
Eastern	8,722	8,592	130
South-Western...........	11,332	10,792	540
West Midland............	16 339	15,033	1,306
North Midland............	6,581	6,372	209
North-Western	21,292	20,096	1,196
York...........	10,236	9,556	680
Northern.................	5 946	5,734	212
Welsh....................	5 597	5,002	595
	152,786	145 620	7,166

"In view of these facts it is easy to see that the recuperation which has been so often predicted and so ardently waited for may be still deferred, and may be slow and irregular in developing itself. Our vast area of agricultural production gives us exceptional advantages, especially in the event of a protracted war in the Orient. We have also many other advantages which seem to give us a better prospect of early revival in industrial and financial activity than is offered to most of the nations of Europe."

Capital on a strike! It is true. And the strike of capital drove 200,000 hungry laborers to strike during last summer, who made capital to quake in its slippers.

But why is capital on a strike? Not voluntarily. No! It is because the legislation of governments has so reduced the world's stock of money in the face of untold millions of debt as to make it shrink from investment or accommodation from sheer fear of destruction.

The check which has been given to enterprise and industrial activity has rendered it impossible for the real benefactors of mankind, the enterprising workers of society, to draw profits from labor or trade.

The constant decline of the volume of money has caused a constant shrinkage of values in this country since 1866. This shrinkage of values has entailed constant losses in all branches of business. These losses have astoundingly increased bankruptcies, raising them from little over 500 in 1865 to nearly 10,000 in 1877—almost 2,000 per cent. increase. These bankruptcies have caused money lenders to lose millions, hence they will no longer lend, and capital will not seek employment in any business enterprise because the continuing shrinkage of values, resulting from a continually lessening volume of money, makes profitable investment impossible, employment of capital certain loss, and causes hoarding of money to enrich the capitalist on account of the increasing purchasing power of money.

Hence, much of the currency has found its way to the great financial centres and, because gilt-edged borrowers are scarce, it is hoarded and those whose mental vision is too limited to look beyond the gilded circles of banks and money changers exclaim, "A plethora of money!" when there is scarcely enough to circulate.

Hon. David A. Wells, a very ardent advocate of resumption, has been writing a series of articles this year (1877) for the *North American Review*, under the significant caption, "How shall the Nation Regain

Prosperity?" This implies all that has been said or that could perhaps be said. It implies that this nation is now in adversity.

Extract from the report made March 2d, 1877, of the Monetary Commission appointed by a joint resolution of both Houses of Congress August 15th, 1876:

"EFFECTS OF A DECREASING VOLUME OF MONEY.—While the volume of money is decreasing, even although very slowly, the value of each unit of money is increasing in corresponding ratio, and property is falling in price. Those who have contracted to pay money find that it is constantly becoming more difficult to meet their engagements. The margin of securities melt rapidly away, and the confiscation by the creditor of the property on which they are based, becomes only a question of time. All productive enterprises are discouraged and stagnated, because the cost of producing commodities to-day will not be covered by the price obtainable for them to morrow. Exchanges become sluggish, because those who have money will not part with it, for either property or services, beyond the requirements of actual current necessities, for the obvious reason that money alone is increasing in value, while everything else is decreasing in price. This results in the withdrawal of money from the channels of circulation, and its deposit in great hoards, where it can exert no influence on prices. This hoarding of money from the nature of things must continue and increase, not only until the shrinkage of its volume has actually ceased, but until capitalists are entirely statisfied that money lying idle on special deposit will no longer afford them revenue, and that the lowest level of prices has been reached. It is this hoarding of money, when its volume shrinks, which causes a fall in prices greater than would be caused by the direct effect of a decrease in the stock of money. Money, in shrinking volume, becomes the paramount object of commerce, instead of its beneficient instrument Instead of mobilizing industry, it poisons and dries up its life currents. It is the fruitful source of political and social disturbances. It foments strife between labor and other forms of capital, while itself hidden away in security gorges on both. It rewards close-fisted lenders, and filches and bankrupts enterprising borrowers. It circulates freely in the stock exchange, but avoids the labor exchange. It has in all ages been the worst enemy with which society has had to contend

"The great and still continuing fall in prices in the United States has proven most disastrous to nearly every industrial enterprise. The bitter experience of the last few years has been an expensive, but most thorough teacher. It has taught capitalists neither to invest in nor loan money on such enterprises, and just as thoroughly has it taught business men not to borrow for the purpose of inaugurating or prosecuting them. Of the few business enterprises now being successfully prosecuted, the larger part are based on a monopoly secured either by patents or exceptional conditions. The business man has discovered that the less active and enterprising he is, the better he is off. The manufacturer avoids loss by damping down furnace-fires and slowing down machinery.

"The mining companies would find profit in inactivity, and would propably suspend operations, were it not for the great loss they would sustain in doing so. Mines can be properly opened only through a great outlay of capital, which would be practically lost if they were closed down for any considerable period of time. The filling up with water, the caving in of galleries, the crushing in of shafts, the rusting of machinery, and the general disarrangement of their interior workings would require for their repair a not much l ss expenditure than was necessary for their original opening. Hoping for better times, they therefore struggle on against an adverse current without profit, and generally only without loss by reducing their miscellaneous expenditures to the lowest possible point, and wages to a starvation level. The miners ascend from the dark and gloomy depths of the mine with their scanty pittance called wages, to find in a famishing household a gloom that is more profound. They await with heroic fortitude and a sometimes impatient hope the advent of another Sir Humphrey Davy, with a lamp capable of shedding light on the cause of existing evils, and of protecting them and all others who depend on their labor for their daily bread against a lingering misery more to be dreaded than the deathly danger that lurks in the teacherous fire-damp.

"The stockholders of railroads have suffered a vast shrinkage in the value of their property and in the volume of their traffic and in rates of transportation while their debts have remained nominally the same, but really increasing. In order to make their decrease receipts meet the interest on their bonds, they are forced to reduce their operating expenses to the lowest possible point. Their struggles seem to be in vain, and unless that system can be changed, which is making each dollar which they owe more valuable, and at the same time causing a shrinkage in their business, and which is chaining labor and all other forms of capital to the chariot wheels of money-capital, they will, one after another, be swallowed by the bondholders. In the end the stockholders will be entirely out of the account, and the contest will be between different classes of bondholders, if that can be called a contest where victory is assured in advance to the liens which have priority.

"Farmers, whose lands are not mortgaged, and their employees, who at least are insured against absolute want, best escape the evils of the times, but the prices of agricultural products must finally decline with the reduction in the number and means of the consumers. The tendency of falling prices is to break down the vast diversified interests of the country, and to force a constantly-increasing proportion of the population into the one single primitive industry of cultivating the soil. The United States, instead of continuing a highly commercial and manufacturing nation, will, until falling prices are checked, become more and more exclusively agricultural and pastoral.

"Securities have already become so impaired through falling prices, that loanable capital has fled affrighted from the newer and more sparsely settled sections of the country, and accumulated in large amounts in the great financial centers where securities are more ample. The personal and property securities of inviduals have generally ceased to be available, except at the highest rates of interest, or at ruinously low valuations. Money can be borrowed readily, only upon such securities as bonds which are based on the unlimited tax-levying power of the government or upon the bonds and stocks of first-class trunk-lines of railroad corporations, whose freight and fare rates are practically a tax upon the entire population and resources or the regions which they traverse and supply. The competition among capitalists to loan money on these more ample securities, has become very keen, and such securities command money at unprecedentedly low rates. These low and lowering rates of interest, instead of denoting financial strength and industrial prosperity, are a gauge of increasing prostration. Large accumulations of money in financial centers, instead of being caused by the overflow of a healthful circulation, or even a proof of a sufficient circulation, are unmistakable evidence of a congested condition, caused by a decreasing and insufficient circulation. The readiness with which government bonds bearing a very low rate of interest are taken, instead of showing that the credit of the government has improved, is melancholy evidence of the prostrated condition to which industry and trade have been reduced

"*Effects of a shrinking volume of money on productive industry*—The worst effect, 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 are paid, from labor, and to discourage the investments in other forms of property.

"In order that any country may reach the maximum of material prosperity, certain conditions are indispensable. All its labor, assisted by the most approved machinery and appliances, must be employed, and the fruits of industry must be justly distributed. These conditions are only possible when capital is absolutely protected against violence and free from illegitmate legislative interference, and when the laborer is protected in his natural right to dispose of his labor in such manner as he may prefer. They are utterly impossible when the money stock is shrinking and the money value of property and services is declining. Howsoever great the natural resources of a country may be, however genial its climate, fertile its soil, ingenious, industrious, and enterprising its inhabitaffts, or free its institutions, if the volume of money is shrinking and prices are falling, its merchants will be overwhelmed with bankruptcy, its industries will be paralized, and destitution and distress will prevail. It is in the shadow of a shrinking volume of money that disorders social and political, gender and fester, that communism organizes, that riots threaten and destroy, that labor starves, that capitalists conspire, and workmen combine, and that the revenue of governments are dissipated in the employment of laborers, or in the maintainance of increased standing armies to over-awe them. The peaceful war which, under a just money system, is continually waged between money-capital and labor, and which tends only to secure the rights of each and is essential to the progress of society, is changed under a shrinking volume of money to an unrelenting war, threatening the destruction of both.

"The equitable adjustment of the correlative demands of capital and labor cannot be made through violence, and is utterly impossible through any legal or other contrivance, under any system that permits contraction or undue expansion of that great instrument which measures alike the property of the capitalist and the labor of the workman.

"The very same reason which makes capitalists refuse to exchange money. whose command over property is increasing, for property, whose command over money is decreasing, also makes them refuse to exchange it for labor for the production of property. In a commercial sense, industrial enterprises are never undertaken nor carried on except with the hope and expectation of gain This expectation, unless under exceptional conditions, falling markets destroy. While capitalists, for these reasons, cannot afford to invest money in productive enterprises, still less can anybody afford to borrow money for such investments at any rate of interest, however low, and but little money is being now borrowed, except for purely speculative ventures. or to supply personal and family wants, or to renew old obligations. Money withdrawn from circulation and hoarded in consequence of falling prices, although neither paying wages, nor serving to exchange the fruits of industry. nor performing any of the true functions of money, is nevertheless not unproductive. It may not be earning interest, but it is enriching its owner through an increase of its own value, and that, too, without risk and at the expense of society. The peculiar effect of a contraction in the volume of money is to give profit to the owners of unemployed money, through the appreciation of its purchasing power, by the mere lapse of time.

"It is falling prices that robs labor of employment and precipitates a conflict between it and money capital, and it is the appreciating effect which a shrinkage in the volume of money has on the value of money that renders the contest an unequal one, and gives to money capital the decisive advantage over labor and over other forms of capital invested in industrial enterprises. Idle machinery and industrial appliances of all kinds, instead of being productive of profit, are a source of loss. They constantly deteriorate through rust and waste. They cannot escape the assessor and tax-gatherer, as the bulk of money does, and must pay extra insurance when idle. Labor, unlike money, cannot be hoarded. The day's labor unperformed is so much capital lost forever to the laborer and to society. It being his only capital, his only means of existence, the laborer cannot wait on better times for better wages. Absolute necessity forces him to dispose of it on any terms which the owners of money may dictate. These are the conditions which surround the laborer throughout the commercial world to-day.

"These laborers must make their wants conform to their diminished earnings. They must content themselves with such things as are absolutely essential to their existence. Consumption is therefore constantly shrinking toward such limits as urgent necessities require. Production, which must be confined to the limits indicated by consumption, is constantly tending toward its minimum, whereas its appliances, built up under more favorable conditions, are sufficient to supply the maximum of consumption. Thus idle labor, idle money, idle machinery, and idle capital stand facing each other, and the stagnation spreads wider and wider. The future affords no hope or prospect of improvement, except through a change in financial policies. Prices have been persistently falling throughout the world since 1873, and as fast and as far in specie-paying countries as elsewhere. If the policy of chaining the industry and commerce of the world to a single metal be persisted in by the United States, Germany, and the other European countries acting in concert with them, money must still rise in value, and prices must continue to fall. The depression in productive industry will become more deadly, and the number of idle laborers will indefinitely multiply.

"The loss which this country sustains by reason of the enforced idleness of three million persons, who although idle, must still in some scanty way be supplied with food, clothing, and shelter, is in the aggregate very great. If it be estimated at one dollar per day for each laborer, it would amount in two years to a sum sufficient to discharge the national debt. It would pay the interest, at 5 per cent per annum, on eighteen thousand millions of dollars. It would be a sum more than sufficient to supply anew each year the circulating medium of the country. It would amount, in four years, to a greater sum than the world's entire gold product has amounted to in the last fifty prolific years. It would aggregate in ten years a value far greater than the value of the world's entire product of both gold and silver for the last hundred years. It would amount in four years to a sum more than sufficient to duplicate and stock every mile of railroad now in the United States. Contrasted with the startling sum thus annually lost through the shrinkage of money and falling prices, the amount which could by any possibility be lost in a generation through fluctations in the relative values of gold, silver, and paper would weigh as mere dust in the balance. If to this loss be added that caused by non-employment of productive machinery and appliances, the aggregate becomes appalling. The average stocks of nearly all commodities are at no time sufficient for more than a few months' consumption. Without constant reproduction mankind would soon be stripped of all their movable possessions. No more fatal blow, therefore, could be directed against the economical machinery of civilized life than one against labor, and that blow can be most effectively delivered through a policy which strikes down prices."

Archbishop Purcell, on the occasion of the dedication of the Davidson Fountain, in Cincinnati, in October, 1871, said: "Who is there at the present hour who sees not in the nearing future the first signs of a conflict; I mean the irrepressible conflict of rich and poor —of capital and labor?" How true! How terribly it has been verified in 1877!

Extract from a letter of Hon. S. F. Cary, in the *Irish World*, August 25th, 1877:

"Dear money and cheap labor antagonize well-paid labor and cheap money. The former is the object of the monied class; the latter is the absolute need of the producing class. To secure the former the contraction and resumption policy of the Government was inaugurated; to obtain the latter there should be earnest and united action by the masses. The contraction of the circulating medium reduces the commercial value of labor and of all property, real and personal, but it appreciates in like ratio the purchasing power of bonds and money, and increases the burdens of debts and taxes.

"For instance, a mechanic in 1865 purchased himself a home, paying one thousand dollars down and giving his note and a mortgage for one thousand more. He was then getting four dollars a day for his labor, and his purchase was then a fair one. The note and mortgage become due. In the meantime, by the contraction of the circulation, he is able only to realize two dollars per day, and his property has shrank in like proportion, being now dear at one thousand dollars. The bond-holder and money-lender can now hire two men and buy two such homes as his, with the same amount of money, because their means have been doubled in their purchasing power, while his have diminished one-half.

"If debts and taxes, and the cost of living could be scaled down in proportion to men s diminished resources to meet them, it would not work so much injustice to labor and business capital.

"Here is the '*needless and unholy irrepressible conflict.*' It has been inaugurated by the greedy and rapacious money power. If the starving millions of workingmen, the manufacturers. the merchants, the owners of railroad stocks, and all others who have their investments in productive industry, do not unite and resist the encroachments, the legalized robberies, they deserve to be slaves!"

From a speech of Hon. A. H. Buckner, in Congress, Nov. 16th, 1877:

"I have never entertained a doubt of the impolicy of the attempt to reach resumption by contraction. I am not surprised at the increase of bankruptcy, the shrinkage of values, the depression in business, the paralysis of trade and commerce the despondency and dissatisfaction of the laboring population, the discontent of the agricultural classes, and the growth of crime and civil commotion, approximating to the very verge of social anarchy. It required no gift of prophecy to forecast the condition of the country, as we neared the time fixed for converting the vast mountains of debt of America into specie obligations. No special acquaintance with the dogmas of the so-called science of political economy was needed to foreshadow the commercial, industrial, and social mischief which must necessarily ensue upon the attempt to bring down the prices of all commodities regulated under a redundant circulation, to the level of an insufficient and contracted one.

"The slightest knowledge of English history, the experience of our own country within the knowledge of many now living, not to say the dictates of common sense and the facts of every-day life, should have averted the ruin of the great labor interests of this country, which has strewed the path of contraction and an insufficient circulation. For nearly ten long and dreary years the people have been uttering their protest against the madness that ruled the hour, against the folly of attempting to resume by crippling every industrial pursuit, against the criminality of conforming the financial policy of this magnificent heritage of Providence to the demands of Wall street and the money drones of the creditor section of the Union. Warnings, expostulations, entreaties, in season and out of season have come up from the toiling, despairing millions against a financial policy that threatens to make shipwreck of every interest on which the Government depends for its support and on which society depends for its existence and prosperity. And now we are confronted with the solution of the question whether we shall persist in this suicidal and destructive policy or whether we shall halt in this work of bankruptcy and disaster and obliterate the crowning triumph of a whole decade of financial wrong-doing: the resumption act of January, 1875."

Mr. Hamilton, of Maryland, a staunch resumptionist, in a speech in Congress, Dec. 22d, 1874, said:

"We must go back to our normal condition before we can build up ourselves again. And we are getting there day by day. More and more we are enduring, more and more we are suffering, and now one step more and all may be righted for a progress that our past bitter experience may secure for untold time."

Resumption was the "step" referred to. The step has been taken; the act has been passed nearly three years, and yet no relief has come; it has been a step of constantly increasing suffering and distress.

Following is a list of the number and aggregate amount of bankruptcies from 1857 to 1877 inclusive, taken from Messrs. Dunn, Barlow & Co.'s report:

Year	Number	Amount	Average indebtedness
1857	4,932	$291,750,000	$59,154
1858	4,225	95,749,000	22,662
1859	3,913	64,394,000	16,430
1860	3,673	79,807,000	21,710
1861	6,993	207,210 000	29,631
1862	1,652	23,049,300	13,452
1863	485	6,864,700	14,154
1864	520	8,579,000	16,498
1865	530	17,625 000	33,255
1866	632	47,333 000	74,894
1867	2,386	86,218,000	36,134
1868	2,608	63,774,000	24,452
1869	2,799	75 054,000	26.814
1870	3,551	88,242,000	24,849
1871	2,915	85,251,000	29,245
1872	4,069	121,056,000	29,750
1873	5,183	228.499 000	44,085
1874	5,830	155,239,000	26,627
1875	7,740	201,060,353	25,978
1876	9,092	191,117,786	21,020
1877	8,872	190,669,936	21,491

Nearly twenty times the number, and over ten times the liabilities, in 1877, that there were in 1865.

There were 89 failures in New York in the month of December, 1877, not including 11 assignments. The aggregate assets were $3,118,000, and the liabilities $7,-704,000. This record exceeds by 25 per cent. that of any previous month of the year 1877.

Commenting upon the increase of bankruptcies of 1876 and 1877, the N. Y. *Mercantile Journal* said:

"The results of the first half of the present year are by *no means entirely satisfactory.* Neither as to extent or profitableness are there many signs of improvement; while in the recovery or stability of values the indications are uncertain, *and not unfrequently the tendency is still decidedly downward.* All the conditions seem to favor better times, yet there seem fatal barriers to their return. We have had years of marvelous production, and of good prices for the products of the earth; the figures indicating the value of exports were never so large or satisfactory—this, too, in the face of restricted imports, indicating an economy on the part of the people which *ought ere this to have borne better results.* * * * * *

"Yet the experience of the past does not permit the hope that all this will bring around a prosperous or satisfactory trade. *Something more is needed; but what the true remedy is, none have yet discovered.* Numerous explanations are, of course, at hand; and it is eloquently urged that the adoption of this or that policy would restore confidence and prosperity Yet the fact remains that, in the presence of all favoring conditions, depression reigns, values decline, and business is restricted and unprofitable. Judging from the state of business abroad, all this is not chargeable to the peculiar disabilities under which this country labors. *Other nations with a gold basis*, a low tariff, and not chargeable with either public or private extravagance, are suffering even to a greater extent than the United States, with an absence of many of the advantages and prospects which this nation enjoys"

Commenting on the same unanswerable evidences of the great depression of business, the *Missouri Republican*, of January 21st, 1878, said:

"According to the figures presented, the failures in the United States for the year 1877 are 8,872 in number, being 220 less than for 1876, in which year they were 9,092. The total liabilities for 1877 are stated at $190 669,000 as against $191,117,000 in 1876, or barely half a million of dollars less. For the three quarters ending with September last, the number of failures had lessened by 495, with a decline in liabilities of $4,320,0 0 as compared with a similar period in 1875, but the casualties of the last quarter have been so numerous and important, that the ratio of improvement for the first nine months has not been sustained. So frequent of late have been the announcement of suspensions and so much has occurred in the last few months to impair confidence that it is all the more gratifying to know that the figures for the whole year do show a decreased number of disasters, with losses somewhat less. The agency, however, says it is a pregnant fact, illustrative of the general condition, that the failures of the past year approach so nearly those of the year preceding, which were deemed very excessive, and that the failures are really above the average of the four years since the panic of 1873. Time does not seem to improve these statistics with the same rapidity that it did subsequent to the panic of 1857 or 1861, for in the four years succeeding these dates, the number of failures and the amount of liabilities steadily diminished, the average rapidly declining, while this, the fourth year since the panic of 1873, largely increases the average. This is illustrated by the figures in detail for the periods referred to, and the comparison thus instituted, is made specially interesting as grouping the few years preceding the panic of 1873 opposite the four years succeeding. The average number of failures for the four years prior to and including 1873 was 3,929, while for the four years ending with 1877, the yearly average number is 7,883. In 1871, for instance, the failures were only one to every 163 traders, while in 1877 the ratio is one in every 73. The average total yearly liabilities prior to and including 1873 were $130,000,000; the yearly average for the four years subsequent is $184,000,000.

These great journals, as well as others, comment on the appalling increase of bankruptcies from 1866 to 1877 as phenomena strange, mysterious, and unaccountable! But a much stranger thing is that they —the educators of the masses—should be ignorant of the causes which produced and perpetuate bankruptcy. Money makes commercial values, prices. From 1866 to the present time a continued lessening of the volume of money has been going on. With this reduction in the amount of money, and produced by it, has moved a continuing shrinkage of values and shriveling of profits, until business has come to a point where there is scarcely any profit in it. The people of this country have been doing business for ten years with a constantly shrinking volume of money on constantly declining markets. Is it strange that bankruptcies have multiplied? It is only strange that they have not increased more rapidly.

Hon. Henry Cary Baird, in a pamphlet entitled *Turkey and the United States*, issued in 1877, says:

"THE UNITED STATES.

"CONDITION OF THE SOUTHERN STATES.—Turning now to the United States. we shall, perhaps, be asked, what has this country in common with Turkey as here depicted? We answer, that almost the entire South presents a picture very nearly identical with it—an almost total abscence of manufactures and the mechanic arts; a barbarous and exhaustive system of culture; bankrupt State treasuries, corporations, individuals; excessive rates of interest; taxation which amounts to confiscation, and has already confiscated thousands of once valuable estates; corrupt and irresponsible governments; widespread pauperism and ignorance, and a general tendency of society to become once more resolved into its elements. The saddest part of this sad picture is the reflection which it brings with it, that after passing through one great war by reason of the South being almost entirely devoid of diversified industries, and consequently of a power of association that creates that constant demand for labor which makes for the laborer a free and intelligent being, that country is to-day, in almost every respect, in a worse condition than it was in 1860.

"We have abolished chattel slavery, and yet enslaved almost a whole people, white as well as black. Without that great middle class. which is the broad basis upon which alone a free government can permanently endure, the South must ever be to the United States a source of weakness and discord, and to itself a scene of misery, wretchedness, and ignorance.

"While, like Turkey, the demand for revenue in most of the Southern States has grown with each succeeding year; we need hardly be surprised that taxation and confiscation in several of these States are almost synonymous terms. The rate on real estate in Louisiana, Arkansàs, Mississippi, and others is about 6 per cent.; and, we are told, that the valuation of real and personal property had, between 1860 and 1870, declined in Virginia and West Virginia from $793,-247,681 to $600,239,624; North Carolinia, from $292,277,612 to $132,-046,390; in South Carolina, from $489,319,128 to $164,409,946; in Louisiana, from $435,000,000 to $250.000,000; in Mississippi, from $509,472,912 to $154,535,547; in Alabama, from $450,000,000 to $155,-000,000. But we shall be told that the waste of war and the freeing of the slaves, which were, in 1860, included in these valuations, should be taken into account. To this the reply is, that in the five years, from 1865 to 1870, with even a moderate degree of prosperity, all of the States would have been enabled to have restored their property at least to what it stood at in 1860; the increase in Pennsylvania, for instance, between 1860 and 1870, being from $1,416,501,818 to $3,808,340,112.

"By wise administration France has so far recovered from her late war—which was estimated to have cost the State alone over $2,-000,000,000, and agriculture in addition $850 000,000—as to have placed herself in the position of being the most prosperous of all the nations of the earth.

"But the loss of slave property and the waste of war will hardly account for the fact that in Louisiana, a plantation of 1,600 acres in one of the most fertile sections, once valued at $160,000, could not, in 1874, be sold for $1,600; or that another of 600 acres, which originally cost $30,000, was, about 1874, offered for $700; or that in New Orleans, a house which, in 1868, was worth $12,000, was a little later sold for $8,000, and then for $6,000; and that in 1874 no one could be found to take it at $4 000; or that the Sheriff of New Orleans has become the prosperous man of the city, his office, in the midst of the ruin by which he is surrounded, being worth $60,000 per annum.

"The waste of war, which was closed in 1865, and emancipation will hardly account for the fact that in South Carolina, 'lands that were held before the war at twenty-five and thirty dollars an acre, and cheap enough at that, can now be had at two, three, four, five, and ten dollars an acre. These lands are in working order and need only good farming to make them more profitable than they ever were;'* or 'that the largest half of the population of South Carolina live to-day in huts and hovels, so poor that their total destruction,

"*The New York *Tribune*, of April 16th, 1877, under the heading of 'Wrecked by Real Estate,' says: A reporter of the *Tribune* recently had a long interview with a gentleman who has been closely identified with the ups and downs of the market during the past few years. 'It is a frightful retrospect,' he said, 'but as a warning to those who again may desire to speculate in unimproved property, the whole story ought to be told. It is not necessary to give names: the facts will speak for themselves, and those at all acquainted with our market will at once be able to identify the bodies, when I come to call the roll of the killed and wounded. * * * The masses of the people, who imagine that they alone have suffered during these hard times, would open their eyes if they could understand the misfortunes sustained during the past four years by many of the formerly wealthy families of New York, and see how changed are the circumstances and surroundings in which they are now living.'

from one end of the State to the other, would not diminish the taxable value of the State one-tenth of one per cent.,' being 'worth no more than so many dog-kennels or pig-sties.'*

"But we shall doubtless be told that Louisiana and South Carolina have for years been under the combined rule of the negro and the carpet-bagger, and that this fact alone is sufficient to account for their sad condition. Let us, then, turn to Virginia and Tennessee, two States which have now for several years both enjoyed, in a great degree, immunity from these blighting influences; States, too, of magnificient natural resources, which only need to be developed in order to extend prosperity, happiness, contentment, and civilization into every nook and corner of their wide domains.

"Virginia, with a territory of 38,348 square miles, and in 1870 a population of 1,225,163, has to-day a funded debt of $29,489,326, the annual interest charge on which is $1,951,175. The expenses of the State Government for 1876, exclusive of interest on the debt, were but $1,556,715—showing a remarkably economical administration of public affairs; and yet the due and unpaid interest on this debt December, 1876, was $3,510,834. That such a body of people inhabiting such a territory, should be unable to support such an economical government, and pay such an annual interest on its debt, shows an absence of the utilization of its resources which is disgraceful to the general government under which they live. But that their difficulties must increase rather than decrease will be indicated by the fact that while in 1873, in Virginia and West Virginia, the mercantile failures were 125, and the debts $2,188,000, in 1876 the failures were 172, and the debts $3,381,289. It need hardly be added that this is not the road which leads to the payment of the interest or principal of this debt; but that it leads to repudiation, no matter how great the pride or how high the tone of the debtors; for, in justice to this ancient Commonwealth, it must be said that the Executive shows, in his late message, the most honorable anxiety about the discharge by the State of all her just obligations.

"Turning now to Tennessee, we find a population of 1,258,520, inhabiting one of the most magnificent territories in the world, 42,000 square miles in extent, of genial climate, abounding in the finest agricultural lands, and possessed of wonderful mineral resources; coal and iron especially being inexhaustible in supply. This State has a funded debt of $23,203,400, on which there is now due and unpaid eighteen months' interest, or $2,088,756. How unlikely she is to increase her ability to discharge this debt, interest or principal, while on the road she is now made to travel, will be seen and appreciated when it is considered that the taxable property in the State, which was in 1873 valued at $308,089,738, had in 1876 fallen to $268 002,485; and that the failures, which in 1873 were 77, with liabilities of $1,636,000, had in 1876 swollen to 158, with liabilities of $2,229,553.

"Even in the State of Georgia, now for years under the control of its white population, and with fuller developed industries than most of the other Southern States, land is so nearly without value that no

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"*The New York *Tribune* has recently expressed the opinion that either the debt of the city of New York must be repudiated, or the entire real estate in that city pass into the hands of new holders at lower prices.

money can be borrowed on it on mortgage; and cases have been known where mortgagees have preferred to abandon their claims entirely to foreclosing their mortgages, because they did not wish to be incumbered with the lands, their taxes, and other responsibilities. No better test of a decline in civilization in any community or country can be had than a decline in the value of its lands—man invariably declining with a fall in the value of land.

"THE CONDITION OF THE NORTHERN STATES AND OF THE UNION GENERALLY.—But we may, perhaps, be told that all of these Southern States have been over-run and plundered by hostile armies, and have furthermore undergone a revolution in their labor system; and that this condition of prostration was therefore to have been looked for. Let us, then, turn to the contemplation of the North, and of the nation at large

"In 1876, the failures in the loyal States were 7,972, with liabilities amounting to $174,693,712; and those in the States lately in rebellion 1,120, with liabilities of $16,424,074; or a total of liabilities of $191.117,786; there being one failure for every 63 persons in business. In the four years, 1873 to 1876 inclusive, the liabilities amounted to the enormous sum of $775,916,130.

"NEW YORK AND OTHER CITIES.—According to estimates of the Tax Commissioners of New York City, the actual value of real estate in that city has declined from $1,394,488 966, in 1873, to $892,-428,163, in 1876, or $502 060,803; while it was assessed, for the purposes of taxation, at $65,000,000 higher in the last named than the former.* In 1873, the total value of the personal property, exclusive of bank stock, assessed in that city, was $215,000,000, while in 1876 it had fallen to $133.500,000—a decline of $81,500.000. At the same time the public debt of that city December 31st, 1872, was $95,467,154, while December 31st, 1876, it was $127,919,993 net.† While the transactions of the clearing houses of twelve of the principal cities of the United States, which includes 312 banks, were, in 1875, $31,292,000.000, in 1876 they were but $28,234,000,000—a decline of 9.8 per cent, and $5,738,000,000 less than those of New York City alone in 1873. For the fiscal year ending June 30th, 1873, the total net receipts of the government of the United States, exclusive of loans, were $333,738 204; while for the year ending June 30th, 1876, with increased taxes on many articles, they were but $287,482,039—a decline of over $46,256,165; and the late Secretary of the Treasury, Mr. Morrill, in his report on the Finances, in December, 1876, acknowledged his inability any longer to provide for the sinking fund.*

"THE UNEMPLOYED.—From statistics gathered from trades-un-

"*This result was foreshadowed before the crisis of 1873, by an able English writer—the author of 'The Bank Charter Act and the Rate of Interest,' Lond. 1873: '*To us*,' he says, '*it is indeed a melancholy reflection, and one withal worthy of grave pondering, that when the United States shall return again to a convertible currency, the liquidation of this nation debt must cease. Our own Sinking Fund, devised for a similar object, we know, ceased to receive any important payments after the abrogation of the bank restriction act. No currency, doubtless, but one that was able to* SUSTAIN *a greater war, need be expected to* LIQUIDATE ITS COST.'

"†The philosophy which explains these facts is simple; the subordination of commerce to its instrument, money, in destroying the power of association among the people, of necessity destroys their ability to contribute to the revenues of the State.

ions. and other reliable sources, it is estimated that there are over 45.000 skilled workman out of employment in the city of New York; while the mayor of Chicago recently expressed the opinion that in the latter city there were 50,000 people without work. During the month of December last, in Philadelphia, outdoor relief was granted by the authorities to 16,637 persons; while January 20th, 1877, there were 4,249 inmates in the Almshouse of that city, and 2,116 in the House Correction, making in the two institutions 6,365 paupers, vagrants, and drunkards. In the once prosperous and happy city of Newark, N. J., one-eighth of the entire population was, in January last, depending on public charity

"IN THE WORDS OF AN EMINENT AMERICAN WRITER.—Laborers, skilled and unskilled, abound, vainly seeking to sell their labor, and with the proceeds to pay for food and clothing for their wives and children. Banks and saving funds are everywhere being ruined. Thousands of millions of capital invested in coal mines. iron works, factories and railroads, are idle, yielding nothing to their owners. Everywhere mortgages are being foreclosed, and the unfortunate debtor, turned adrift, seeks in vain for lodgings, for either wife or child."

The total number of deaths in the United States for the year 1860 was 374,022, and for 1870 they were 492,263, as shown by the ninth census report—an increase of 118,241, or about 32 per cent. for the year 1870 over that of 1860, when the increase of population was only about 22 per cent.

The total assessed value of all property in all the States and Territories in 1860 was $12,084,560,-005, and in 1870 it was $14,178,986,732—an increase for 1870 over that of 1860 of $2,094,426,-727, or about 17¼ per cent.—equal to an increase of not quite 1¾ per cent. a year.*

But the values of real estate have greatly depreciated

*The Chief of the Bureau of Statistics estimated the entire wealth of the country at $30,000,000,000 for 1870, but his method of arriving at this estimate is not at all reliable, as any one may see who reads his explanatory notes on page 636. *et. seq.* of compendium of the ninth census of the United States. Doubtless the assessments as returned by the county and state officers do not show the exact wealth of the country. but their returns are by far the most authentic that can be had. It is said they assess too low. If this be true, it would apply to the assessment of 1860 as well as to that of 1870, and the per cent. of increase or decrease of wealth would not be changed by that fact.

all over the United States since 1870. This depreciation has been variously estimated. We believe it to be over 75 per cent., but in the following calculation put it only 50 per cent. The total assessed value of real estate for 1870 was $9,914,780,825. Add to this 25 per cent. for under-assessment and it would be $12,393,486,031. Deduct from this sum 50 per cent. decline since 1870, it gives $8,262,350,687 as the present true value of all the real estate in the United States. The assessed value of all the real estate in the United States for 1860 was $6,973,006,049. Add to this 25 per cent. for under-valuation and it gives $8,716,257,561 as the true value of real estate in that year—$453,906,874 more than its present worth.

The assessed value of all the personal property in the United States for 1870 was $4,264,205,907. Add to this 25 per cent. for under-value and it gives $5,330,257,383 as the true value of the personal estate in 1870. But prices of personal property have declined since that date on an average over 50 per cent. Deduct 50 per cent. decline since 1870 and we have $3,553,504,922. But United States bonds are not taxed. Add $700,000,000 of them owned in the United States and it gives $4,253,504,922 as the true present value of all personal property in the United States. The assessed value of all the personal property in the United States in 1860 was $5,111,553,956. Add 25 per cent. for under-valuation and it gives $6,389,442,245 as the true value of all the personal property in the United States in 1860—$2,135,937,323 more than its present value.

It may be said that the freeing of the slaves of the South since 1860 is the cause of the decrease of aggregate value of all personal property, but we answer, that the enormous increase of state, municipal and corporate bonds which have been issued since 1860, and which are returned in the assessors' list, together with the government bonds above added to the assessment, will more than offset the destruction of assessed values by reason of emancipation of the slaves.

These figure show a total depreciation of values of all the property in the United States in 1877 below that of 1860 of \$2,598,844,197—equal to a decrease of nearly 22 per cent. during 17 years, or $1\frac{5}{17}$ per cent. per annum! Is this strange? Not at all, when viewed in the light of existing facts. Taxes have trebbled, debts more than quadrupled, and the amount of money in circulation among the people is less *per capita* than in 1860. Deducting \$60,000,000 coin held by banks as reserves in 1860, the amount of money then in actual circulation among the people was about \$422,000,000, or $\$14\frac{1}{15}$ *per capita*.

The total amount of paper money of all kinds, together with the subsidiary coins and \$15,000,000 of coin circulating in the Pacific States and Territories, now outstanding, is about \$732,000,000. Deduct from this \$210,000,000 held as reserves by banks, as reported by the Comptroller of the Currency for 1877, and it gives \$522,000,000 of money circulating among the people, or $\$11\frac{8}{23}$ *per capita*, estimating the population at 46,000,000. This is nearly \$3 less *per capita* than the people had in 1860! And yet there are men in this country whose heads are so empty, or cheeks so hard, that they unblushingly exclaim, "There is a plethora of money!"

The total state, municipal and county taxation for the year 1860 was $94,186,746; for 1870 it was $280,591,521—an increase of 300 per cent., and the increase has continued to progress since 1870. Besides this, the federal taxes have increased over 400 per cent. during the same time.

Statement of the conditions of the railroads in the United States in 1876 and 1877, showing immense losses:

The *Railway Age*, of Chicago, stated on Feb. 22nd, 1877, that eighty-six railroads had, during the year 1876, met with disaster as follows:

	No. of roads.	Mileage.	Capital invested.
Sold under foreclosure	30	3846	$217,848,000
Receivers appointed, or foreclosures commenced	46	7576	538,000 000
New defaults	10	2577	156,661,000
Grand total	86	14,178	$912,509,000

The same paper, under date of March 22nd, 1877, says:

"Out of a total nominal investment of the railroads of this country of $4,775,000 000, about 38 per cent., or $1,800,000,000, is represented in defaulting roads, and is therefore, for the present at least, almost wholly unproductive to the investors."

And on the same date says:

"The losses incurred by the shrinkage of the stock of the four principal coal roads within the last year are appalling, as shown by the following table:

Railroads.	Value March 8, 1876.	Present value.	Shrinkage.
Central, of New Jersey	$21,961,750	$ 1,724,645	$20,217,125
Dela., Lackawana & Western	31 178,000	17.423 000	13,753,000
Delaware & Hudson Canal	24,000,000	10,400,000	13,600,000
Reading	32,863,000	4,251,000	28,612,000
Total	110,003,250	33,818,625	76,184.625

"Add to this $76,000,000 of loss the depreciation upon the bonds of the companies, and the estimate that the total apparent loss caused by the coal panic within a year will reach one hundred million of dollars is not far from correct."

And adds:

"The loss of nearly $8,000,000 in annual dividends by the stockholders of the four roads named is a calamity of wide-spread effect."

Table of the average ratios of earnings to capital and surplus, of National Banks from March, 1873, to Sept. 1st, 1877:

1873	5.5 per cent.	1876	3.2 per cent.
1874	4.9 " "	1877	2.5 " "
1875	4 6 " "		

The foregoing table shows a decline of over 100 per cent. since 1873, and a decline of nearly 100 per cent. since the passage of the Resumption Act.

Bank losses for 1876 and 1877, as reported by the Comptroller of the Currency, pages 34 and 35 of report for 1877:

	Amount March 1.	September 1.	Total.
Total losses for 1877	$8,175,960 56	$11,757,627 43	$19,933,587 99
Total losses for 1876	6,501,169 82	13,217,856 60	19,719,026 42
Increase of losses of 1877 over those of 1876			$ 214,561 57

The Ninth Census Report shows that, on June 1st, 1860, the number of persons in prison in all the States was 19,086. On June 1st, 1870, they were 32,901—an increase of 13,815, or 72 per cent., while the population increased only 22 per cent. The number of paupers for 1860 and 1870, reported in the Ninth Annual Census, is utterly unreliable for the purposes of comparison, as will be seen by explanatory notes on page 563 of the report. The annual cost of support of paupers is more reliable. It was $5,445,143 for the year ending June 1st, 1860, and $10,930,429 for the year ending June 1st, 1870—an increase of $5,485,286—100 per cent. for the year 1870 over that of 1860, when the increase of population was but 22 per cent. The increase of pauperism is now very rapid.

List of heavy embezzlements, condensed from the N. Y, *Sun* of Jan. 1st, 1878:

Year.	No. Embezzlers.	Amounts embezzled
1873	27	$ 3,460,007
1874	59	2,068,839
1875	45	9,297,331
1876	59	3,808,648
1877	122	12,577,951

Showing a great increase of that class of crimes.

Following is a table of the total net revenue of the United States, from 1866 to 1876, inclusive:

Year.	Net revenue.	Year.	Net revenue.
1866	$558,032,620 06	1872	$374,106,867 56
1867	490,634,010 27	1873	333,738 204 67
1868	405 638,083 32	1874	289,478,755 47
1869	370,943.747 21	1875	288.000,051 10
1870	411,255,477 63	1876	287,482,039 16
1871	383,323,944 89		

A constant and rapid decrease of revenue without a corresponding reduction of the rate of taxation.

Following is a table of the net immigration to the United States for the five years ending June 30, 1876, taken from the Annual Report of the Chief of the Bureau of Statistics for that year:

Years ended	Net immigration.
June 30, 1872	404 806
June 30, 1873	459,803
June 30, 1874	313,339
June 30, 1875	227,498
June 30, 1876	169,986

Table of net emigration from the United States for the five years ending December 31st, 1875, taken from the Annual Report of the Chief of the Bureau of Statistics for that year:

Years ended	Net emigration.
December 31, 1871	21,367
December 31, 1872	45,323
December 31, 1873	70,188
December 31, 1874	92,635
December 31, 1875	71,725

The above tables exhibit a *decrease* of immigration to the country of *over 100 per cent.* since 1872 and 1873, and an *increase* of emigration from the country of *over 300 per cent.* since 1871. Perhaps no truer indication of the decline of our prosperity exists than the facts exhibited in these tables of immigration and emigration.

Hon. Chas. S. Hill, of New York, states the decline of our shipping interests as follows:

"In order to give an idea of the retrograde movement of our shipping interests, let us compare the following proportionate value of foreign trade as transported in 1857 and 1867:

1857. To and from New York City in American ships...$239,565,610
" To and from New York City in Foreign ships..... 104,354,651
And in
1867. To and from New York City in American ships... 113 313,303
" To and from New York City in Foreign ships..... 371,849,274
And for
1857. To and from *all* our ports in American ships..... 510,000,000
" To and from *all* our ports in Foreign ships only.. 213,000,000
Or double in favor of American tonnage.
In
1867. To and from all our ports in American ships..... 296.000.000
" To and from all our ports in Foreign ships....... 580,000,000
Or *double* in favor of *foreign* tonnage.
And in
1877. To and from all our ports in American ships...... 280,000,000
" To and from all our ports in Foreign ships....... 770,000,000
Which shows a *startling increase* of foreign tonnage."

And a decrease of our own of nearly half in 20 years. Thus it appears that every material interest of the nation is in a state of rapid decay. In the last ten years the values of all property, both real and personal, have fallen from 50 to 100 per cent., and the shrinkage continues slowly, but steadily and surely.

Industrial shops, manufactories, and mines have closed by the hundred; mercantile and trading classes are becoming bankrupt by thousands; although the earth yields bountifully to the husbandman's culture, yet his abundant crops are almost consumed in freighting the grain to market, his labors go uncompensated, and each year brings him harder toil, harder living, and greater distress; the land owner's rents diminish annually and his substance is eaten up with taxes or his estates sacrificed at mortgagee's sales; laborers stroll idly through the streets of cities and tramp the highways of the country anxiously but vainly looking for employment; hundreds of millions of railroad stocks are sacrificed at mortgage sales, and the shipping interests of the country are swept from the seas. Every business man in the country, the merchant, the shopkeeper, the miner, the manufacturer, the miller, the trader, the farmer feels and knows that profits on the industries and business have constantly diminished for some years, and that the diminution progresses with unwearied, unfaltering step. They know that the grounds upon which they stand are treacherous. They feel the foundations slipping from beneath their feet; experience the utmost tension of all their powers to keep them from sinking amid the quick-sands of uncertain, poorly remunerative business. Thousands every year succumb. The basis of their enterprises, the values of property, and the profits of business continue to shrink and shrivel until the feeble, tottering base gives way, and years of toil and sweat, and hard earnings fall in a ruined mass together.

Crime stalks abroad like a devouring monster; pauperism skulks in the highways and byways of the country, and shivers through the streets of the cities begging bread from door to door; prices of labor and profits of business and industry are poorly remunerative and grow less day by day; factories, workshops, and mines are closing up, and railway corporations failing with millions of liabilities; death rates are increasing; want of confidence, apprehension, and general discontent irritate the people; fresh and terrible upon the memory is the picture of 200,000 strikers and rioters with the cry of bread upon their lips, and swift revenge in their hearts, feeling the pillars of government and threatening the "gilded apex of society." The wealth of the country is slipping away like the sands from the hour glass; morals, the base of all human society, are diseased. 3,000,000 of sturdy men are in idleness and unable to procure honest labor for willing hands! Upon the top of this inverted pyramid of weakness and rottenness is piled a crushing weight of $25,000,000,000 of debt, and beneath it comes the keen, cutting tide of resumption to dig away the slender base upon which it rests! This is America!

How long must this condition of things last? When will the end be? When will the country be crushed beneath its mountain of distresses? Is there no help? "Is there no balm in Gilead?" Can the government find out no remedy? or, finding one, will they refuse to apply it? Need they be told where the evil lies? Are they of those who are forever learning and never able to come to a knowledge of the truth? This distressing state of the country is sacrificing the debtor classes to close-fisted money lenders; the mercantile classes to falling markets and bankruptcy; all the material interests of the nation to decay; concentrating the wealth of the country in the hands of the few; dooming the laborer to want and misery; arousing all the evil passions of men and sowing broad-cast the seeds of revolution. These are not accidental. There is a cause for all these things. Some say it was inflation of the currency. If so, why did not the crisis come during, or soon after, inflation, in the fall of 1865 and beginning of 1866? The crisis did not come until seven years after that, hence, it could not have been caused by inflation. We say contraction of the currency is the prime cause of the present distress. But bullionists say, "If contraction caused the crisis, why did it not come while the great contraction was going on, or soon after?" We answer, that the crisis was kept off until 1873 by the extension of credits, as we have shown in the former pages. The bullionists again say, "Inflation was not the immediate but the remote cause. It induced speculation and the creation of large indebtedness, and these produced the crisis." We reply that all the evidences and facts are directly against that assumption. As we have shown in preceding pages, the vast indebtedness of this country was not created during inflation or caused by it, but, on the contrary followed and was caused by the vast contraction of the currency. These propositions of the bullionists are contrary both to facts and philosophy. There is no relation whatever between an inflation of the currency and stringency of money, because the supply of money, in such case, is adequate to meet the demand.

Sound money is not like the human system, subject to over-exertion and excitement, followed by exhaustion or collapse. A dollar, if it be a sound one, whether paper or coin, is good, strong, vigorous, possessing the same powers, functions, and vitality as a dollar all through its life, until the hour of its loss or destruction. If its purchasing power be less at one time than at another, it is not because of any internal weakness or exhaustion of the dollar or its powers, but because of the increased exchange value of the thing sought to be purchased.

If the currency were gradually inflated to $1,500,-000,000 there would be no stringency of money so long as it remained thus inflated. On the contrary, money matters would be easy. But suppose the country had \$1,500,000,000 and the volume should be reduced half: falling prices would follow and business men would be forced to borrow to meet losses and keep up their establishments. Then would be experienced a stringency in money matters. Why? Not because of inflation, but the very opposite. It would be the necessary result of contraction. But there is a relation between a contraction of the currency, or a contracted volume of money, and stringent or hard times. Money, in one sense, is like other things of value. When plentiful, it is easy to get; when scarce, hard. Every man, the merest novice, knows this to be true. The business of a nation as well as of individuals adjusts itself to the quantity of money at command, and a decline in the volume of money forces a decline in business, reducing the means of meeting obligations and forcing resort to borrowing to meet losses, and thus, while it reduces the supply of money, multiplies the pressing needs of it; hence, a stringency in money matters inevitably follows and is produced by contraction.

CHAPTER XX.

THE REMEDY:

A PERFECT MONETARY SYSTEM.

[Review of authors of the past, and criticisms on the current theories of the day, in Prefatory Chapters I and II, ought to be read before reading this Chapter.]

The first thing to be done is for every man to find where his interest lies with reference to national financiering. It may seem strange that any one should not know where his own interests are, but it is true that very many do not know what finance policy would be best for them; aye, thousands are to-day advocating, sustaining, voting for financial measures which are inimical to their prosperity.

It is to the interest of the farmer to sell his products and stock at good prices; the laborer to find constant employment at remunerative wages; the mechanic that houses should be built; the artisan and artist that their services should be in good demand; the professional classes that their skill and ability should be constantly sought after; the merchant to find large sales and quick returns of profit; the miner that his products should find a ready market; the miller that wheat, flour, and lumber should never waste in his bins or rot in the mill yard; the commission merchant to have large consignments and brisk sales; the railroad and other lines of transportation to have immense and constant shipments; the manufacturer that the demand should be equal to or greater than the supply of his line of products; the real estate owners that houses and lots and land should advance in value and that rents should rise; the deposit, exchange and savings banks, and loan and fund companies that all business should be brisk and transactions immense; and the owners of corporate stocks and bonds that the business of the corporation should be large and its profits good, so that interest on the bonds may be paid and dividends declared on the stocks.

The interests of every one of the classes named—and they embrace all the productive, commercial, transportation, professional, industrial, and laboring classes—are that times should be "flush," business brisk. Whatever may be the circumstantial, local, sectional and temporary differences between these several classes of men, their general interests, their common prosperity point to and rest in a plentiful supply of money, because commercial and business prosperity cannot exist in a commercial nation with a meagre supply of money. Upon the subject of money the general interests of all these classes are identical, and it is all important that they should awake to a consciousness of their identity of interests and engage in the great conflict now being fought between the general interests of this country and the money power. While the best interests of the latter do not, in point of fact, lie antagonistic to those of the great body of the people, yet their unwise, unholy greed for money and power have brought them to concentrate all the influence of their abilities and vast wealth to bear upon governments to secure financial policies and monetary laws inimical to every interest of human society.

The money power is composed of those who hold government bonds and first-class state, municipal, and corporate securities. The national banks are identified with it. The power, wealth, and influence of that class is almost immeasurable. It has been strong enough to control the government of the United States ever since the war. It is the power the people of this country must overcome before relief can be had.

The contest will not be one of pigmies, but of giants, of the gods. It behooves the people to summon all their energies, join themselves together, present a united front against the money power, and never cease to contend, even for years, until they shall have rescued the government from the influence, flatteries, and strong grip of that giant adversary. This must be done peaceably. Riots, insurrection, revolution would not accomplish the object sought, but would add a thousand ills to existing distress. It must be done by the creation of a full irresistible tide of public sentiment expressed on the rostrum, at the hustings, in journals, pamphlets, and books, and then its power applied through the ballot so forcibly that the friends and auxiliaries of the money power shall be driven from the commanding official positions they now hold in the national councils, and their places filled by the friends of the people, by patriots.

Thus, and only thus, can a remedy adequate to the evil be applied. No palliatives will suffice. No patches should be tacked to the threadbare fabric of policies that now cover the nation with distress. Let the cloak of hypocritical financial pretensions and policies be rent asunder and cast aside for all time. A thorough and radical change is needed before the country can be rescued from the rapacity of the money power and freed from the blighting effects of vicious systems.

The duty of the Government.—The object and end of government is to secure to the people the highest possible degree of general welfare. To this end it is its duty to enact such laws of a general character and so administer public affairs as to encourage virtue and intelligence; facilitate commerce, foster the industries, encourage production, and secure the administration of justice. While many acts of government may promote these ends, nothing operates upon them with more force than the exercise of its inherent right to control and regulate the nation's monetary affairs. A high degree of national intelligence and commercial, industrial, and productive prosperity is incompatible with indigence, scarcity of money; they are contemporary only with affluence, plenty of money. Necessity knows no law; misery and wretchedness arouse the blackest passions of men, causing them to fall into vice and trample justice under their feet. In such a state, unions, howsoever auspiciously formed; constitutions, howsoever wise, and laws, howsoever just and wholesome are but the empty form without the substance, the letter without the spirit—ropes of sand, powerless to serve the noble ends for which they were framed.

The government, for its own preservation, in the faithful discharge of the object of its creation, ought, whenever the nation or any considerable number of its people fall into decay and distress, by the exercise of its constitutional powers, administer a relief fundamental in its nature and enduring in its character. The present distress of the country is financial. The remedy should be applied against the cause and made adequate to bring perfect and continuing relief.

Scarcity of money is the cause of existing evils, and every moral, intellectual, and material interest of the country, for vigorous and healthy development, depends upon the restoration by the government of a sufficient volume of currency to revive all business, give employment to labor, and drive from the country the evil genius, idleness.

The history of all commercial nations settles, beyond question, two propositions:

First: *That a volume of money large enough to circulate freely in every part of the nation, move all the products of the country, and keep every brain and muscle in the land profitably employed is indispensable to a full measure of prosperity.*

Second: *That a sufficient and steady volume of money is absolutely necessary to continuing prosperity.*

To secure these ends the following system is proposed.

First: *Remonetize Silver*, and make it a full legal tender in any amount. This would not seriously affect the value of public securities, because it would greatly enhance the value of silver. The remonetization of silver would bring the following benefits to the country: 1st, The capitalists of Europe would, perhaps, move for a remonetization of it there for their own protection, and this would further enhance its value and thus benefit this country, because it produces large quantities of it. 2nd, Our immense foreign interest and indebtedness would be more easily paid than if it all had to be paid in gold. 3rd, If silver should remain below gold in value, our foreign creditors would desire to get rid of our bonds. This would induce larger exportations of merchandise from this country to Europe, and the settlement of balances in our favor would be made by sending home our bonds.

Thus, a process of reducing our foreign indebtedness would set in, proportionately reducing the outflow of coin, and thus the drain of coin would be reduced and our stock would be increased. This, again, would give the banks, if the present banking system be perpetuated, larger coin reserves, enabling them to supply the country with a larger volume of currency. It would not be a breach of public faith or government contract, because every holder of public securities took them with constructive notice, if not positive knowledge, that all governments have absolute power to make and unmake money and regulate the value thereof. Hence, they took the risk of a change of the legal tender money. Besides this, silver was a legal tender at the time much the larger part of the government bonds were sold. The remonetization of silver would, in some degree, increase the world's legal tender money, and thus tend, in a slight degree, to elevate prices, which would be a benefaction.

Second: *Repeal the Resumption Act.*—This Act, if not repealed, will ultimately destroy every dollar of the best paper money we ever had. Legal tender paper was the sustaining power which saved this country from universal bankruptcy in 1873. It was good and sound, possessing all the functions of money, and its value and desirableness were not in the slightest degree depreciated by the panic. On the contrary, it was rather enhanced in both respects. If we had had no legal tender paper money then, the drain of coin to settle the immense foreign balances, which accrued in 1872 and 1873 against us, would have depleted the bank coffers, runs on them would have ruined them and the enormous debts of the country, without a sufficiency of legal tender money to meet them, would have crushed the commercial classes and destroyed the industries.

Legal tenders do not leave the country like gold and silver, but remain with us to avert the reflex action which movements of coin and foreign crises tend to have upon the financial affairs of this country. Let the country at least retain its $350,000,000 of legal tenders and not pois itself upon the ticklish inverted cone of banks of issue to experience a precipitate fall to ruin at every tremor of financial disturbance.

Repeal the Resumption Act and the country will be relieved at once from doubt and apprehensions of the future; confidence will be measurably restored; the system of hoarding will cease; purse-strings will be loosened; vaults and safes will give up their treasures; capitalists will invest and lend funds more freely, and considerable improvement will return to all branches of business. This alone is very desirable. But it is not enough. The country must have more money.

All want paper currency.—There is no question before the country as to whether we shall have a paper money or not. All, the most zealous bullionists, know that we cannot rely upon coin. In fact, all their theories are arguments for bank paper. The question then is reduced to two inquiries: 1st, What kind of paper money shall we have, and who shall issue it? 2nd, How much shall we have? The second inquiry has been answered in the preceding pages. We ought to have at least $32 or $33 *per capita*.

Third: *National Bank Notes should be retired.*— The National Bank Act charters them for twenty years, and as a legal question would arise as to the government's power to directly force the banks to call in and retire their issues, we do not propose that method.

It can be effected without any breach of law or infringement upon charters by an act of Congress providing as follows: 1st, Prohibiting the organization of any new banks or any new issues of paper by established banks. 2nd, Let Section 5191 of the Revised Statutes be so amended as to require national banks to increase their deposits of legal tenders in the United States Treasury to ten or twenty per cent. of their issues, and require the Treasurer to retire and destroy national bank notes whenever they come into the Treasury equal in amount to the bank deposits there; cancel an amount of the government bonds on deposit by the banks equal to the same, and require them to again increase their deposit fund in the Treasury. The banks would retire their notes if the tax on their issues were raised so as to render the issuance of notes unprofitable. This process would rapidly accomplish the retirement and destruction of all national bank notes.

Increase the currency and discharge the national indebtedness with it.—The financial measures of the government ought to be reversed. A radical and thorough change is needed. The policy of the government, ever since 1866, has been to reduce the volume of circulating money, increase the bonded indebtedness and clog the finances of the country with the useless and extravagant national banking system. If this policy secured present good or promised future prosperity it could be borne patiently. But it does neither. It brings present distress and piles up interest-bearing obligations to torture and oppress us in the future. The bonded debts ought to be discharged and the volume of paper money largely increased. We need a paper that will buy food and clothing, and be a legal tender for all debts at all times and under all circumstances; a money that will be good and current amid panics and crises as well as in prosperity; a paper whose nervous system will not be so delicate as to feel the shock of every European panic; a paper which will not inflate with every passing breeze of prosperity, or shrivel under the nipping frosts of adversity.

An absolute, irredeemable legal tender currency issued by the government is the highest type and most perfect kind of paper currency that can be made, and such is the kind we favor most, because it would, after the maximum *per capita* issue had been reached, secure to the country a steady *per capita* supply of money, and free it from the constantly changing supply resulting from banks of issue and redeemable legal tender systems. The objections urged against an absolute legal tender currency have already been answered in other parts of this work, and it is only necessary to repeat here, that it is not the redeemability of legal tender currency which gives it money value and imparts to it the functions and powers of money. Its virtue rests in the people's faith in its currency, and this faith arises from the power and authority of the government to declare it a legal tender in all business transactions and to enforce its acceptance in the discharge of money obligations, as well as its acceptance in payment of government revenue.

Fourth: Then, in order to secure the best possible paper money and a continuing sufficiency of it, let an act of Congress provide that for every dollar of national bank notes retired there shall be issued by the United States Treasury a dollar in absolute legal tender notes (or, if you prefer it, redeemable legal tenders raised to $1,500,000,000 and then constantly increased in proportion to the increase of population and never to be reduced in volume) receivable for all debts and obligations, public and private, except such sum of coin custom duties as may be required to provide a constant coin treasure for war purposes; until all such bank issues shall have been retired from circulation. This would cause the issuance of about $320,000,000 of legal tenders. Let the act of Congress further provide for the issuance of $1,000,000,000 more of the same kind of legal tender paper, in various denominations, from twenty-five cent pieces up to thousand dollar notes, in installments something like the following:

Beginning with January, 1879, $350,000,000 during that year in equal monthly issues; during 1880, $275,000,000 in like manner; during 1881, $200,000,000 in like manner; during 1882, $125,000,000 in like manner, and during 1883, $50,000,000 in like manner. Let the act further provide that the United States Treasurer use all the new issues which may be made in paying off all government bonds that may be lawfully paid that way, and the residue in buying up and retiring outstanding government coin bonds;

and in case he can not use all of them in that way, then that he shall use the residue of the issue each year in buying up and holding for the government good State bonds. Deducting the over-estimate of the amount of currency now outstanding by reason of that destroyed since it was issued, and the amount of loss and destruction which would take place during the five years, this system would result in placing in circulation about $1,500,000,000, of legal tender currency at the end of that time; or $31.25 *per capita*, estimating the population then at 48,000,000. This process would enhance the paper value of government bonds to some extent, but we think it safe to say that they would not *average* more than 25 per cent. premium over the paper during that time, for the following reasons: 1st, The business and production of the country would so rapidly increase that the new issues of money would not be so excessive as to inflate prices to what they were in 1866. In the beginning of the latter year, with an amount of property and business far less than will exist under this system, the country, with a population of only 35,000,000 had a volume of over $1,800,000,000 of money. If in 1866, the country, in an unsettled and excited state, with a volume of money $300,000,000 greater, a population many millions less, and the amount of business and property much less than during the enforcement of this system, gold bore only forty per cent. premium over paper money then, it appears reasonable that with peace, prosperity, largely increased population, business and production, bonds would not be higher than 25 per cent. premium over legal tenders under the proposed system. Another reason, and a strong one, for this belief is that the rate of bond interest, being much lower than interest on loans will be, and that investments of capital in business and productive enterprises will be profitable under this system, bond-holders will desire to exchange their bonds for money to invest in business, in safe corporate bonds bearing higher interest, or to loan on good security. This would keep down the premium on government bonds bearing low interest.

Congress should also provide that the surplus revenues arising under this system—which would be near a hundred and fifty millions per annum from 1879 onward without any increase of the rate of taxation—should be used also in buying up and retiring government bonds. By this process about $1,700,000,000, nearly the total government interest-bearing bonded debt, would be paid off in five years; $212,500,000 interest saved during the same time and $85,000,000 a year gold interest would be saved to the people for all time. This vast saving would be made even by *buying* the bonds that way, and if any of them should be *redeemed* in legal tenders at par, then the saving would be 25 per cent. greater on those so redeemed.

Possibly the whole of the $1,320,000,000 legal tenders so issued, and the surplus revenue could not be used in buying up government bonds during the five years. In that case the Secretary ought to be empowered to use any amount, not so paid out, in buying up good State bonds, bearing, as State bonds do, a higher rate of interest than government bonds, thus yielding the government profit on interest; and further empowering him to exchange these bonds for governmens bonds, destroying the latter.

Congress should further provide that after the expiration of the five years required for completing the issuance of the $1,320,000,000, new legal tenders like the others shall be issued every year sufficient to cover the quantity lost and destroyed by use and to increase the volume of currency constantly in proportion to the ratio of increase of population, and that these issues be used also in buying up and retiring government bonds until all of them shall have been paid off; and that after all the government bonds shall have been discharged, then the annual issues of new legal tenders be applied to defraying the expenses of government and thus reduce the taxes, or used in improving the navigation of rivers, subsidizing ship lines, improving postal facilities, enlarging the national libraries, hospitals, military academies, improving and embellishing the Capitol, encouragement of the industries, or put to such other use as the wisdom of the people may dictate. This system would totally extinguish the government bonded debt in six or seven years without the slightest taint of repudiation or increase of taxation.

Fifth: *In times of peace prepare for war.*—We may not hope to escape the scourge of war. These terrible convulsions of human society are inevitable. Twenty-five years of unbroken peace is not common. Wars pile up millions of debt on the people. Under the existing financial policy of the government it is probable that before its present bonded debt is half paid off it will have to issue more bonds for war purposes. If such a system be perpetuated as now is administered, it is only a question of time, perhaps not a long time either, when all our energies will be spent in paying interest with scarcely a hope of reducing the principal of the debt. The national government debts in the form of bonds, of the civilized world, are estimated at about $28,500,000,000—an increase of nearly twenty thousand millions in the last twenty-eight years. No corporate, municipal, or individual debts are embraced in this estimate. This enormous sum, most of it produced by war, will prove to be the ruin of nations, unless they have wise financiers. Shall such be the fate of the United States? It is possible. Another brush or two with Mexico, disagreement with England about boundaries, or fisheries or Fenians, or breaches of treaties, or some unlooked-for event, might at any time precipitate a war and necessitate the sale of large amounts of coin interest-bearing bonds. Unless a rapid discharge of existing obligations takes place the national debt may soon begin a steady growth which will ultimately destroy the liberties of the country.

A few pages back we have offered a plan for the total extinction of the present government bonded indebtedness. We now suggest one to forever hereafter prevent the necessity of creating any more bonds. It is as follows: Let Congress pass an act providing that after the foregoing system shall have been inaugurated there shall be provided, every year, a surplus revenue of $50,000,000, to be raised from coin custom dues, and that this sum be put away in government vaults and sacredly kept for use only in war. By this method $500,000,000 of coin would be accumulated in the treasury every ten years; in twenty years, one thousand millions.

This may be objected to on the ground that the loss of interest on this money would not justify the hoarding of it. We answer that the experience of this government during the rebellion refutes the objection, because the government lost almost as much in the sale of her bonds as twenty year's interest at five per centum per annum on a thousand millions would amount to. Besides this, every dollar of interest that might be lost on the hoarding would be fully offset by the interest the people would have to pay on government bonds that must be issued to sustain war, if this stock of coin be not accumulated. Furthermore, the government, in case of war, would not be put to the painful anxiety, expense, and delay of waiting on fiscal agents, in the face of hostile foes, but would have the means of defense, the "sinews of war" at hand, ready to arm and equip her fleets and soldiery at coin prices. This policy would not oppress the people at all. The import duties need not be increased. That amount could be so raised even with a reduction of the rate of custom duties. Furthermore, with $1,500,000,000 of money the present government taxes would scarcely be felt by the people.

It might seem best to some that this treasure should be loaned by the government on first-class State and foreign government bonds, and thus not only have the capital but a constantly accumulating interest. This idea is subject to several objections: 1st, The point to be gained is to have at hand a stock of coin always ready for war purposes; if the money were loaned, a conflict might come and find the government treasury empty; the bonds would have to be sold in the money markets for whatever they would bring; the loss on sales would exceed the interest; but the greatest evil would be a failure to obtain the needed amount of coin; the government without funds would be compelled to experience the delay and expense of waiting on fiscal agents in a critical moment. 2nd, Such a system of loaning might involve the United States in entangling alliances with her debtor and draw her into war with another power. Some may suppose that such a treasure would induce large embezzlements by government officials. This could be avoided by Congress appointing a committee of its own members to weigh the treasure every session and report. This would every year detect any abstractions. With a law passed to hang every embezzler, and constant yearly examination and weighing of the treasure no official would lay the hand of theft upon it. The present system of bond selling, and constant tinkering with the currency and handling of revenues present greater facilities for embezzlement than such a treasure so guarded would. It may be said that such a store of treasure might put it within the power of some ambitious President or Secretary of the Treasury to usurp the political powers of the nation. We answer that the condition of the country contemporaneous with such a store of treasure would be the surest of all safe-guards against usurpation. Universal prosperity and intelligence among the people would be such as to shame away any such base effort. Outbursts of the bad passions of men and usurpations are common in times of general distress, but extremely rare during periods of national prosperity. Furthermore, ten thousand millions of treasure would not suffice to make usurpation a success, unless the temper of the people offered the opportunity, and when the times are ripe for revolution or usurpation, either may be successful without a dollar in the treasury as well as with plenty.

It may be said that if the plan proved successful the abstraction of so large a sum of coin as $500,000,000 or $1,000,000,000 from the commercial world might prove disastrous to the general interests of Europe and America. We answer that, if the United States continue the present financial system it will require at least the smaller sum of coin named to serve her internal uses, which would be taken from or kept out of Europe, and if we substitute a paper money and lock the coin up in the vaults of the treasury it would be the same to Europe as if we used it, and the United States could not suffer by it; and if we should accumulate and hoard $1,000,000,000 and so take it from the business world it would simply force the other civilized nations to issue more paper money to take its place, as this country did after the war—a thing they ought to do any way. It could injure them only if they obstinately refused to issue the necessary quantity of paper to take the place of the coin, and such refusal would be voluntary on their part for which we could not be censured. In case of war and the expenditure of the coin by the government it would not be likely to circulate here, because it would probably be at a premium over our paper, but would be hoarded or shipped to Europe, in either of which cases it could not detrimentally affect our markets, but would tend to advance prices generally on both continents, which would be a benefaction to mankind.

Sixth: *Postal Deposits.*—Let Congress also, for the convenience of the people and the safe keeping of small sums of money for the poor, provide that every post office shall be a public repository of money; that when a deposit is made the post master shall issue to the depositor a certificate of the amount, assignable by endorsement, protected against fraud and forgery by marks and stamps, payable at any post office in the U. S. or at the Treasury—depositors to pay a small sum, say three cents, for every such certificate, but to receive no interest on deposits. This would give the poor the advantages of the savings bank without imposing on the government the expense of paying interest on deposits. It would be all that small depositors need. The important point with them is a more safe repository for their savings, until they have accumulated enough to lend or invest, than three or four per cent. interest on little sums of money. This non-interest-bearing deposit system would be free from serious objections to the interest-bearing government deposit system. The latter would *induce* for interest profits large deposits of money, which would be sunk, for the time being, in the post offices and Treasury, reduce the volume of currency actually circulating and thus be likely to seriously affect markets and business.

Seventh: *Subsidiary Coins.*—For convenience, a few million dollars in silver coins, in pieces from ten cents to a dollar, should be kept in circulation; also nickel in five cent pieces should be coined. For smaller transactions and for convenience in remitting through the mails, one, two, and three cent postage stamps might be made a legal tender in very small amounts—less than a dollar.

Eighth: *Constitutional Amendment.*—Simultaneously with the efforts to procure the passage of the above named acts by Congress, let a united and continued pressure be made for an amendment to the Constitution of the United States, embodying the same principles and empowering Congress to increase the currency and pay off the bonds as stated, but prohibiting them from ever reducing the volume of currency.

Without such constitutional amendment the benefits of the proposed system would be of comparative short duration, because there are always those in the government councils who manifest an itching desire to tamper with the currency, and it would not be long until efforts would be again made to change the system by such uneasy and restless patriots. Then, by all means and above all things, a constitutional amendment should be adopted to secure a good system and so put it beyond the reach of any class of men to arouse apprehensions in the minds of the people by spasmodic or constant agitation of the currency question. Such measures would put an end to the mutations of the currency and stop the ceaseless wrangle on the money question, because when once tried it would be found so universally beneficial and satisfactory that to erase it from the constitution would be next to impossible.

CHAPTER XXI.

BENEFITS OF THE SYSTEM:

PEACE AND ENDURING PROSPERITY.

First: While this system would, on the one hand, relieve the country of periodic inflations and contractions of the currency, alternate buoyancy in business, speculation and feverish markets, followed by depression, falling prices, bankruptcy and general distress, occasioned by the present system and all systems of redeemable bank issues, it would not, on the other hand, like the system proposed by the "ultra Greenbackers," quickly flood the country with a redundant currency, excite the mercantile, trading and speculative classes, suddenly advance prices beyond the power of the money to sustain them, and after the commercial excitement and the delirium of speculation subsided and failed to sustain values, precipitate prices suddenly down to a ruinous fall, crushing the mercantile and debtor classes, depressing business, stopping the machinery of the industries, throwing labor out of employment, and bringing a great revulsion and general disaster upon the country.

One of the principal virtues of the system proposed is that, while it will revive and stimulate all business and advance prices, the graduated system of increasing the volume of currency will constantly sustain them and render a revulsion impossible. If the first year's issue should advance prices beyond the power of the money issued to sustain them, then the next year's issues, coming on the heels of the advance, will sustain it. So with the issues and advance of the second, third, fourth, and fifth years; and after the entire $1,320,000,000 shall have been issued, then the new issues every year to cover loss and destruction of money and to increase the volume in proportion to the increase of population will be constantly strong enough to sustain the prices previously reached.

There would be no undue inflation of prices to collapse, caused by the feverish state of trade, because the steady increase of money would be an ample force to sustain values, even if a season of excitement should prevail, followed by a subsidence. The advance of prices that this system would produce would not be unhealthy; they could not reach the hight of values in 1866, because then the country had one-fourth less population, less property, and one-sixth more money than will exist under this system.

Like a successful passage between Scylla and Charybdis, it would bring the country safely through the straits out into the open seas and quiet harbors of peace and enduring prosperity.

Second: It would largely increase the government's revenue without any increase of the rate of taxation. This is evidenced by the financial history of all governments When the volume of money is greatest the revenue is greatest, to prove which the reader has but to examine tables in preceding pages. We subjoin one here of the net revenues of the Federal Government from 1830 to 1876, from which, it will be seen by comparison with tables of money, in the preceding pages, that the revenue has uniformly risen and fallen with the rise and fall of the volume of money in the country:

1830	$24,844,116 51	
1831	28,526,820 82	
1832	31,865,561 16	
1833	33,948,426 25	
1834	21,091,935 55	
1835	35,430,087 10	Large amount paper money circulat'g.
1836	50,826,796 08	
1837	24,890,864 69	Contraction of currency and crisis.
1838	26,302,561 74	Years of scarcity of money and depression of business.
1839	30,023,966 68	
1840	19,442,646 08	
1841	16,860,160 27	
1842	19,965,009 25	
1843 (to June 30)	8,231,001 26	
1843-'44	29,320,707 78	
1844-'45	29,941,853 90	
1845-'46	29,699,967 74	
1846-'47	26,437,403 16	
1847-'48	35,698,699 21	
1848-'49	30 721,077 50	
1849-'50	43,592,888 88	Flush times. Plenty of Money.
1850-'51	52,555,039 33	
1951-'52	49,846,815 60	
1852-'53	61.483 730 31	
1853-'54	73,800,341 40	
1854-'55	65,350,574 68	
1855-'56	74 056,699 34	
1856-'57	68,965,312 57	Crisis. Contraction.
1857-'58	46,655,365 96	
1858-'59	52,761,699 58	Increase of Money.
1859-'60	56,054,599 83	
1860-'61	41,476.209 39	Crisis of 1861.
1861-'62	51,907,944 62	Increasing volume of money.
1862-'63	112,088,945 50	
1863-'64	262,742,354 32	
1864-'65	323,092,785 92	
1865-'66	619,646,647 91	Greatest inflation.
1866-'67	489,912,182 34	Years of contraction.
1867-'68	405,638,083 32	
1868-'69	370,945,817 94	
1869-'70	411,255,477 63	
1870-'71	383,327.341 07	
1871-'72	374,111,365 73	
1872-'73	333,741,252 47	
1873-'74	304,979,794 84	
1874-'75	288.000,051 10	
1875-'76	265,995,982 39	

A volume of $1,500,000,000 would raise the revenue to $400,000,000 or $500,000,000 without an increase of taxes. This would yield a surplus of $150,000,000 per annum, and it invested every year in buying and retiring government bonds would soon pay off the whole bonded debt.

Third: It would enhance public, municipal and corporate securities and thus benefit the holder of them without inflicting the slightest injury on the people. It would relieve the railroads and enable their owners to extricate them from the toils of bankruptcy, to pay interest on their mortgage bonds, and to pay their employes better wages. It would save the debtor from ruin, enable him to pay his debts; and save creditors from the effects of repudiation, stay laws, exemption laws and bankruptcies.

Fourth: It would give us the best paper money in the world; a legal tender whose purchasing and debt-paying powers could not be destroyed by money crises or by anything except the will of the government or the destruction of the government. Nor could it be seriously affected by anything except loss of faith in the government. So long as the government might stand, so long would this money remain good. It would give every holder of this paper a pecuniary interest in being loyal and patriotic, in preserving the government that he would not feel with any other kind of money.

Fifth: It would unclog the wheels of progress, inspire the brain to thought, nerve the arm to labor and arouse the latent energies of 46,000,000 of people to industry. It would re-open the abandoned mines, re-people the shops and factories with workmen and give employment to the 3,000,000 of unwilling idlers. It would give opportunity to all to eat honest bread and thus reduce the appalling mass of pauperism, crime and wretchedness which now distress the country. It would advance prices, increase profits, silence the public crier, restore the cheerful hum of machinery and drive bankruptcy commissioners and assignees to other pursuits. It would give a new impetus to all the industries, spread the sails of commerce, open up the channels of business, fill the land with peace and plenty and the hearts of the people with gladness.

Sixth: It would pay off every government bond in a few years, relieve the country from the intrigues of European capitalists and lift from the backs of the people the crushing load of interest under which they now stagger.

Seventh: It would free us from the money power of the world, and relieve us from the bad reflex influence of foreign crises and foreign financial policies. Times of depression produced by extraneous causes would come for a season, but not in the form of destructive panics and financial crashes. Our national coffers would arm us against the world. The weakness of governments which is born of poverty would not be ours. The government's known strength in riches would protect it from insult. Peace would rest securely upon the shield and buckler of defense. A new era of unbounded prosperity would set in, peopling the vast regions of this richly endowed heritage with a hundred millions of happy souls, and swelling the rippling, eddying current of progress to a full and steady tide of success.

Drawn from the general depression of business, decay of the industries, the appalling increase of casualties, pauperism, crime, suicides, murders, riots, strikes, incendiarism and general distress, many people have reasoned, and not without some foundation in view of these facts, that our free institutions, our form of government and its methods of administration are failures. Howsoever loth the patriot may be to believe this and howsoever much it may distress him, yet it is true, and the feeling of insecurity and the apprehension that the government under its present constitution is inadequate to preserve the peace and mete out justice spreads, grows and strengthens with every new evidence of national distress. Notwithstanding the fact that the billious and nervous are as prone to magnify causes of apprehension as the sanguine are to overlook them, yet the present state of the country, without immediate legislative relief, points the mind of the candid investigator to such an accumulation of ills by the time we reach another national election as will induce a large part, perhaps a majority, of the people, to seek out and elect to the Presidency some man whom, from his iron will, imperviousness to common sympathy, and imperial impulses and tendencies, they may believe equal to grappling with the public dangers and suppressing by force the tendency to disorder, rather than have the administration guided by law and tempered with a paternal care. If such should occur, then a stern system of governing by blood and steel would set in to blot out the Constitution, cut down the Tree of Liberty, and cleave asunder the bond of union between the States.

The monetary system proposed by the author, if put in force, would revive business, restore prosperity, give employment to labor, remove the general distress, relieve the minds of the people, remove doubts of the virtue and strength of the government, water the Tree of Liberty, knit the bonds of Union more closely together, insure the conduct and results of the next national campaign, and succeeding ones, on true and time-honored American principles, and secure administrations composed of patriots whose hearts beat in sympathy with the people, and whose acts would be directed toward securing them the largest measure of peace, liberty and happiness. Then discontent, the mainspring of revolutions, would give place to zeal in peaceful pursuits; idleness, the fruitful parent of riots, strikes and insurrections would be changed to diligent industry; communism would no longer organize to disintegrate society, but having lost a practical reason to sustain it, would perish; the imperial rule of blood and iron would find no place on this continent, but the goddess of Liberty, with her soft, maternal touch, would rule the land with gentleness. Then Columbia would be, indeed, "the land of the free and the home of the brave," the hope of all the earth, and an asylum for the oppressed of all nations.

CHAPTER XXII.

SUGGESTIONS SUBSIDIARY.

First: The author does not hold, nor endeavor to advance the idea, that money can perform the vital functions of national intelligence, virtue and patriotism. These are the enduring support of all good government. When they give way, money cannot save the political fabric; it topples and falls to ruin. A great, an awful responsibility rests upon the teachers, the preachers and statesmen of this age, for tó them is committed the three vital spirits of liberty, intelligence, virtue and patriotism. But of all the forces in a nation which remove the barriers from between the people and these mind leaders, and facilitates the application and utilization of their thoughts which warm and words which burn down into the soul, none is so powerful or universal as money. This is so because money circulating freely in a nation gives employment to all, places them in comfortable circumstances and brings the mind into a tranquil state, thus placing the people in a condition to read, reflect and receive good and wholesome instruction. It sustains the teacher, minister and the statesman, enabling them to devote their lives to the public good. It also increases schools and colleges and facilitates the publication and dissemination of good literature; sustains benevolent institutions and distributes the gospel. Thus, the free circulation of money in a nation not only brings the minds of the masses into a healthy state, but supplies them with wholesome moral and intellectual nutriment, securing national growth in those virtues. Properly train up the youth and supply the people with a sufficient and steady volume of money, and all the material interests of the nation will be well provided for.

Second: The complex, arbitrary features of the navigation laws ought to be so amended as to give capital and enterprise that freedom which they must enjoy to successfully engage in shipping. Lines of steamers to India, China, South America, the isles of the seas, and wherever else profit awaits the enterprising shipper, ought to be judiciously aided. Our languishing shipping interests would thus be greatly benefitted and our commerce and internal wealth increased. And the increased custom receipts would suffice to repay the Treasury every dollar of subsidies granted. One of the greatest benefits would be the employment of three or four hundred thousand Americans in maritime pursuits, thus giving employment to an army of men who might otherwise remain in idleness, and fitting them for naval warfare.

Third: All the navigable rivers in the country ought to be so improved as to make internal commercial transit by water safe, speedy and cheap.

Fourth: Such new great trunk lines of railroad as would benefit the country at large or any great section by their construction, should receive such assistance as would be compatible with the general interests of the country and not impoverish the Treasury, put the government in debt or impose burdens upon the people. The Southern, or Texas Pacific Railway ought to be judiciously aided by the government, so as to secure its completion through Texas and Mexico to the Pacific coast. Thus would be established a transcontinental line, free from the snows of the North, lying through a pleasant climate. It would rapidly people the South and develop the great natural resources of that section of the Union. It would induce the opening up of some of the richest mines in the world, situate in Mexico, whose untold wealth would flow into the United States. It would open such a system of commercial and social intercourse between the United States and Mexico as to impress upon that people the ideas, manners and customs of our country and thus be the means of the more securely establishing friendly relations between the two nations.

Fifth: Such treaties should be made with the proper governments as would secure a canal across Central America from Amatique Bay, or across Panama, to the Pacific, deep and wide enough for the greatest steamers to pass with ease and safety, and with special privileges to the United States and her people. This would give our own ships a monopoly of the trade with Mexico, secure home transit from the Atlantic to the Pacific and greatly aid our ocean intercourse with China.

Sixth: The marked tendency of the landed property of the country to concentrate in the hands of heavy capitalists and the rapid increase in the number of the houseless and homeless are matters well calculated to excite apprehensions in the minds of the thoughtful. Nothing gives men greater interest in the peace and prosperity of the sections of country where they reside than ownership of real property. Let a man be deprived of a property interest in the soil and he stands in the attitude of a wanderer upon the face of the earth, without anything to give him a fixed habitation or an abiding personal interest in the things, conditions or laws of his locality; and if misfortune be his lot and poverty his portion he is in no condition to enjoy or appreciate the common blessings of free institutions. Such an one, as the unfortunate generally do, would be apt to attribute his poverty, misfortunes and distress to the conditions of society and the government. There are millions of such in the United States to-day! What materials for busybodies, the evil-minded enemies of our institutions to work upon! What a stock for the average politician to handle, arousing their passions and increasing their prejudices against the laws and the government! What a school for communists, disorganizers and revolutionists! And the private lives of this unfortunate class, consider them! Without any fixed habitation, no place of rest, no abiding home, buffetted about from place to place by the busy, bustling, heartless world, with scarcely time to snatch a crumb of fleeting comfort as it flies, or catch a glimpse of pleasure as it dances by, the plowshare of distress, or the hard lines of desperate thought cut deep furrows in his face, or utter abandon and dogged indifference sit upon his countenance. The companion of his bosom, with the shades of melancholy on her countenance and a deep, abiding sadness in her heart, yearning for a surcease of sorrow but despairing of a better state, prepares the meagre meal, cares for the helpless and unfortunate offspring and performs the round of drudgeries with a dull and hopeless resignation, as if the fates had bound her to the chariot wheels of distress forevermore! Ambition gone, emulation dead, self-respect strangled, every hope of life burnt out, the heart seized with despair, anger, revenge and desperation alone animating them, the unfortunate and poverty-stricken classes constitute the body of riots, the strength of insurrections and the terrible passion and destructive force of revolutions!

The poor man's hope is the rich man's protection. No nation can long remain in peace with an oppressed, poverty-stricken citizenship. No people can long remain free where the masses are tenants. The question of property qualifications to vote soon arises in the minds of landed proprietors where their tenants exercise the right of freemen and vote a tax; the tenantry bitterly denounce the restrictions, and the irrepressible conflict of labor and capital grows and strengthens. Thus, two forces combine to destroy the peace of the country and the liberties of the poor: the tendency of the rich to restrict the political rights of the poor, and the tendency of the latter, driven by distress, oppression, and revenge to assume the rights of unrestricted sovereignty, take the law into their own hands, right their wrongs, and punish their oppressors. Nothing drives a nation more certainly to this state than the concentration of the landed property into the hands of a few and a growing army of poverty stricken tenants and homeless wanderers. Proof of this is abundant in the histories of Rome, France, Ireland, and Mexico.

It is important that the law-making power should look to the comfort of the masses and enact such laws as will place relief within the reach of the poor. And it is of paramount importance that a national pride should be aroused in the American mind for the possession of landed property. It should be one of the first and most enduring ambitions of the poor man to own a home, to possess in fee the soil upon which he lives; it is his surest safeguard against want, and the strongest barrier that can be raised against oppression and the destruction of his liberties. A state of prosperity and contentment among the people is a stronger conservator of peace and order in society than the arm of the law or standing armies.

Mr. Garfield.—In his great speech in Congress in favor of resumption, Mr. Garfield deplored the loss by workingmen of $12,000,000 of their $120,000,000 deposits, which he claims would follow a repeal of the Resumption Act, on account of the depreciation of the legal tenders. This would be a depreciation of 10 per cent., raising gold to $12\frac{3}{4}$ premium, a little higher than it was in 1874, before the Resumption Act was passed, when there was more paper money than now. The simple repeal of the Resumption Act would not necessitate the advance of the gold premium. We doubt whether the repeal of the Resumption Act would be followed by 1 per cent. advance in gold, unless some other circumstance produced it, such as falling off in our foreign balances or the accruing of balances against us, and an advance in gold premium from these causes would occur as well with as without resumption, unless the United States Treasury possessed coin to redeem every note that might be presented, and this may not be looked for. The loss to workmen on their deposits, resulting from a repeal of the Resumption Act would scarcely be perceptible. But what would they gain?

The repeal of the Resumption Act would unhoard at least $100,000,000 of the money now hoarded; it would cause the National Banks to issue more notes, say $25,-000,000; it would remove the apprehensions, doubts, fears, and want of faith now existing everywhere; give a new impetus to all business; enhance values and raise wages. It would not only do this, but proportionately increase all business and thus bring a demand for the employment of idle workmen, and give more constant employment to those engaged. Thus a double benefit would result to workingmen; a large advance in wages, and more constant employment. This would be the workman's gain by repeal, and it is all in all to him. It is work that he wants at living wages. Without it,

> "What crowds, in every land,
> Are wretched and forlorn;
> See yonder poor, o'er labor'd wight,
> So abject, mean, and vile,
> Who begs a brother of the earth
> To give him leave to toil!
> And see his lordly fellow worm
> The poor petition spurn,
> Unmindful, tho' a weeping wife
> And helpless offspring mourn."

A Question.—Some ask: "If the government should issue more money, how will the people get it, the government will not give it to them?" It is strange that such a question should be asked, but it has been asked a million times, no doubt. It is easily answered. Suppose the government should issue $1,000,000,000 new "Greenbacks" and buy up her bonds with them. The parties to whom this money is paid will invest it in houses or land, or in commerce or the industries, and thus give it a start to circulate, or else lend it to some one who will so invest it. The man who sells his lands for it will invest it somewhere, perhaps in mules or cattle, or grain. The man who goes to manufacturing with part of it will employ masons, carpenters, and machinists to erect his buildings; then he will buy the raw material from others, and hire factory hands and pay out his money to them. They must live; they buy food and clothing. Thus the money would soon scatter in every direction and circulate in all parts of the country, buying merchandise and employing labor.

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