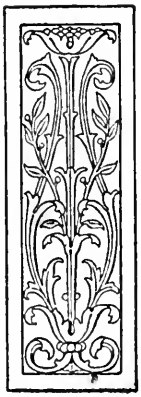
THE LEGAL TENDER PROBLEM

By PERCY KINNAIRD

The LEGAL TENDER PROBLEM

By Percy Kinnaird
Of the Nashville Bar



CHICAGO
AINSWORTH & COMPANY
1904

PREFACE

THE author desires to state that he has relied upon the following Government publications in the preparation of his work; viz., the Messages and Papers of the Presidents; the Report of the Silver Commission of 1876; the Reports of the International Monetary Conferences of 1867 and 1878, and notes by Mr. Dana Horton; the Reports of the International Monetary Conferences of 1881 and 1892; the Madison Papers; the Laws relating to Loans, Currency, Banking, and Coinage, 1886; the History of the Currency of the Country, and the reports of the Decisions of the Supreme Court of the United States.

For such matter in his discussion of the Dartmouth College case as is not to be found in the reports, he is indebted to the pamphlet of Judge Otis, of the Chicago Bar.

He desires to acknowledge his indebtedness to Stephen J. Colwell's "Ways and Means of Payment" for his observations upon the Bank of Venice and the Money of Account, and to "Our Money Wars" for its many suggestive facts.

CONTENTS

INTRODUCTION

THE economic, social, and political life of man is determined by the method of procedure adopted by the Government for the production of commodities, and by the method of procedure adopted for the distribution or dispersal of the surplus commodities among the people.

The method of procedure for the production of commodities is very easily arranged, and the arrangement is simplified by allowing every one to choose any profession or follow any pursuit that his taste, inclination, and means may prompt.

This liberty of action may be termed Individualism, Industrial Freedom, or Liberalism, and is the generally accepted method in all civilized countries. While theoretically this is true, it is evident that equality of right and opportunity is not secured to the individual in practise; for under the governmental and economic policies in operation, all opportunity to make a profit, if not a living, in many fields of production has disappeared. Not only has equality of right and opportunity disappeared in many fields of production, but it is becoming evident that it will, in the course of time, under the trend of present practises, disappear in all.

The imminence of this danger has become alarming, and the doctrinaires have for years been calling attention to the results of the cause, and are endeavoring to show how its final termination — the serfdom of the people — may be warded off, without being able to point out the true cause.

The cause which operates to withhold equality of right and opportunity in practise from the many, in both the crea-

tion and exchange of products, notwithstanding they may have said equality in theory, may be found in the method of procedure adopted for the distribution or exchange of products. This cause has not been, and it seems can not be, ascertained by the economists; and in their inability to do so they are content, as one class, to accept the present method and tinker with it, or, as another class, to take advantage of its abuses and advocate Socialism, or Government ownership, as the logical sequence.

The Socialists have long since disparaged their intellectual capacity in the cessation of their efforts to ascertain the true cause; but realizing, under its operation, that the favored few are fast becoming owners of all the wealth of the country, they flatter themselves that they are evangels of economic and political light in the announcement that the state, or the collective people, must purchase or take from the favored few the wealth they have absorbed, and hold it for the use and benefit of all.

This phantasm of economic nightmare dreamers has been the bane of the centuries, and has caused more and bloodier revolutions than all other economic principles; but when the revolutions had spent their force, the unknown but provoking cause remained to drive conditions on to other and similar revolutions. The undetected dominant cause must be ascertained and removed before permanent relief can be secured. The indirect effect only of the practical workings of the cause appears in the creation of products. Neither the cause nor its direct effect is to be found there, for its operation is retroactive.

This conclusion is forced by the consideration that no better method of procedure for the creation of products could be devised, thought of, or originated than to secure to each individual the privilege to labor in such fields of pro-

duction as his taste, talents, capacity, and means would incline him. Liberty of action in the exercise of man's endowments is all that the individual needs, is all that he could ask, is all that should be given him; for what more could he use, if more could be given?

Since only the effect of the cause could, therefore, appear in the creation of products,— and there are only two general principles involved in man's economic, social, and political existence, viz., the method of procedure for the creation, and the method of procedure for the exchange or distribution, of the surplus products,— it is evident that the unknown cause must be found in the latter.

If the cause is to be found in the method of procedure for the exchange of products, it is important, in order that the erroneous cause may be detected, to determine what is the best and scientific manner in which products should be exchanged. All economists agree that the exchanges should be made equitably; that is, the producer should receive a full and fair equivalent for his labor upon the product.

The scientific method of procedure for the exchange of the surplus products is, therefore, the solution of the problem: How can the surplus be so exchanged as to secure to the producers a full and fair equivalent for the value of the labor expended in creating the product? If securing to the producers a full and fair equivalent for the value of their labor is the sole object in devising a method of procedure for the exchange of the surplus products, then labor is the source of all value; and by the value of labor, the value of everything else should be determined and regulated.

But how is the value of labor to be determined? and after it is determined, how is it to be expressed? Political economists are of the opinion that labor is the source of all value, and that the value of every other thing should be

determined and measured by its value, but they have been unable to determine and express the value of labor.

In order that the value of labor, and "words" conveying the ideas of those labor values, might be determined upon, it was necessary to establish a unit of labor value, and coin a "word" to represent the unit and convey its idea of labor value, and also to coin "words" to represent its multiples and subdivisons.

No economist has been able to do this. They admit that it is an impossibility; and since they are not able to devise a method of procedure for the exchange of products without the use of a unit of labor value, and since they can neither coin nor discover a word or expression that could be used to represent or convey the idea of the unit of labor value, they are compelled, as they admit, to reduce products to their money values, in order that their exchange may be arranged and effectuated. They have, therefore, adopted the money unit as the unit of value, and have taught, and to-day teach, that the method of procedure for the equitable exchange, or distribution, of products should be based upon the values of the products after they have been reduced to their money value.

The solution of the problem of the scientific method of procedure for the exchange of products is involved in determining what has been done, when the products have been reduced to their money values, before and in order that their exchange may be effected.

Syllogistically expressed, the matter would be as follows: —

Labor is the source of all value, and by its value the value of every other thing should be determined and regulated.

Products are the result of labor, and their values are the

value of the labor that has been expended upon them in preparing them for man's use and enjoyment.

The value of products can only be legally expressed in dollars, dimes, cents, and mills, in the United States; ergo, dollars, dimes, cents, and mills are expressions of labor value. But the expressions, or words, dollars, dimes, cents, and mills, are the language of finance, or "the money of account" of the United States.

The unit of value of the "money of account" of the United States is the "word" dollar; ergo, the "word" dollar, the unit of the "money of account" of this country, is the labor unit of value, inasmuch as dollars, dimes, cents, and mills are labor expressions of value, and the only way in which the value of products can be expressed.

In scientific accuracy of expression, has the labor value of products been expressed in money when the values of products have been reduced to their expressions of value in the "words" dollars, dimes, cents, and mills? The products have only been expressed in their labor values when they have been reduced to their expressions of value in dollars, dimes, cents, and mills — our "money of account."

"Money of account," or the language of finance, is composed of the "words" coined by the people to indicate and determine the labor values of their products; for "money of account" is the growth of a vocabulary among a people to express their abstract idea of the labor value of their products, which was necessary to enable them intelligently and equitably to effect exchanges.

This scientific truth, so important in forming a method of procedure for the exchange or distribution of products, has escaped the penetration of the economic writers of the past, and is ignored by, or unknown to, those of the present day. Protracted ignorance of this scientific truth (due to

fetish worship of the metals gold and silver) accounts for the erroneous financial system in operation.

If the "words" that constitute the "money of account" are but the abstract expressions of labor values, and if it is necessary to reduce the value of products to the expressions of their labor value to make equitable exchanges, and if it is also necessary that tokens, counters, or representatives of these abstract expressions of labor values should be emitted to effect those exchanges, is it not essential that they shall be so issued, or emitted, as to preserve the labor values in which they are emitted? Herein lies the solution of the scientific issue of tokens, counters, or the representatives of the abstract expressions of labor values, or what is commonly known as money, or what more scientifically may be called the method of procedure for the exchange or distribution of products,— the second of the two grand divisions of all economic, social, and political principles.

The representatives of the abstract expressions of labor values should be so issued that they will secure that equality of right and opportunity in the exchange of products that is secured by industrial freedom, or liberalism, in the creation of products; and it is evident that this can not be accomplished unless they are so issued that they will retain the labor expressions of value in which they are necessarily emitted.

Inasmuch therefore as labor is the source of all value, value, as an abstraction, may be defined as the relative utility or exchangeability of products to each other, considering only the labor that has been expended in preparing the products for man's use and enjoyment, and which finds its expression in the "words" coined and used to express this relative utility or exchangeability.

Since representatives conveying the meaning of the labor

value inherent in the "words" that are used to name them, have to be issued to aid in the exchange of products, it is evident that they should and must be so issued as to retain and preserve the value implied by the use and inherent in the "words" they represent.

It is proper now to consider how the representatives of the "money of account," or the representatives of the abstract labor expressions of value, are issued. Under the financial system that has been in operation for centuries, the metals, gold and silver, have been given the exclusive right to act as representatives of the "money of account" of the different nations. Is the expression of labor value, in which the representatives of the "money of account" are always issued, preserved when they are made out of gold and silver?

The effect of bestowing upon gold and silver the sole and exclusive right to act as the representatives of the "money of account," operates to change the value of the representatives from their expressions of labor value to the value of gold and silver.

Therefore when gold and silver are used, and the abstract expressions of labor value are represented by concrete expressions of gold and silver legal-tender coins, value, as a concretion, may be defined as the relative utility or exchangeability of products to each other, considering only the labor that has been expended in securing and preparing the gold and silver for man's use and enjoyment, and which finds its expression in the coins bearing the name of the "words" of the "money of account" that are used to express this relative utility or exchangeability.

This change in the value of the representatives of the "money of account" from their scientific and natural expression of the labor values they were originated to express,

to the enacted and artificial value of the gold and silver coins they are made to convey, works all that injustice to the producers, and all that undue advantage of the favored few, that has so sorely afflicted the world for centuries.

Adam Smith saw, but did not comprehend, the disastrous workings of the change. Its practical operation completely nullified the efficiency of his otherwise great work, "The Wealth of Nations." Instead of detecting the error, and consequent abuses inherent and involved, in changing the representatives of the "money of account" from their expressions of labor value to the concrete value of gold and silver, he, in his ignorance of "money of account" and the history of its origin and growth, accepted the heresy of the centuries; viz., that gold and silver were the only substances fit to be used as the representatives of the "money of account;" or, as he understood and termed it, they were the only substances fit to be used as money.

Mr. Smith, however, insisted that labor was and should be the source of all value, and by its value the value of other things should and must be measured and regulated; but as he had no comprehension of "money of account," nor knowledge of what the "words" that compose it were originated to convey, or that its unit was the labor unit of value, he was compelled to make the mistake of accepting as the unit of value the concrete gold and silver expressions of that unit.

It is impossible for the human intellect, however profound, to change for the better that which, in the necessity of things, a people have been compelled to originate and develop, as the chief ingredient of their prosperity, in their progress along the pathway of civilization.

The labor unit of value, and its multiples and subdivisions, as set forth in the "money of account" of a people, is

the growth, born of their necessities, of their highest intelligence; and it is unwise for it to be ignored and set aside for a substitute devised by man, to assist and promote a heresy that avarice and lust for power has foisted upon civilization.

Mr. Smith, ignoring the fact that the unit of the "money of account" was the labor unit of value, endeavored to devise an honest and scientific substitute labor unit of value in order that an equitable exchange of products might be made. This he was unable to do; and he therefore was driven, as all economists, prior and subsequent, have been, to reduce products to their expressions of labor value as set forth in the "money of account," but which, he erroneously supposed and assumed, was their money value, or value measured by gold and silver.

Mr. Smith was an economic student and teacher, endeavoring to ascertain and set forth the nature and causes of the wealth of nations. His purpose was to analyze the processes of the method of procedure for the creation and exchange of products, in order that he might detect and point out the errors of the system in operation, and indicate the correct method.

His acceptance of the heresy that gold and silver should have the exclusive right to act as the representatives of the "money of account," or that gold and silver coins were money, and therefore value that measured and regulated the value of all other things, vitiated his reasoning. The injustice and oppression arising out of the natural, legal, and practical operation of such a system confronted him; but as he neither knew nor comprehended the cause, he endeavored to explain or adjust his reasoning to meet these conditions.

In discussing the measure or value of products, he writes:

"Every man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life. But after the division of labor has once thoroughly taken place, it is but a very small part of those with which a man's own labor can supply him. The far greater part of them he must derive from the labor of other people, and he must be rich or poor according to the quantity of labor which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labor which it enables him to purchase or command. . . . Labor, therefore, is the real measure of the exchangeable value of all commodities."—*"Wealth of Nations," Vol. 1, page 45.*

The statement that labor is the real measure of the exchangeable value of all commodities, was the conclusion of Mr. Smith's previous examination of the subject, and has not and can not be successfully refuted. The application of the principle is wherein Mr. Smith failed; and this was solely due to his acceptance of the error that gold and silver were and should be money, and therefore the value that measured the exchangeable value of all commodities.

If labor is and should be the real value with which the value of other things should be measured and regulated in making exchange of products, and gold and silver are the value by which they are measured and regulated, then gold and silver coins should represent the value of labor, and be its equivalent at all times, in order that exchanges might be equitable.

Mr. Smith realized this; and though he saw that the measure of the value of commodities was being made by gold and silver, and not by labor, he writes: "In order to

investigate the principles which regulate the exchangeable value of commodities, I shall endeavor to show, first, what is the real measure of this exchangeable value, or wherein consists the real price of all commodities; secondly, what are the different parts of which this real price is composed or made up; and, lastly, what are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes send them below their natural or ordinary rate; or what are the causes which sometimes hinder the market price, that is, the actual price of commodities, from coinciding exactly with what may be called their natural price."—*"Wealth of Nations," Vol. 1, pp. 44, 45.*

In his effort to ascertain what is the real measure, he writes: "But though labor be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is often difficult to ascertain the proportion between two different kinds of labor. . . .

"Every commodity besides, is more frequently exchanged for, and thereby compared with, other commodities than with labor. It is more natural, therefore, to estimate its exchangeable value by the quantity of some other commodity than by that of the labor which it can purchase. The greater part of people, too, understand better what is meant by a quantity of a particular commodity than by a quantity of labor. The one is a plain, palpable object; the other an abstract notion, which, though it can be made sufficiently intelligible, is not altogether so natural and obvious." —*Id., pages 48, 49.*

This abstract notion which Mr. Smith dismisses as not so natural and obvious, was the "money of account," which speaks in the expressions of labor value whenever a value is given products. Continuing his search for the real measure,

he writes: "But when barter ceases, and money has become the common instrument of commerce, every particular commodity is more frequently exchanged for money than for any other commodity. . . . Hence it comes to pass, that the exchangeable value of every commodity is more frequently estimated by the quantity of money than by the quantity of either labor or of any other commodity which can be had in exchange for it."—*"Wealth of Nations," Vol. 1, page 49.*

Mr. Smith has very evidently overlooked two very important things, and the failure to recognize and take them into consideration at once proves embarrassing. He overlooked the fact that the language of finance, to which he reduced the products to ascertain their value, is the labor expressions of their value, and not their value in gold and silver coins; and he also overlooked the fact that ninety-seven per cent of all exchange of commodities is merely exchanging commodities with commodities, after reducing them to their expressions of labor value in the "money of account," and that only three per cent of the exchanges are made by exchanging commodities for gold and silver coins, or money.

He realized the trouble he was drifting into when he decided that the real measure of the exchange value of all commodities was concrete money, as he thought, when in fact it was merely expressions of labor value; and, in a footnote, he defines the sense in which he used the word "money," as follows: "The most accurate, and at the same time the *most familiar* and *easily understood, definition of money* is given by considering it entirely as a measure of value, in the same manner that an inch or a foot is the length of an object. It is best, in the consideration of metal, as money, to *think nothing* of *intrinsic value,* then the idea becomes more simple and clear than when there is a

confusion between the money as a measure and as merchandise."

If intrinsic value of the metals is eliminated, then money is the mere representative of the abstract expression of labor value, or "money of account;" but if not, then to the extent that the intrinsic value of the metal operates in the measurement of values, it is error, according to Mr. Smith's definition of the sense in which money should be considered.

Confronted by the element of intrinsic value in the real measure he was forced to accept, he, in his ignorance of "money of account," continues as follows: "Gold and silver, however, like every other commodity, vary in their value; are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity of labor which any particular quantity of them can purchase or command, or the quantity of other goods which it will exchange for, depends always upon the fertility or barrenness of the mines which happens to be known about the time when such exchanges are made. . . . But as a measure of quantity, such as the natural foot, fathom, or handful, which is continuously varying in its own quantity, can never be an accurate measure of the quantity of other things, so a commodity which is itself continually varying in its own value can never be an accurate measure of the value of other commodities. . . .

"Labor alone," he adds, "therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only."—*"Wealth of Nations," Vol. 1, pages 50, 51.*

The above shows that Mr. Smith fully appreciated, though he did not understand, the discrepancy that arose

in practise between the labor value in which products are created and should be exchanged, and the gold and silver, or money value, in which they are exchanged. In his fetish worship of gold and silver, as money, he is content to designate the labor value of commodities as their real and natural price, and their exchangeable value as their market, money, or nominal price, meaning thereby the legal-tender money products will command under the system he accepted.

"Labor, like commodities," he writes, "may be said to have a real and a nominal price. Its real price may be said to consist in the quantity of the necessaries and conveniences of life which are given for it: its nominal price is the quantity of money. The laborer is rich or poor, is well or ill rewarded, in proportion to the real, not the nominal, price of his labor. The distinction between the real and the nominal price of commodities and labor is not a matter of mere speculation, but may sometimes be considerably used in practise. The same real price is always the same value; but on account of the variations in the value of gold and silver, the same nominal price is sometimes of very different values." —*"Wealth of Nations," Vol. 1, page 52.*

This makes it incumbent upon him, in order that he may pursue his examination of the subject, to define the word "price," which he does as follows: "The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it."— *Id., page 46.*

This is only another way of asserting that the labor expended in creating the product is its real price or value.

"What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people."— *Id.*

This statement involves two transactions; one, Mr. Smith had no comprehension of, and the other, he misconceives and distorts.

The exchange between the man who produced and the man who acquired may be made without the aid of gold and silver coins. It is done by the use of the expressions of labor value, or "money of account," to determine the different values of the products of each; and the difference, if any, stands as a balance of labor value due by one to the other, expressed in the "money of account," for which a note or other evidence of debt may be given, to be paid in the future by an equivalent labor value in some product.

It is only in such transactions that real price means "the toil and trouble which the acquired can save to himself," for in such cases both have acquired the products of the other through the use of "money of account," which was necessary to express the labor value of the products of each, in order that they might intelligently effect an equitable exchange. This was accomplished without the aid of, or without any reference to, gold and silver coins as the measure of value of the products.

In its more varied and larger operations this class of transactions is conducted by "the credit system," or bookkeeping, wherever there is a mutual exchange of products at their labor expressions of value; of which an account is kept by each upon books in "money of account," or labor expressions of value, and the balances only are settled with gold and silver coin, or actual legal-tender money.

Representatives of the labor expressions of the value of the products are issued as aids to "the credit system," or bookkeeping, as it is called, and they are notes, inland and foreign bills of exchange, drafts, bills of lading, warehouse receipts, and other devices employed. Ninety-seven per cent

of all exchanges, or of the volume of business, are conducted by the credit system, aided by representatives of the labor expression of the value of the products, and only the balances are settled in actual or legal-tender gold and silver money.

The manner in which ninety-seven per cent of the volume of business is conducted was ignored or not understood by Mr. Smith, and he makes its success dependent upon the second class of transactions involved in the last clause of the paragraph, which reads, "and which it can impose upon other people."

This second class of transactions includes those who purchase with gold and silver coins, or legal-tender money, the surplus products. Mr. Smith stated but half a truth when he wrote, "What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble . . . which it can impose upon other people." He could have rounded his sentence into a full truth by the statement that what everything is really worth to the man who has acquired it by purchase with gold and silver coins, or legal-tender money, is the sacrifice of toil and trouble he can and does impose upon the producer, from whom he purchases, and under certain conditions the toil and trouble he imposes upon the consumer, to whom he sells.

Mr. Smith evinces no appreciation nor comprehension of the half truth his enforced observation, or may be his experience, compelled him to admit; for in his desire to be true to his conclusion that "labor is the real measure of the exchangeable value of all commodities," he writes that "what is bought with money, is purchased by labor, as much as what we acquire by the toil of our body. That money . . . indeed saves us this toil. They contain the value of a

certain quantity of labor, which we exchange for what is *supposed* at the time to contain the value of an equal quantity."—*"Wealth of Nations," Vol. 1, pages 16, 17.*

It does not follow as a *non sequitur,* that because that which a man purchases with his legal-tender money contained the value of a certain quantity of labor, the metal in the legal-tender money had been obtained only upon the expenditure of an equal quantity of labor; nor does Mr. Smith contend that it does. He is satisfied with the statement that it is supposed at the time to contain an equal quantity of labor.

Mr. Smith's supposition was based upon the use that had been made of gold and silver through the centuries, but he overlooked the fact that it required the full power of the Government, as expressed and enforced by its legal-tender enactments, to make the producer part with his product for the money at that supposed value.

The power of legal tender, when bestowed as an exclusive right upon gold and silver, forces the people to purchase with their products from the owners of gold and silver the metal representatives of their "money of account," in order that they may first create and then exchange their products in their effort to make a living.

Dependent for their existence upon the use of representatives of their "money of account," and denied the right by the Government to issue legal-tender representatives, the people are compelled to issue their representatives at the labor expressions of value, and purchase all the legal-tender representatives of the "money of account" they may need at such valuation as the owners of the metals may see fit to exact.

Nor is this all; though they are compelled to issue representatives of the "money of account" at their labor expres-

sions of value in order that they may carry on business and make a living (and the more business they do, the more representatives they issue), it is in the conscious dread that the owners of gold and silver — those who have the sole right to issue legal-tender representatives of the "money of account" — are getting possession of their labor representatives, and have the right to demand, and the judicial power of the country to enforce, their payment in the legal tenders which they own and issue.

The scarcity of gold and silver, throughout the centuries, has been such that they have never been sufficient to supply the demand for the coins needed in the small proportion of the volume of business they are used to conduct. This has been made to enure to the advantage of the metal owners; for, instead of changing the system, and devising a method that would provide for the issue of enough representatives, the theory of banking was originated.

Under the banking system the owners of gold and silver supply the demand by the issue of bank-notes, as representatives of the "money of account," upon the theory that they are substitutes for gold and silver coins, and will be redeemed in the coins upon demand. Since the Government grants them, as bankers, the right it withholds from the people, the people are under the necessity of purchasing the bank-notes from the gold and silver owners in order that they may make a living. It is well known, however, that only three per cent of the volume of the business of the country is conducted with the use of gold and silver coins and bank-notes.

The balance, ninety-seven per cent of the volume of business, it is equally well known, is conducted without the use of legal-tender gold and silver coins, and their assistants, bank-notes. This ninety-seven per cent is conducted by the

aid and use of the representatives of the "money of account" that the people have issued at their labor expressions of value, but which are not given legal-tender value.

Without the use of these non-legal-tender representatives, people could not transact ninety-seven per cent of their business, and stagnation, starvation, and death would soon visit them.

The periods of prosperity are due to what is called excessive issues of these representatives at their expressions of labor value. It is contended that these excessive issues are the cause of the panics which bring loss and suffering upon the people.

It is by the use of those representatives that improvements are made, industries increased, homes are built, debts are paid, and all are employed at remunerative wages. It is by the use of these representatives, though new debts are being made, that the old accumulated debt that has hung like a nightmare upon the neck of honesty industry, is paid. If such a condition does not indicate prosperity, then what is prosperity? and how may a people know when they are prospering? And yet these excessive issues, at their expressions of labor values, are the sure precursors of the panics that occasion the greatest loss; and the amount of loss and the sufferings of the people is in strict proportion to the excessive issue.

The certainty of a panic following upon the excessive issues is so well known, and an intelligent people have been so often and so sorely afflicted, that they deny the evidence of their senses, and denominate the periods of their greatest prosperity as the periods of the wildest speculation. They regard the effect of the cause as the cause, and have therefore failed to ascertain and remove the cause, though they suffer from the panics at regularly recurring periods.

The cause of the panics that invariably follow upon the excessive issues, is solely and altogether due to the fact that the Government gives the right and power to the owners of the gold and silver coins to demand and enforce the payment of all the non-legal-tender representatives, issued at their labor expressions of value, in the value that the owners of gold and silver see fit to place upon their coins.

The endeavor to force the payment of the non-legal-tender representatives, or the issues of labor values, in the legal-tender representatives, or gold and silver coins, is an impossibility; for the vast quantity of non-legal tenders that have been issued at their labor expressions of value to conduct ninety-seven per cent of the volume of business can not be paid, or redeemed, in the limited number of legal-tender values, or coins, that conduct only three per cent of the volume of business.

Though it is an impossibility, the demand for payment is made at regularly recurring periods; and if it is not complied with, the judicial power of the Government is invoked to enforce the payment. Decrees are rendered in favor of the holders of the non-legal tenders to the amount of the face value of the labor representatives held by them, and if those who issued them can not secure legal tenders, or gold and silver coins, to satisfy the decree, their property is sold for any price it will bring under such a condition of affairs.

The result is that the creditors take from the debtors,— or rather the owners of gold and silver take from the producers, who issue the non-legal tenders,— all the property they have, and frequently hold a judgment, or decree, for the unsatisfied balance. When the producer, at the height of his prosperity, is suddenly and without warning deprived of all he has by legislation, which changes the labor value of his representatives of the "money of account" to

the value of legal-tender gold and silver coins, and has a judicial decree against him that enables the owners of the judgment, or decree, to seize his future earnings, he gives up all hope, and abandons himself to despair, for all incentive to further effort, in many instances, is gone. To remove his despair, and make of him a good citizen, the Government comes to his relief, and passes bankrupt laws for his benefit, if he wishes to incur the odium.

The governmental power of legal tender, and the banking system bestowed upon the owners of gold and silver, has been the source and cause of that "empire of misery" that has for so long a time been the heritage of humanity.

The New World was hailed as a Mecca where the downtrodden and the oppressed of the Old World could escape the injustice and tyranny of such a system for the creation and dispersal of products. The oppressed were in ignorance of the true cause of their sufferings. They did not comprehend that the science of the just and equitable distribution of products depended upon and was controlled by the method in which the representatives of their "money of account" were issued. They did not comprehend that "money of account" was the language originated and used to express their ideas of labor values, and that representatives of these ideas, or expressions, of labor value should be so issued as to retain and preserve the labor values.

In ignorance of these essential and scientific truths the inhabitants of the New World endeavored to form a Government that would protect them and their posterity from such impositions and injustice as they had fled from; but they unconsciously adopted the same financial system, or the same system for the exchange or distribution of products, that had been the cause of their flight.

It is the tragedy of the centuries, that though our fore-

fathers issued the representatives of the "money of account" at their labor expressions of value, in order that they might clear up the country, establish themselves, and gain their independence, the ignorant greed of some of the leaders was such that they induced the people to ignore its enjoyed benefits, and brought the severest distress upon themselves and posterity by adopting the European heresy.

The capitalistic class, who have ever been the dupes of their greed and lust for power even during the contest for independence, though it was evident that the issue of the representatives of their "money of account" at their expressions of labor values was winning their independence, nearly defeated the effort by the refusal to give them legal-tender value.

For if those representatives, issued at their expression of labor value, had been given legal-tender value, that value, as it is protected by the power of the Government and willingly used by the people, would have preserved their labor values; but when that was refused, and it was enacted that the owners of gold and silver should have the exclusive right to legal-tender value, and the additional right to demand payment of the representatives of the "money of account" in their gold and silver legal-tender coins, the effort to gain their independence came near failing.

The fact that the representatives of the "money of account" were not given legal-tender value so that their labor expressions of value might be preserved, but, on the contrary, were so issued that the capitalists could demand their payment at any time in the value of gold and silver coins, or refuse to receive them, caused their depreciation, until they were worthless. After this had been accomplished, the people were forced to submit to the inauguration of a bank of issue, as an aid to gold and silver to

supply the representatives of the "money of account" necessary to win their independence.

With this experience in the struggle to escape from the tyranny and oppression of the Old World, caused by the heresy of bestowing upon gold and silver the monopoly of legal-tender value, which gave the capitalists the right to demand and the power to compel the payment of all labor values in the value of their gold and silver, it is unaccountable that they should adopt the same heresy, and make it the policy of the Government they founded.

I

Financial and Economic Errors

THE financial and economic errors operating so oppressively upon the people for the benefit of the privileged few, are always due to the influence of intellectual and inhuman avarice, aided, as it is, by the chicanery and hypocrisy of the culture of a higher civilization, and they are more difficult to explain and eradicate than any other class of evils from which humanity suffers.

This is due, in great part, to the fact that this same intelligent and heartless greed is always in control of the Government, or is the beneficiary of class legislation to such an extent, that it is enabled to have undue influence upon the education of the country in such particulars as most promote and assist its schemes of spoliation by enactments. It is further due to the many theories assumed, and the agencies employed in fostering and inculcating its teachings.

It is possible, by reason of these instrumentalities and false teaching, for the corrupt theories of the avaricious, which have a fair semblance of utility and essentiality, to inaugurate a system of finance that is not only fatal to the prosperity of the people and the nation, but cherished as a benefit.

It is not possible to clearly expose the processes of the impure motives that cause the growth of these abuses upon the body politic by synthetic process, for the reason that the facts, expediencies, and policies are so intricate, so dependent, and so variable that the intellect can not correllate them into any stable system which can be accepted as a correct

basis upon which to formulate rules of action for the government of the nations.

Therefore, though experimental philosophy in economics and finance has held sway for so long a time in the policies and practises of the more civilized nations, its justness, utility, and wisdom are more seriously questioned now than ever before, and doubt keeps pace with the injustice and suffering that is being inflicted upon the people.

An analysis, however, of the subject of finance for the double purpose of (1) ascertaining the cause of and necessity for its origin, the method of its growth in a pure form, and the benefits that accrue to a people and a nation from the practise of a scientific system; and (2) detecting and noting the impure motives, and the consequent emanation of all the unjust and perverting abuses that have been engrafted upon the system,— should prove highly instructive, and be instrumental in removing much of the obscurity, the result of false teaching, that now envelopes the question, and tend to expose the iniquity of the present system.

The accepted theory, which is based upon gold and silver as money of final redemption, has been dominant in this country since its first formation, and has, at recurring periods, produced the natural panics and heavy losses that such a system always guarantees.

The limitation of the money of final redemption to gold alone is progressing to its logical and inevitable conclusion — the enrichment of the favored few and the pauperization of the oppressed many — with the inexorableness of fate.

The history of the growth of a people, as well as the history of the growth of governments, is necessarily a history of the growth of their circulating medium; for it is susceptible of demonstration that there can be no advanced civilization without great diversity of occupation and future

contracts, and there can be no great diversity of occupation and settlement of future contracts without the exchange of a large amount of products, and there can be no large and varied exchange of products without a medium of exchange.

There are three antagonistic classes to be considered in the formation of a financial system.

(1) Those who are neither creditors nor debtors, or, if either, are persons of such fairness and justice that they desire to maintain the stability of value of the medium of exchange, and also desire to maintain a circulating medium that will at all times supply the demands of the people and remove the necessity for resorting to barter. They desire to preserve the equities in the settlement of future contracts, and are always ready and willing to increase the circulation to meet increase of business and increase of population, and thereby keep the mediums of payment at a stable value.

(2) Those who are debtors, and who wish to increase unduly the amount of the circulating medium in order that they may be enabled the more easily to pay their debts. This desire of the debtors is, in many instances, only seemingly unfair to the creditor, and received more consideration in the past than at the present time.

In former times after long-protracted and destructive wars, service in battle, destruction of property, and loss of time, the citizens became unable to meet their contracts, and a natural and humane equity called for relief on the part of the Government they had served. This governmental relief was granted in various ways, sometimes by a change to a substance more plentiful, so that the number of tokens could be increased, and consequently the value of the circulating medium be decreased; by abatement of part of the debt; by debasing the coin, i. e., reducing the quantity of the metal in the coin so that the same quantity of metal, by

coining a larger number of equal value with the coin reduced, would pay a larger amount of the debt.

So long as this policy was pursued, and the humanity of Government responded to the distress and suffering of the people, history fails to show a single instance where a nation died; but on the other hand, the disappearance of nations from the map of the world can be shown to be due to a failure of the exercise of this humanity, and a decreasing circulating currency.

(3) Those who are creditors, and who desire to reduce the quantity of the circulating medium in order that they may receive, in the collection of their debts, a greater value than was contracted. The greed for accumulation is the sole motive by which this class is actuated; no idea of fairness, justness, or equity ever enters their souls.

No humanity, nor sympathy on the part of the creditors for those whose ability to pay has been lessened by patriotic conduct in fighting the battles of the country, has ever prompted the abatement of one jot or tittle of their claims. On the contrary, for ages past the people have been taught that debasing the coin, even in their own interests after disastrous war, was a process by which the rulers robbed them; and for centuries the creditors have induced the people to give them the exclusive right to the value of legal tender, and have so framed constitutions that it was impossible to take it from them and secure relief until the consent of the Government, controlled as it is by these self-same creditors, was first obtained.

The adoption and practise of the first two ideas — based as they are upon the desire of the Government to provide a medium of exchange for the accommodation of the people, and grant relief in extreme cases — ensures its growth to maturity and fullness of power, when all the people are

prosperous land owners and on terms of comparative equality.

The abandonment of the idea and practise that a medium of exchange is solely for the accommodation of the people, and the adoption of the theory and practise that it is to enhance the value of the substance used to make the mediums, and thereby increase in value the debt due the creditor, and only secondarily and incidentally accommodate the people in the exchange of products, inevitably leads to the undue prosperity of the creditor and the destruction of the prosperity of all others. It causes the owners of land to decrease in numbers, the many to become tenants, and all the land becomes the property of the few. It destroys all comparative equality; the few become fabulously wealthy, and the many, workers for daily existence.

This perversion of the correct theory, this abandonment of the idea that the circulating medium should be issued solely for the accommodation of the people in creating and exchanging their products, this inauguration of the selfish and inequitable system which enhances the value of the circulating medium, and consequently increases the value of all debts, has invariably been brought about by the crafty, the unscrupulous, and the avaricious.

The fact that the necessities of an advancing civilization made barter and trade an impossibility, and a circulating medium indispensable; that the intricacies of the exchange of products generated bills, drafts, notes, balances, and settlements; that the demand for banks for the purposes of exchange, discount, and deposit was imperative; that the mintage of coin was for a long time not under the control of Governments, but was carried on by the individual, and therefore the coins were so various, and so often changed, that only a few experts could keep posted as to

their value,— all this made it possible for the money brokers, usurers, and exchangers to alter the original theory of a financial system until they developed the system of legalized robbery that prevails to-day, and has prevailed throughout the world for centuries.

The history of Rome abundantly illustrates the soundness of the foregoing propositions. From its infancy through its early struggles and growth to the period of its greatest power and splendor, its progress kept pace with the observance of the just and humane conception of money, due to the influence of the first two classes heretofore mentioned; while its decline, beginning with the domination of the third, or creditor, class, was accelerated to its fall and ultimate extinction by their growing and insatiable avarice and lust for power.

The many measures adopted for the relief of the needy and distressed debtors previous to the year 600 A. U. C., were offset by the refusal to permit anything but gold and silver to be used as money, and by a system of the most intolerable oppression, exercised by the money power in the period intervening between that date and the accession of Caligula, embracing two and a quarter centuries, during which time the efforts of the people to protect themselves and their liberties resulted in a destruction of life, property, morals, and government unparalleled in the history of the world.

Referring to this period the historian Ferguson writes: "The military and political virtues which had been exerted in forming this empire having finished their course, a general relaxation ensued, under which the very forms which were necessary for its preservation were in progress of time neglected. As the spirit which gave rise to those forms was gradually spent, human nature fell in a retrograde motion which the virtues of individuals could not suspend; and men,

in the application of their faculties, even to the most ordinary purpose of life, suffered a slow and insensible, but almost continual, decline.

"Human nature languished for some time under a suspension of national exertions, and the monuments of former times were, at last, overwhelmed by one general irruption of barbarism, superstition, and ignorance. The effect of this irruption constitutes a mighty chasm in the transition from ancient to modern history, and makes it difficult to state the manners and transactions of the one in a way to be read and understood by those whose habits and ideas are taken entirely from the other."

A more philosophic survey of Roman history might have led the historian to see that the advancement and development of that nation, in spite of its wars, its internal dissension, and their attendant proscription and changes of property from class to class, were justly attributable to the fact that the supply of money among the masses constantly kept pace with the demands of a healthy progress.

If the supply of copper and silver became insufficient in quantity to facilitate the exchange of products, or to enable the people to discharge their debts, as was the case during the republic when those metals constituted the money, the volume of currency was increased by debasing the coinage. After the discovery in large quantities of both gold and silver, the supply for a time exceeded the demand. Therefore, notwithstanding legislative manipulation by which this wealth was concentrated in the hands of the moneyed class and in the public treasury, it was nevertheless not only sufficient to support the privileged classes in the greatest luxury, but at the same time it enabled them, in addition to the marble palaces built for themselves, to provide costly structures for the amusement of the populace, construct a system

of public works of extraordinary magnificence throughout Italy, mobilize armies, and donate large sums to the soldiers.

So long as this condition of the currency continued, Rome advanced in greatness, in art, literature, science, and public improvements, notwithstanding the injustice of the Government toward its citizens, its favoritism to the privileged few, its invasion by hordes of barbarians, its change from a republic to an empire, the insane expenditure of its revenue by such tyrants as Caligula and Nero, its degradation in morals and virtue; and the nation only entered upon its decline and proceeded to its decay as gold and silver disappeared, and it refused to give legal-tender value to anything else, or to debase the coinage.

"At the Christian Era, in the year 752 from the founding of Rome, the metallic money of the Roman Empire amounted to $1,800,000,000. By the end of the fifteenth century it had shrunk to less than $200,000,000."— *Report of the Silver Commission of 1876.*

II

The Bank of Venice

THERE was one exception to the decadence of this period, and that was the Republic of Venice. It exemplified in the management of the Bank of Venice from 1171 to 1797 the correct theory and practical development of a pure financial system, and demonstrates the correctness of the views herein advanced. It also exposes the falsities of the present system, and is instrumental in discovering the growth of those abuses that have been engrafted upon the system, and which tend to enrich the favored few at the expense of the needy multitude.

The plan of the bank had its birth in the direst necessity of the nation, and the benefits conferred were so keenly appreciated, and an intelligent spirit of humanity, encouraged by widespread commercial prosperity, amended and improved it to such perfection, that the wonder is that all subsequent systems have not been modeled after it.

The history of the bank is meager and indefinite for the first two hundred and fifty years; and though after the lapse of that period there is a fuller and more definite account of its regulations and methods, yet there are many things unexplained and left to conjecture. It appears from the more trustworthy accounts of the bank that in the year 1171 a Venetian fleet was sent to avenge an outrage perpetrated by the Grecian emperor upon Venetian merchants in his empire. This fleet humbled the pride of the Grecian emperor, and compelled him to give satisfaction. The contest is only memorable for having given origin to the Bank

of Venice. For the republic being oppressed by the charges of war against the emperor of the East, and at the same time involved in hostilities with the emperor of the West, after having exhausted every other financial resource, was obliged to have recourse to a forced loan from the most opulent citizens, each being required to contribute according to his ability.

The citizens who made the loans were given credit upon the books of the bank for the amounts advanced by them. These credits bore four per cent annual interest, and were redeemable at some future time in coins. Inasmuch as they were interest-bearing obligations of the Government, redeemable in specie, they were then, as now, a safe investment. In addition to being a safe investment they were transferable upon the books of the bank in payments, however large or small, with almost equal facility as the giving of a bank check, and they were exempt from execution.

Impressed with these characteristics they were first-class investments, and they were highly efficient as mediums of payment for the trading and commercial public. The Government did not authorize them to be used as mediums of payment,— in other words, they were not made legal tenders,— but it appears they dropped into this use by general agreement, from custom, because it was an accommodation to the trading public, and the Government was pleased to make provision for such use of them.

The experiment with the bank in the methods practised from 1171, the date it was founded, to 1423, the date the credits were made legal tender, demonstrated that the debt of the Government in the form of bank-credits, when used to pay debts, was worth more to the trading and commercial people than to the investors, and that they were too valuable in use to be held as investments, since they commanded a premium over gold and silver.

It was evident that the loan which the citizens were forced to make, and take in exchange therefor a credit upon the books of the Bank of Venice, bearing four per cent interest, had been, as mediums of payment, so acceptably and so profitably used, that it had ceased to be regarded as a debt. This is evident from the fact that the bank-credits commanded a premium of thirty per cent over gold and silver coins because they were used as mediums of exchange and solvents of debt, and not because they bore interest and were payable in coin.

The fact that the people had ceased to collect the interest on the bank-credits or present them for payment, but on the contrary were paying a premium for them to be used as mediums of payment, showed conclusively that the bank-credits were too valuable in use to be regarded as a debt, or held as an investment.

This treatment of the bank-credits had its effect upon the officials of the Government; and when it was finally realized that the credits were so valuable, as solvents of debt, that they were no longer considered or treated as an obligation of the Government, the conclusion was irresistible that the debt had been in effect liquidated.

When in addition to this the officials saw that the credits, as solvents of debt, were commanding a premium of thirty per cent, they very wisely came to the conclusion that it was best for the Government, and for the people, to sell additional bank-credits, and use the proceeds to defray the expenses of the Government.

This was done by the following legislation passed in 1423: "That all bills of exchange payable in Venice, domestic as well as foreign, all payments in gross or in wholesale transactions (unless otherwise stipulated), should be payable at the bank."

This legislation conferring upon the bank-credits the exclusive privilege of paying all wholesale transactions, made them legal tenders, and it was decided to sell additional credits to the trading and commercial population to be used indefinitely as solvents of debt.

Under the legislation of 1423, it was understood that the debt which had been contracted in 1171, and subsequent to that time, as shown by the books of the bank, was liquidated by conferring upon the outstanding credits the quality of legal tender, and that the Government would in the future sell additional credits for certain coins that were given the right to purchase them. It was also understood that the republic was to use the coins to defray the expenses of the Government, and that the value of the bank-credits depended entirely upon their right to be used as legal tenders, for they were in no sense to be regarded as a debt of the Government, nor was the bank ever to redeem them. It was understood to be a fair exchange of legal-tender value by the Government to the citizens for an equivalent in value of coins.

Thus was a currency provided for the wholesale business of the country. The decision to sell additional credits should, in a short while, since they were commanding a premium, have caused the sale of enough credits to have reduced the premium to par, if there was no undue scarcity of the coin that had the right to purchase the credits.

The history of the bank, however, is that the premium did not recede, but laws were passed in vain to restrain the premium from advancing higher than twenty per cent. It is unfortunate that the history of the bank leaves the reason for this inability to control the premium to conjecture.

Since the bank-credits were only a legal tender for the payment of bills of exchange and in wholesale transactions,

it was incumbent upon the Government to furnish a currency for the retail trade and the smaller transactions. This was done by the organization of a secondary, or co-ordinate, bank, whereby it was provided that if any one deposited coins in it, he should have the right either to withdraw the coin or use his credit as solvents of debt by transfer upon the books of the bank in any sum, however small.

That there was no undue scarcity of coins is evidenced by the fact that this secondary, or co-ordinate, bank at all times had a large amount on deposit, and more than once loaned all its deposits to the main bank without producing any effect upon its working operation, so great was the confidence in the ability of the main bank to repay the loan as soon as the crisis was passed.

It is evident, since the main bank sold its credits at par, that those who needed bank-credits would have bought the coins deposited in the secondary bank to be exchanged for the credits of the main bank if they could have been used for that purpose. Inasmuch as this was not done, notwithstanding the credits of the main bank commanded a premium of thirty per cent, it is evident that for some reason they could not be used for that purpose.

The conjecture is that only a certain coin issued from the mint could be used to purchase credits of the main bank, and the exchange of these coins for legal-tender credits must have been limited by the number that could be secured, since the Government was passing laws to restrain the premium to twenty per cent. This coin must have been the ducat and its multiples and subdivisions, since their names are the language of the "money of account" of that republic.

There is reason for such a conjecture in the fact that foreign coins were only allowed to be introduced into the city of Venice under very special regulations. Dealing in

coins by private or public banks was prohibited under severe penalties, and failure to submit all coins brought into the city to be inspected by an officer of the mint subjected them to forfeiture.

It is reasonable to conclude that the republic in its wisdom made a separation of the currency that was used in the retail trade, from that used in the wholesale trade and the payment of bills of exchange, by giving to the ducat the exclusive right to purchase credits from the main bank, and the foreign coins the exclusive right of deposit in the secondary bank.

It is evident, if the coins set apart to the use of the one system could be used in the other, that all of the coins would have been appropriated to purchasing the credits of the main bank, and none have been left to the retail trade. It appears, therefore, that governmental regulations and supervisions, under severe penalties, were necessary to keep the coins appropriated to the one use or the other from being perverted as interest and greed might incline.

The statesmanship of that republic realized that the expansion and enlargement of the wholesale business was entirely dependent upon credits and their increase; and as the prosperity of the republic increased by means of its transactions in gross and the larger ventures, the demand for additional issues of credit also increased, and caused the premium for the credits of the main bank to advance as high as thirty per cent.

It appears that the statesmanship of that republic realized that the wholesale, or large, operations are carried on, not by the use of currency or money, but by a system of bookkeeping, or the "credit system," and that the only use it has for coins is in the settlement of balances. It is also apparent that it was realized that the retail trade and the

small transactions are carried on by cash and credit, or personal confidence, and that as this credit is enlarged or extended, it has a tendency to break down the personal confidence and destroy business.

The financiers and statesmen of that republic recognized the irreconcilable antagonism that exists between the two methods of conducting business when the mediums of payment in each were dependent upon and redeemable in the same money; for it was evident that as the wholesale and large business prospered under enlarged and increasing credits, the retail and small transactions became jeopardized as personal confidence waned, until it finally grew so weak that if demand for the payment of the credits in coin was made, a panic would ensue, and the labor and accumulations of years would be destroyed.

Appreciating as intensely as the officials must have done this antagonism between the two systems, and that it was irreconcilable, the statesmanship of the republic saw the necessity of completely separating the mode and manner of carrying on business under the two systems.

This could only be accomplished by giving to each a separate and distinct currency, or mode of payment, wherein the mediums of payment for the one were not dependent upon or in any sense redeemable in the other. Therefore, after two hundred and fifty years of experience with the bank-credits as mediums of payment (adopted to protect itself from destruction by the emperors of the East and the West), the republic was enabled to put into practise the true theory of the science of finance.

Experimental philosophy had taught the humane statesmanship of the republic that the value of legal tender is "a property right" held in trust by the Government for the benefit of all the people, and that it should be sold and the

proceeds used to defray the expenses of the Government, and save to that extent the burden of taxation which bears so heavily upon the people.

This is the first and only instance in the history of the civilized world where it was demonstrated in practise that Government credits, when made sole legal tenders, were so "valuable in use," as solvents of debt, that they commanded a premium over gold and silver coins so long as they retained that pre-eminent quality; and in the case of the Bank of Venice they retained that superior value until 1797, when Napoleon in his ignorant cupidity destroyed the republic and the bank in his desire to secure the accumulation of specie that he supposed was held in the bank vaults.

Colwell, in his work entitled "Ways and Means of Payment," wherein he gives the history of the Bank of Venice, in discussing its methods and practise (overlooking the advantage that was bestowed upon the bank-credits by giving the people the right to use them as mediums of payment, and in 1423 making them sole legal tenders), sums up his account of the efficiency of the institution from its first organization in 1171 to 1797 in the following: "The great feature of the bank, that which required all bills of exchange in the great commercial city to be paid at the bank, appears at first blush to be an arbitrary requirement, if not a most unjust one. It was giving a forced currency to the bank deposits, consisting merely of debts due by the Government."

Colwell seemed to be unable to grasp the fact that after 1423 the bank-credits were no longer a debt due by the Government, but that it had been a sale of legal-tender value to the citizens for a full equivalent in gold and silver. He states: "It was soon found to work so well in practise that it brought an immense accession of business to the city, and

to the bank. . . . Bills of exchange became of increased use in all the neighboring commerce, and a vast concentration of the payments took place at Venice, and in the bank. . . . The money brought in to pay bills was taken by the Government as it was received, until the amount of the deposit was adequate, by rapid circulation, to the current payment of commerce. This made the bank a great clearing-house, or place of adjustment, for merchants of many countries. Venice was for centuries the greatest entrepot of commerce in Europe, if not in all the world.

"The chief payments or liquidation of the trade were effected at the bank. . . . The bank then became a place of liquidation; merchants made their bills payable where there was the greatest circulation of means to pay them, and where it was most for their advantage to receive payments. . . . Those who had occasion for gold or silver purchased with their deposits what was required; and with slight exceptions for more than four hundred years the precious metals were at a discount, compared with bank funds, . . . the demand for that which would pay bills of exchange being greater than gold or silver for any special use to which they could be applied.

"The great mass of the purchases of commerce were made, in the first instance, by bills of exchange, and the great operation of payments consisted in liquidating those bills. The demand therefore for the bank-credits with which they were paid was as incessant as the movements of commerce itself."

It is well for the financial student to analyze the methods of the Bank of Venice to discover those principles that operated to change a debt, when used as mediums of payment, into legal tenders; that made it possible and practicable to sell those legal tenders for gold and silver which was used

by the Government to defray its expenses; that made those legal tenders, though they were not a debt of the Government, bore no interest, and were not redeemable, so "valuable in use" that for centuries they commanded a premium of twenty per cent, and more, over gold and silver coins, and saved the republic of Venice throughout the life of the bank (from 1171 to 1797) from the visitation of such evils as a redundancy and then a scarcity of money has periodically inflicted upon all subsequent periods.

The methods, practises, growth, and evolution of the Bank of Venice, when understood, are highly instrumental in exposing the iniquity and injustice of the present system of legalized robbery; and from a study of its experience and operation a system can be formulated that will be in harmonious accord with the equity, humanity, and Christianity that ought to dominate in the control of human affairs.

In order to ascertain what application has been made by the civilization of the world of the financial principles hereinbefore set forth, and exhibit to some extent at least the cause of the growth of the perverting abuses that have been engrafted upon the system as it is exploited to-day, the motives, practises, and expedients that dominate will now be investigated

III

Colonial Finance

It is unnecessary to consider the first two hundred years of our financial experience further than to state that it consisted of all sorts of barter, and the use of the most primitive methods of supplying a circulating currency; that as the country gradually took on the form and assumed the habits and manners of an advanced civilization, it enlarged its purchases from Europe.

This necessitated the use on the part of the colonists of money similar to the money of Europe, and the demand for gold and silver became imperative. This demand for coin first affected Massachusetts, because it was the most advanced in civilization; and in 1649 that colony was forced to demonetize beads, which, by an enactment, had been current money.

So great was the demand for coin at that time in the colony of Massachusetts that business relations with the buccaneers of the Spanish main were encouraged, in order that the necessary coin might be secured. The demand for coin to carry on the increasing trade with Europe was such that even the complete surrender of Puritan principles to the debasing and degrading association with the buccaneers, did not secure the necessary amount for that and local purposes, and in 1690 the colony was forced to issue $35,000 of paper money.

The occasion of this issue was the return of an unsuccessful expedition against the French in Canada. The issue was made to secure money with which to pay the soldiers

who had returned in a destitute condition, without any spoil of war, and were clamorous for their pay. The paper money issued for local purposes was redeemable in any stock that at any time might be in the treasury, and for twenty years it circulated at par until redeemed.—"*History of the Currency,*" *page 7.*

In the year 1703, the colony of Massachusetts made a second issue of $75,000 of paper money, which was made legal tender for private debts so that it could be used for local purposes.—*Id., page 7.*

In 1716 an issue of $750,000 of paper money was authorized on real estate security for ten years at five per cent per annum.

In the year 1720 an issue of $250,000 of paper was made, a total in thirty years of $1,110,000 issued by a young and struggling colony for local purposes so that the coin could be free to be used in trade with Europe.

In 1748 the paper money of Massachusetts amounted to $11,000,000.—*Id., page 9.*

The Bank of England, which had been organized in 1691, and upon the theory that its notes were redeemable in coin, was forced to suspend payment in 1723; and in its preparation and effort to resume, the coin of the American Colonies was drawn across the ocean in the same peremptory manner that the East drew coin out of the South and West in 1893 to keep their banks from suspending.

The colony of Pennsylvania lost all of its coin, notwithstanding the passage of a law raising its value. It was therefore forced in 1723 to issue treasury notes to supply the demand for local currency, and the notes were made a legal tender, redeemable only in the payment of taxes to the colony. All of the other colonies were forced for similar reasons to issue paper money.

Between 1740 and 1750 the demand for more currency was so pressing in Massachusetts, notwithstanding its previous issues, that a desperate effort was made to get additional currency by establishing a land bank. This attempt was defeated by the governor, who claimed that it was unlawful and pernicious, contrary to the action of Parliament and to his instructions. The people of Massachusetts were beginning to feel the iron hand of the financiers of England.

In 1745, with some little assistance from the other colonies, they captured Louisburg, on Cape Breton, from the French. The English Parliament so highly approved of this exhibition of buccaneering propensities dominating Puritanic professions, that it decided to purchase Louisburg by the payment of a large sum of silver and copper to the colonies.—"*History of the Currency*," *page 9.*

Thereupon Massachusetts decided to go to a sound-money basis, and commenced to call in and redeem its paper-money issues. This action of Massachusetts had the effect of transferring a large portion of the trade of the other colonies to itself, and consequently depreciated the value of the paper issues of the other colonies; for in the struggle to secure coins for foreign trade, the products of other colonies and the trade with all the colonies went to Massachusetts, instead of being generally distributed.

It was most disastrous to New Hampshire and Rhode Island, for on account of their close proximity they were the heaviest losers of their trade. This loss of trade was calculated to check the progress of the other colonies, and to that extent lessen the demand for the use of their paper money. It deprived them of such specie as the trade necessarily brought with it, and the natural consequence was that the demand for the specie increased and the demand for

their paper issue decreased. Under these circumstances their paper money depreciated in value and went to discount, while specie was increasing in value, and all of it going to Massachusetts.

This was Massachusetts' first taste of the blood of humanity, drawn by financial buccaneering instead of the buccaneer's sword, and it was so efficient, and so much more in accordance with their professed Puritanic principles, that they have held to it ever since.

Appreciating thoroughly the advantage that accrued to the colony from the money received from the sale of Louisburg, and indifferent then as now to the wail of suffering mankind, if the outcry is caused by schemes that advance their prosperity, or increase their wealth, can it be doubted that the avariciousness of Massachusetts began to incite, or at least agree with, the fiananciers of England, that the colonies should not be permitted to issue paper money?

By the use and enjoyment of a full supply of legal-tender paper money from 1690 to 1748, and then the capture and sale of a city for a sufficient sum of copper and silver to enable it to call in and pay its paper issues, and the use of both kinds of money as it slowly proceeded to a specie basis, Massachusetts succeeded in clearing up and bringing to a high degree of utility its sterile lands and rocky wastes, and was far advanced on the road to permanent prosperity and great riches.

Understanding, as the citizens must have, the disadvantages under which they had labored in their trade relations with England from the scarcity of coins, and realizing that the issues of paper money for foreign trade was the chief cause of their prosperity and success, it would naturally be supposed, in their present comfort and mortgage on the future, that their solicitude for the younger, weaker, and

struggling colonies would have prompted them to take no action that would injure or be in the least detrimental to their sister colonies. On the contrary, however, they at once proceeded to use the proceeds from a looted city to go to a specie basis, conscious that in so doing they were applying to their sister colonies similar impositions to those England had so long applied to them, in the hope that they would mulch from the colonies a full equivalent for past losses.

The action of the colony of Massachusetts in going to a specie basis, thereby depriving the other colonies of a large part of their trade, enured so much to its advantage that by 1773 all of the paper issued had been paid and retired. What the colony of Massachusetts had gained, the other colonies had in great part lost, for the effect of going to a specie basis had been to deprive the other colonies of much of their trade, a great part of their coin, and decrease the value of their paper issues.

The colony of Massachusetts had been aided in the effort to decrease the value of the paper issues and get the trade of her sister colonies by an act of the English Parliament in 1751 prohibiting the colonies from issuing paper money. This prohibitive act seems to have had only the effect that was intended; viz., the depreciation of the value of the paper issues and the enlargement of the volume of trade of the colony of Massachusetts; for its passage did not deter the colony of Virginia from making its first issue of paper money in 1755.

The colonies — even Massachusetts, which did not reach a specie basis until 1773 — continued to use the paper issues, and in some cases issued more, because it was impossible to secure sufficient coins to carry on the business, and additional currency was an imperative necessity. This refusal,

or failure, to comply with the act of 1751, caused the British board of trade in 1764 to protest to Parliament against the action of the colonies in using legal-tender paper money, for the stated reason that "every medium of exchange should have an intrinsic value;" and all colonial acts for issuing paper money were declared void.—*"History of the Currency," page 11.*

The English financier understood as well in 1764 as he does to-day, that the more people who used the precious metals, the greater the demand, and the greater the demand, the greater their value; therefore there was no intention of permitting the colonies to make their local currency by issuing paper money, and to that extent decrease the value of their gold and silver, and enhance the value of the products of the colonies, which the English were buying.

The interests of the financiers and the members of the boards of trade are identical. The financiers lose in the loss of the value of their metals; the members of the board of trade, though they may secure the coins from the financiers at less value, lose this profit, and more besides, when they come to purchase the products of a community where there is a full supply of local currency.

Where there is a full supply of local currency, the producer is master of the situation, and in the sale of his products demands a price that will cover the cost of production, and give him a fair profit. The financiers and the members of the board of trade are struggling for the little profit that is left; and inasmuch as the financier has the position of advantage, in that he is the lender of both money and credit to the board of trade men, he has ever been able to force them to do his bidding. The result has always been that the financiers have compelled the boards of trade to join with them in denying the right to a people to get money by

governmental issues, or in any way except through the agency of the financiers. It is due to this fact that the British board of trade in 1764 was protesting so vigorously to Parliament against the use of legal-tender paper money by the colonists.

The boards of trade in 1764 were actuated by the same motives and were impelled by the same force as those of to-day which are so persistently calling for the demonetization of silver because it does not have a full intrinsic value.

The English board of trade and the financiers of the Bank of England, incited and aided by the colony of Massachusetts, finally succeeded in their resolve to deprive the colonies of the use of paper issues, as money; for "in 1773 the English Parliament passed an act which took away from the colonies their representative money; commanded under penalties that no paper should be issued; that all such issues should cease to be a legal tender, or receivable in the payment of debts, and demanded the payment of all taxes in silver."

This was the first contraction of currency in this country, and was as drastic in its effects and as fatal in its application as any that have succeeded, and they have been many.

The chief difficulty with the colonies had been to secure a sufficient number of mediums of exchange to take advantage of the opportunities that the fertility of the soil and the munificence of the New World returned to enterprise and labor. The condition of the colonies at that time was due in great part to the fact that they had a full supply of paper money for local purposes, and were thereby enabled to use such coins as they could secure in purchasing supplies from Europe. The result was that they were in a flourishing condition, and their prosperity was increasing. So soon, however, as they were deprived of the use of all

paper money, and were forced to conduct business and settle debts with coins, "general bankruptcy ensued, and business was paralyzed.

"Ruin seized upon these flourishing colonies; and the most severe distress was brought home to every interest and family; discontent was urged on to desperation; till at last, 'human nature,' as Dr. Johnson phrases it, 'arose and asserted its rights.'"

It is well to adduce just here some testimony as to the condition and prosperity of the colonies from the use of legal-tender paper money.

Thomas Pownall, M. P., of England, who had acted as governor and commander-in-chief of the provinces, in a book written by him in 1768, says in regard to the colonial system of money: "I will venture to say that there never was a wiser and better measure, never one better calculated to serve the use of an increasing country, and never was a measure more steadily pursued or more faithfully executed for forty years together, than the loan offices in Pennsylvania, formed and administered by the Assembly of that province. In a country under such circumstances, money lent to settlers created money. Paper money thus lent upon interest will create gold and silver principal, while the interest becomes a revenue that pays the charges of the Government. This currency is the true Pactolean stream which converts all into gold that is washed by it."

In 1764 Dr. Franklin, writing in England in defense of the paper money of the colonies, says: "On the whole, no method has hitherto been framed to establish a medium of credit in lieu of money equal in all its advantages to bills of credit, founded on sufficient taxes for discharging them, or land securities double the value for repaying them at the end of the term, and in the meantime made a general legal ten-

der. The experience of nearly half a century in the middle colonies (New York, New Jersey, and Pennsylvania) has convinced them of it among themselves, by the great increase of their settlements, number of buildings, improvements, agriculture, shipping, and commerce."

The desperation caused by the destruction of colonial currency, and the realization that the colonies would soon lose all their possessions and become serfs of the English owners of gold and silver, very naturally brought on the Revolution.

The English owners of gold and silver, in the folly of their mad avarice, and upon the false assumption that if the colony of Massachusetts could go to a specie basis the other colonies could also, made the Revolution a certainty and a virtue by the following act of Parliament passed in 1773: "That all promissory or other notes, bills of exchange, or drafts, or undertakings in writing being negotiable or transferable, for the payment of any sum or sums of money less than the sum of twenty shillings in the whole, shall be and the same are hereby declared void and of no effect." By a subsequent act two years later the above was made far more effective by increasing the amount to five pounds. The effect of the enactment was to force all transactions of whatsoever nature, under five dollars in amount, to a cash basis, and to that extent increase the demand for gold and silver coins. This denial of the use of all methods of credit in trades or transactions under the value of five dollars, forced all the people, and especially the poor, to make personal and daily use of all the cash they could command, and thus made it more difficult to secure coin to pay for foreign products.

The result was that those who needed gold and silver were forced into the keenest competition with the people to

secure a sufficiency to supply their demands. This forced additional use of gold and silver tended to unduly enhance the value of the metals, and comparatively depreciated the value of all products; and it was more than Massachusetts could tolerate, though it was on a specie basis.

A sound-money basis of her own selection, that was giving her people an advantage over the people of the other colonies in drawing to her marts the cream of all the trade, and enriching them at the expense of the people of the other colonies, was highly appreciated, and she doubtless approved of the wise financial policy that denied the right to the colonies to use paper money. But when Parliament ordered that all transactions under five dollars should be in cash, and it was realized that in its practical application it was detrimental to her people and their interests, and was transferring to the people of England all the profit which they had expected to reap from their sister colonies, Massachusetts emitted the first growl of the Revolution at English oppression and tyranny.

The colony of Massachusetts had made her arrangements for a sound-money basis under a system of import duties that had long prevailed, and during the time she had been fighting for their repeal or revision, had had the benefit of paper money. Notwithstanding the disadvantage under which she had so long labored she was enabled finally to command enough gold and silver to pay all import dues and carry forward her growing and prosperous business. That her sister colonies were not prepared for such action, and could not forego the use of paper money without great loss and intense suffering, caused her no hesitation; but to the contrary, it now appears that the consciousness that she would reap great profit from the distress of the other colonies, induced her to hasten to a specie basis before she

had a safe margin against the adverse or hostile legislation of Parliament. For the history of the commencement of the Revolution is, that when Parliament placed tea upon the list, and demanded the payment of the duty in silver, this act, insignificant enough in itself, fired the Puritan soul to such a degree of indignation that the tea was cast into the sea, and the Revolution was on.

The truth of the matter is that the act requiring all transactions under five dollars to be in cash, had more than exhausted Massachusetts' margin of protection in going to a specie basis, and her people, in the scarcity of money that was becoming more and more apparent in the conduct of their business, were growing revolutionary.

Appreciating fully that every dollar paid on import dues deprived them of that much of the specie with which they were carrying on their business, they were petitioning His Most Gracious Majesty George the Third, to relieve them by repealing some of the import dues, while the patriots were preparing for war, knowing too well that the repeal of a part of the import dues that would bring relief to specie-paying Massachusetts would not avail them.

When, however, instead of repealing part of the import dues, tea was added to the list, and payment of dues on the same in silver was demanded, the colony of Massachusetts realized that the indifference and inhumanity she had prepared to exercise toward her sister colonies was to be visited upon her as well as the other colonies, by English greed, she decided to take her chance in a Revolution, and free herself and her prey from the avarice of the unnatural mother, and right well did she succeed, as every line and page of our financial history only too well attests.

The people of Massachusetts made good soldiers in the war of the Revolution, for they fought for the right to

despoil and loot their sister colonies, by any and all schemes their avarice and ingenuity could devise, without future interference on the part of England's greed. This is clearly evidenced in the influence of that colony over the Continental Congress in its method of procedure for the issuance of paper money to carry on the Revolution, in the conduct of its representatives in framing the financial portion of the Constitution of the United States, and in the action of her public men in Congress and official station throughout the entire financial legislation of the country.

The Southern, the Middle, and the Western States, in the century and a quarter of existence as a nation, have needed much money to open up and settle those vast territories, but instead of generously permitting them or the Government to issue paper money for that purpose to meet local demands, as Massachusetts and the other States did, they have been forced to borrow the sorely needed money from the East, with the inevitable result of making the East wealthier than the South and the West combined; and it is now, through the instrumentality of the system, absorbing in great part their annual production.

After the passage of the Act of Parliament depriving the paper money of the colonies of legal tender, and forbidding any further issues, and the acts forcing the colonists to use cash in all transactions under five dollars and to pay the tax on tea in silver, it was realized that they must either fight for freedom from such oppression or become serfs to English landlordism.

IV

The War for Independence

THEREUPON a general Congress was organized, composed of delegates from each of the colonies, to petition for the restoration of their rights, and to prepare for war if their demands were not granted.

The general Congress, as formed and empowered, was merely an advisory council to the different colonies. It possessed no power to impose or collect taxes or duties; it had no authority to emit bills of credit and make them a legal tender; it had no right to coin money or issue bonds, nor could it receive in the payment of taxes, or in any manner redeem the paper issues it might emit.

Nevertheless, in response to a suggestion embodied in a letter from Joseph Warren, president of the Provincial Congress of Massachusetts Bay, Congress on June 22, 1775, passed the following resolutions: —

"*Resolved*, That a sum not exceeding two millions of Spanish milled dollars be emitted by the Congress in bills of credit, for the defense of America.

"*Resolved*, That the twelve Confederate Colonies be pledged for the redemption of the bills of credit now directed to be emitted."

On June 23, 1775, Congress passed the following resolutions: —

"*Resolved*, That the number and denominations of the bills to be emitted be as follows: 49,000 each of bills of 8, 7, 6, 5, 4, 3, 2, and 1; and 11,800 bills of $20; in all $2,000,000."

"*Resolved,* That the form of the bills be as follows: No. .....) Continental Currency. (..... Dollars, This bill entitles the bearer to receive ..... Spanish milled dollars, or the value thereof in gold and silver, according to the resolutions of the Congress, held at Philadelphia, on the 10th day of May, A. D. 1775."—"*Elliott's Debates,*" *Vol. 1, page 48.*

The notes, emitted by the Continental Congress one year before the Declaration of Independence, were not receivable for taxes or dues, were not legal tenders, were not to be paid or redeemed by Congress, but were simply thrown on the troubled and oppressed country in the hope that they would be received and used by a patriotic people without question as to whether Congress had the power to make them obligations of the different colonies.

It seems, in accordance with their calculations, that they were received without question, for on July 25, succeeding, another act was passed authorizing the issue of another $1,000,000 of these notes; and on November 29 of the same year, a third act was passed providing for the issuance of $3,000,000 more, a total of $6,000,000 in the year 1775.—*Id., Vol. 1, page 49.*

In addition to the notes issued by Congress, the colonies were also issuing notes; and by December 26 some doubt must have arisen, either as to the ability of the colonies to redeem the share apportioned to them or of the power of Congress to bind the colonies, for on that date Congress passed an act that each colony should provide ways and means to retire the portion of the issue accredited to it.

The act sets out that each colony was to commence redeeming the notes in 1778, and complete the retirement of all issues charged to it by 1783, and it was to be done in the following manner: the colonies were to impose a

special tax to take up the notes, but they were not to be received for any other tax. If, in the payment of this special tax, coin should be used instead of notes, the coin was to be used in the purchase of the notes if they could be had. If the notes could not be secured in exchange for coin, then the treasurer of the colony must turn over to the national treasury both the coins and notes received in payment of the special tax. The notes so turned over were to be destroyed, and the coins used to redeem the outstanding notes.

This was virtually a scheme to carry on the war by direct taxation, for as fast as the notes were issued they were to be taken up and retired. Therefore they were not given any of the characteristics or qualities of money. To have done so would have defeated the iniquitous intention, and left them in the channels of circulation to compete with gold and silver.

If the colonies had complied with the provisions of the act, and retired the notes by special tax, the expenses of the war would have been paid as it progressed, and in a short time after its termination none of the issues would have been in circulation. If the colonies should fail to pay the notes on the ground that Congress had no power to bind them for their payment, and the exigencies of the war should require the issue of a large quantity, the holders of the notes, at the termination of the struggle, would be the losers, for there would be no valid obligation on either the colonies or the nations that could be enforced.

Congress knew that it had no power to bind the colonies for the payment of the notes, and the colonies eventually refused to recognize or assume the obligation imposed upon them. It now appears to have been a clever financial scheme to euchre the patriotism of the country into fighting the war of independence without in the least affecting the

sound-money basis that Massachusetts had secured, and leaving it intact in a short while after the termination of the war.

The notes, as issued, were a clever temporary war substitute for money; made the more tempting by the promise to pay in Spanish milled dollars, addressed to the ignorant and patriotic credulity of the people. If the notes were retired by the levy of the special tax or repudiated after the war, the result was the same; the specie basis was preserved.

The scheme was assisted by the act of Congress passed January 11, 1776, that all persons refusing to receive the Continental bills of credit in payment, or who should obstruct or discourage the currency circulation, be denounced, published, and treated as enemies of the country, and be precluded from all trade and intercourse with the inhabitants of the colonies; but they were not given the legal-tender quality.

Additional issues were now made, and on the 17th of February, 1776, the sum of $4,000,000 in bills of credit were emitted; and on the 6th of May it was resolved that ten millions of dollars be raised for the purpose of carrying on the war for the year 1776.

On the 9th of May a resolution passed for the emission of five millions of dollars, in bills of credit, in part of the ten millions voted for the service of the year 1776, making a total of eleven millions issued before the Declaration of Independence.—"*Elliott's Debates*," *Vol. 1, pages 52, 53.*

After this time the issues were enlarged to $241,552,280, at the close of November 29, 1779, according to the statement of Mr. Poor, on page 457 of "Money, Its Laws, etc."

The warfare made upon the bills of credit by that class who were advocates of gold and silver, aided by the knowl-

edge that they were not binding obligations upon either the colonies or the nation, and that their payment or redemption by either would be resisted by the financiers, in and out of office, was highly instrumental in breaking down the faith of the people in them, and they receded in value from par at the date of the Declaration of Independence, to two for one at the close of 1776, and to eight for one at the close of 1778.

Congress therefore, on the 26th of December, 1778, passed an act providing that new notes were to be exchanged for old, and that the holders of the old notes should be allowed interest to be paid in new notes; but the new notes were not given the legal-tender quality. No issues were made under this act, nor were any new notes issued to take up the old notes until 1780. The legislative cajolery and the patriotism of the people induced them to accept and use the notes until the close of 1779.

On the 9th of July, 1778, the Articles of Confederation superseding the Continental Congress were adopted.

Whereas the Continental Congress had no powers, and was merely an advisory council to the colonies, organized for the double purpose of securing peace with England, or if that were not accomplished, to make preparations for war, the Articles of Confederation were the formation of a sovereign nation coming into existence under great difficulties. The declaration of the intention to throw off the swaddling clothes of a colony and assume the vestments of a nation, necessitated a reorganization for fuller and more power to meet the exigencies of the hour.

Under Article 8 of said Confederation is found the following: —

"All charges of war, and all other expenses that shall be incurred for common defense or general welfare, and al-

lowed by the United States in Congress assembled, shall be defrayed out of the common treasury, which shall be supplied by the several States in proportion to the value of any land, within each State. . . .

"The taxes for paying that proportion shall be laid and levied by the authority and direction of the Legislature of the several States, within the time agreed upon by the United States in Congress assembled."

Under Article 9 the following powers are set forth: —

"The United States in Congress assembled shall have authority . . . to ascertain the necessary sums of money to be raised for the service of the United States, and to appropriate and apply the same for defraying public expenses; to borrow money or *emit bills of credit on the credit of the United States;* transmitting every half a year, to the respective States, an account of the sums of money so borrowed or emitted."

Article 12: "All bills of credit emitted, moneys borrowed, and debts contracted, by or under the authority of Congress, before the assembling of the United States in pursuance of the present Confederation, shall be deemed and considered as a charge against the United States, for the payment and satisfaction whereof the said United States, and the public faith, are hereby solemnly pledged."

The amount of the notes issued by the Continental Congress before the adoption of the Articles of Confederation was $52,500,000.

Notwithstanding the Articles of Confederation gave Congress the power to emit bills of credit,— impliedly conferring the power to make them a legal tender,— and obligated the United States to pay them and all previous issues, no change was made in the method of their issue, but the subsequent issues were emitted just as the Continental notes had been.

This neglect, or refusal, on the part of Congress, after the Articles of Confederation were adopted, to issue the bills of credit as legal tenders in accordance with the power conferred upon it, and its persistence in issuing them, as was done under the uncertain and irresponsible power of the Continental Congress, aroused the suspicion of the people as to the bona fides of its intention; and the report that gained circulation in the year 1779 that Congress never intended to redeem them, when coupled with the fact that the colonies, as States, were not complying with the order of Congress to commence their retirement, reduced their value from 8 to 1 at the close of 1778 to 40 to 1 at the close of 1779.

To meet this charge, that in the light of subsequent events seems to have been true, and to sustain the value of the notes, Congress on December 28, 1779, denied the charge, and passed an act pledging the faith of the United States for the payment of the bills, but it failed to make them legal tenders.

On December 31, 1779, it endeavored to carry out its pledge of good faith in the following act, ordering that the bills of credit issued before the Declaration of Independence, and charged to the different colonies, be paid by them, and that the time for paying the balance of the $241,552,280 be extended to eighteen years instead of four, heretofore granted, and that the amount of each annual payment be limited to $6,000,000, commencing in 1780.

This action of Congress tended to depreciate, instead of sustain, the value of the notes, for it was becoming evident that its pledge that it would pay the notes was illusive, and had been merged in its order to the colonies to pay them in eighteen years.

It was known that there was a powerful hard-money

party in Congress; that it had forced the notes to be issued payable in silver; that it had refused to allow them to be made a legal tender, because they did not intend that they should come in competition with gold and silver.

It was further known that if the notes were retired by the special tax, as was first intended, the war would have been sustained by a direct tax; and it had long been suspected that the notes were originally issued in such a way that if they were not retired by the special tax, they would never be paid. This issue was as well defined, as serious, and was fought as bitterly, as the war of the Revolution. It is little cause of wonder, then, that by the close of 1779 they were only worth 40 for $1.00 in silver.

The party of promise in Congress was a good majority, as is evident from the many assurances given that all bills of credit emitted would be paid. The party of performance was a small minority, and Congress could take no action in keeping its pledges, until it was to the interest of the party of promise to do so.

The war was at its lowest ebb in 1780; money was scarce, and it was almost impossible to borrow any from Europe. A circulating currency was indispensably necessary to carry forward the war, and with the past issue of notes depreciated in value to two and one-half cents on the dollar, and growing more valueless each month, it was evident that they were no longer of any use, and that it was folly to issue more. Some arrangements had to be made to secure a circulating currency, or to give value to the notes outstanding, or the war would have to close, and the colonies again become dependencies of England.

The contemplation of such an idea, and the fear that English greed would be far more exacting than in 1775, forced the hard-money party, or party of promise, in Con-

gress to agree that the following liberal (?) legislation might be passed.

By a resolution "Congress authorized that silver be received at the rate of 1 to 40;" that all bills of credit turned into the treasury at this rate should be destroyed; that new certificates bearing five per cent interest, not to exceed in nominal value one twentieth of the bills thus destroyed, were to be issued in their stead; that funds were to be established by the individual States for the redemption of these new certificates, and the faith of the United States was again pledged as an additional security.

These certificates were to be in the following form:—

"The possessor shall be paid ..... Spanish milled dollars by the 31st of December, 1786, with interest, in like money at the rate of five per cent per annum, by the State of ....., according to an act of the Legislature of the State of ....., the ..... day of ....., 1780."

The endorsement of Congress was:—

"The United States insures the payment of the within bill, and will draw bills of exchange, annually, if demanded, according to a resolution of Congress of the 18th of March, 1780;" but it is most significant they were not made legal tenders.—"*History of the Currency*," *page 15*.

In this manner the many promises heretofore made by Congress to redeem or to pay the $241,552,280 bills of credit, were to be carried out. It was to be the funding of this sum into the fortieth part; viz., $6,038,807, bearing five per cent interest annually, and no better secured than the $241,000,000. It was hoped that the five per cent interest would prove inviting enough to induce all of the holders of the $241,000,000 of the bills of credit to surrender them for cancelation in exchange for the new certificates.

If this should be done, it is evident that Congress thought it could, with the $6,000,000 additional issues provided by the act, carry on the war; and it was provided that in the issuance of these new certificates six tenths of the issues were to be delivered to the States in due proportions, and four tenths were to be reserved for the use of Congress.

This manifestation of the influence of the hard-money party over Congress, verifying the general report that it never intended to pay the bills of credit, must have disgusted the people, for only a few availed themselves of the privilege.

This complete distrust of Congress was more effectually shown in the fact that such new emissions as were made soon sank to one eighth of their nominal value, notwithstanding they bore five per cent annual interest, so that the holder of $320 in Continental paper money who received $8 in the new certificates, had only the value of $1 in silver. —"*History of the Currency*," *page 15*. Notwithstanding the Articles of Confederation gave Congress the power to emit bills of credit, and therefore the implied right to make them a full legal tender, it is noticeable that it was not done.

This persistence in Congress in and under every necessity for a circulating medium, when it was known that there was not enough gold and silver to supply the demand, not to give the quality of legal tender to bills of credit, is undeniable evidence that the sound-money men kept in mind the reason that forced specie-basis Massachusetts to commence the war.

There has been no similar manifestation of such an implacable and deadly purpose, under such embarrassments and tribulations, in the history of the world, and no such gain and profit has ever waited upon such fixity of purpose as has accrued to capitalists of the East and their posterity.

The depreciation in value of the Continental currency, and the equal reduction in value of the new certificates, was due, in addition to the distrust of the intention of the hard-money party to ever allow either to be paid, to the fact that large issues, independent of funding, were being made, both of Continental bills and the new certificates.

In 1780 there was issued of the old emissions $82,908,-320.47, and of the new emissions $891,236.80. These figures would seem to indicate that the scheme to fund the $241,000,000 of Continental bills of credit into $6,000,000 of five-per-cent certificates having fallen through, Congress, still under the influence of the hard-money party, which never intended to make the issues a legal tender to come in competition with gold and silver, as the circulating currency, recklessly continued to issue the Continental bills of credit and the new certificates.

In 1781 there was issued $11,408,095, of the old emissions, and they had receded in value to a thousand for one, when, as Mr. Jefferson in his works, Vol. LX, page 248, writes, "It then expired without a single groan. Not a murmur was heard among the people. On the contrary, universal congratulation took place on their seeing the gigantic mass, whose dissolution had threatened convulsions which should shake their infant confederacy to its center, quietly interred in its grave."

Sumner, of Yale, writes thus superciliously of it, indicating only too clearly the Masssachusetts idea and conception: —

"The paper was worth more for advertisement, or a joke, than for any prospect of any kind of redemption. A barber's shop in Philadelphia was papered with it, and a dog, coated with tar, and the bills stuck all over him, was paraded in the streets."

When it is recalled that the colonists knew how to issue paper notes as money, so that they would be effective as a circulating currency and retain their value, and that it had been done by Massachusetts and Pennsylvania in a way that had proved wise, beneficent, and safe, it is evident that the Continental currency was issued as it was, either to be retired by a special tax or repudiated.

It is now apparent that it was never intended that they should be issued as full legal tenders, and usurp for the time of war, and for years after its termination, the monopoly that gold and silver thus early in the history of the country was claiming.

The fact that there was not in the entire country more that five or ten million dollars in specie, and that this would be inadequate to conduct the war, was acknowledged by every one; but instead of acting upon this knowledge, and making the notes a legal tender for all debts public and private, with the understanding that at the end of the war they could be exchanged for interest-bearing obligations as fast as gold and silver could be secured to take their place, they were issued as the merest temporary substitute, without any of the characteristics or qualities of money whatever. No such financial chicanery was ever practised upon a people before in the preparation for a struggle for liberty.

It was not the method that was adopted by some of the colonies in making the notes a full legal tender for all debts public or private, or redeemable in State stock, as was the first issue of Massachusetts. It was not the method that might have been devised from an acquaintance with the experience of the Bank of Venice, wherein the sale of the legal-tender quality by the Government defrayed its expenses, fought its battles, and sustained its trade and com-

merce for three hundred years, without a single financial reversion. It was the unscrupulous and unpatriotic attempt of a buccaneering set of financiers, attitudinizing as revolutionists, to make the people bear, by a direct tax, the expenses of the war, in order that Massachusetts might be enabled to reap all the advantage from her sister colonies that she had calculated upon in 1773, when she reached a specie basis.

V

The Bank of North America

THE hard-money faction in Congress was so far triumphant. It had succeeded in issuing $241,552,280 of Continental currency previous to 1780, and it had endeavored to fund this sum into one fortieth of its nominal value in five-per-cent certificates.

Failing in this attempt to reduce at the same time the circulating medium and the obligations it had pledged its faith to pay, it recklessly, in 1780 and 1781, issued an additional $94,316,415.47 of the Continental currency, and $2,070,485 of the five-per-cent certificates, a total of $337,939,191.27. This conduct, evincing an utter disregard of its many promises, and indicating the intention of the money faction to neither allow Congress to make the bills of credit a legal tender nor a legal obligation, completely destroyed the value of this immense sum, both as a circulating medium and as an obligation, and it went out of existence.

The original intention either to pay the expenses of the war by a direct tax or to repudiate the bills of credit, was accomplished by the destruction of the bills of credit, both as a circulating medium and as obligations.

The war was not over, however, and the only circulating money in existence was some $5,000,000 or $10,000,000 in specie, and $200,000,000 in paper currency issued by the States since 1775.

This paper-money issue of the States was not under the control of Congress, and the disposition of it, either by payment or repudiation, was safely left to the hard-money party

in each State. It received no recognition by Congress, notwithstanding the great stress that was upon that body to supply a circulating medium.

The hard-money faction in and out of Congress was as much determined on its destruction, and that it should not circulate as mediums of payment, as they were toward the Continental currency. Under these circumstances, it being incumbent upon Congress to furnish a circulating currency to prosecute the war, the organization of a bank to issue notes was advocated.

It was insisted that under the Articles of Confederation, Congress had the power to charter a bank. Congress did have explicit power to emit bills of credit, and that right carried with it the implied power to make them a legal tender. Congress had no power to grant charters of incorporation, and therefore no right to create such institutions. This was finally admitted after full argument, as will be seen in a letter of Mr. Madison's; and yet the hard-money party wielded such influence that Congress exercised a power it did not have to the exclusion of one that was specifically conferred upon it. The granting of a charter for a bank was obtained under the pretense of assisting the States in their struggle for independence.

Mr. Madison's letter, dated January 8, 1782, addressed to Edmund Pendleton, is as follows:-

"Dear Sir: Yesterday was opened for the first time the bank instituted under the auspices of Congress. . . . It is pretty analogous in its principles to the Bank of England. . . .

"The competency of Congress to such an act had been called in question in the first instance; but the subject not lying in so near and distinct a view, the objection did not prevail. On the last occasion, the general opinion, though

with some exceptions, was, that the Confederation gave no such power, and that the exercise of it would not bear forensic disquisition, and consequently would not avail the institution.

"The bank, however, supposing that such a sanction from Congress would at least give it a dignity and pre-eminence in the public opinion, urged the engagement of Congress; that on this engagement the subscription had been made, and that a disappointment would leave the subscribers free to withdraw their names.

"These considerations were re-enforced by the superintendent of finance, who relied on this institution as a great auxiliary to his department; and, in particular, expected aid from it in a payment he is exerting himself to make to the army. . . .

"You will conceive the dilemma in which these circumstances placed the members who felt on one side the importance of the institution, and on the other a want of power, and an aversion to assume it.

"Something like a middle way finally produced an acquiescing, rather than an affirmative, vote. A charter of incorporation was granted, with a recommendation to the States to give it all the necessary validity within their respective jurisdictions. As this is a tacit admission of a defect of power, I hope it will be an antidote to the poisonous tendency of precedents of usurpations."—"*Madison's Papers*," *Vol. 1, page 104.*

The necessities of the army in the field was the pressure brought to bear upon Congressmen by the conspirators to carry out their nefarious plans.

The bank organized in 1781 was known as "The Bank of North America." Its capital stock was at first $400,000, and was afterward increased to $2,000,000. Congress sub-

scribed for part of the stock, and the balance was taken by individuals. The bank was authorized to issue notes, and these notes were made a legal tender for all debts due the Government. This made the bank-notes mediums of payment in the settlement of all debts due the Government, and virtually made them obligations of the Government, which were redeemed as often as they were accepted by the Government in payment of dues, taxes, and debts of whatsoever nature. This one characteristic bestowed upon the bank-notes was the one thing that the hard-money faction would never permit to be given the Continental currency.

The effect of making the bank-notes a legal tender in the payment of the debts due the Government was to give them such general circulation that very few were presented to the bank for payment in coin. In fact they were preferred to coin, as paper money always has and always will be when it is made legal tender, and can be used in making payments.

Another effect was that the coin, which had been estimated to be only some $5,000,000, now came from its hiding place, and soon increased to $10,000,000. The policy of the hard-money faction had been to keep their coin out of circulation, knowing that they intended to destroy or repudiate the Continental currency, and now, that having been accomplished, and the banking scheme being in operation, they readily exchanged their coin for bank-notes, and in addition deposited large amounts in the bank. The bank-notes were preferable for use in all local transactions, and the coin was not used except for small change.

The war was fought to a successful termination in 1783, and the financiers reaped the benefit of the double battle,—the physical one against English soldiers, and the financial one against paper issues.

VI

Four Years' Struggle to Secure the Payment of the Debt

After the termination of the war, and the independence of the country was assured, Congress, under date of April 18, 1783, issued an address to the States urging upon them the necessity of making provision to pay the debts contracted, and calling attention to the want of power in the Articles of Confederation to accomplish this purpose. The following table, from "History of the Currency," page 17, show the amounts and kinds of money issued: —

CONTINENTAL CURRENCY.

Year.	Old Emissions.		Total.
1775	$6,000,000	Issued before Declaration of Independence	$11,000,000
1776	5,000,000		
1776	5,000,000		5,000,000
1777	13,000,000		13,000,000
1778	23,500,000		23,500,000
	$52,500,000	Issued before the Articles of Confederation were signed.	
		New Emissions.	
1778	$ 40,000,000		$ 40,000,000
1779	140,052,280		140,052,280
1780	82,908,320	$ 891,236	83,799,556
1781	11,408,095	1,179,249	12,587,344
	$326,868,695	$2,070,485	$328,939,180

PAPER MONEY ISSUED BY THE STATES DURING THE WAR.

Massachusetts	$ 3,868,000
Rhode Island	714,000
Connecticut	1,516,500
New York	1,161,250
New Jersey	1,618,000
Pennsylvania	4,324,000
Delaware	146,500
Maryland	950,000
Virginia	128,441,000
North Carolina	33,225,000
South Carolina	33,458,926
	$209,524,776

It will be noticed as significant of the influence the hard-money faction attempted to exercise over Congress, that on February 3, 1781, it endeavored to force the passage of the following resolution: —

"That it be recommended to the several States as indispensably necessary that they vest a power in Congress to levy, for the use of the United States, a duty of five per cent advalorem, at the time and place of importation, upon all goods, wares, and merchandise, of foreign growth and manufacture, which may be imported into any of the said States from any foreign port, island, or plantation, after the 1st day of May, 1781, except . . .

"Also a like duty of five per cent on all prizes and prize goods, condemned in the courts of the admiralty of any of those States as lawful prizes. That the moneys arising from said duties be appropriated to the discharge of the principal and interest of the debts already contracted, or which may be contracted, on the faith of the United States for supporting the present war. That the said duties be continued until the said debts shall be fully and finally discharged."—*"Elliott's Debates," Vol. 1, page 93.*

It appears that just so soon as the Continental currency had virtually been repudiated, and money to prosecute the war must be had from some source, the hard-money faction decided that it would supply the necessary amount, if the States would empower Congress to collect import dues, and pledge these dues to the payment of the loans.

It is evident that the tactics of the hard-money faction in Congress had premeditatedly made a condition of affairs where the patriots in that body were forced to grant them their unconstitutional bank. They knew that the success of the bank and the making of their fortunes depended on the success of the Revolution and in getting control of the import dues, even before the close of the war. This is evidenced by the following: —

The State of Rhode Island on November 30, 1782, appears to have entered a solemn written protest against such an extension of the powers of Congress as is embodied in the resolutions of February 3, 1781, and on December 16, 1782, Congress issued a reply to the protest.

Among many other reasons advanced by Congress against the position taken by Rhode Island and other States is the following: "The measure proposed is a measure of necessity. Repeated experiments have shown that the revenue to be raised within these States is altogether inadequate to the public wants. The deficiency can only be supplied by loans. Our applications to foreign powers, on whose friendship we depended, have had a success far short of our necessities. The next resource is to *borrow from individuals. These will neither be actuated by generosity nor reasons of State. It is to their interest alone we must appeal. To conciliate these, we must not only stipulate a proper compensation for what they lend, but we must give*

security for the performance. We must pledge an ascertained fund, simple and productive in its nature, general in its principle, and at the disposal of a single will. There can be little confidence in a security under the constant revisal of thirteen different deliberations. It must, once for all, be defined and established on the faith of the States solemnly pledged to each other, and not revocable by any without a breach of the general compact."—*"Elliott's Debates," Vol. 1, page 102.*

This must have surprised a patriotic people that had accepted the millions of Continental currency to fight English tyranny, and had cheerfully made a gift of it to the nation, and who had accepted $209,000,000 of State issues in payment for effort made in the same cause with but little hope of its ever being paid, and who were yet willing to accept more if they were issued in such a manner that they could have paid debts with them.

The reply of Congress to the objections of Rhode Island adds further: "The United States have already contracted a debt in Europe and in the country, for which their faith is pledged. The capital of this debt can only be discharged by degrees; but a fund for this purpose, and for paying the interest annually, on every principle of policy and justice, ought to be provided. The omission will be the deepest ingratitude and cruelty to a large number of meritorious individuals, who, in the most critical periods of the war, have adventured their fortunes in supporting our independence. It would stamp the national character with indelible disgrace."—*"Elliott's Debates," Vol. 1, page 104.*

It was no reflection upon the Government to repudiate the Continental currency, but it would be an indelible disgrace not to pay the millions the bankers had loaned it.

That same idea dominates this country to-day, and has controlled its action through all its financial legislation.

Congress closes its reply as follows: —

"After the most full and solemn deliberation, under a collective view of the public difficulties, they recommend a measure which appears to them the *corner stone* of the public safety; they see the measure suspended for nearly two years; partially complied with by some of the States; rejected by one of them, and in danger, on that account, to be frustrated; the public embarrassments every day increasing; the dissatisfaction of the army growing more serious; the other creditors of the public clamoring for justice; both irritated by the delay of measures for their present relief or future security; the hopes of our enemies encouraged to protract the war; the zeal of our friends depressed by an appearance of remissness and want of exertion on our part; Congress harrassed; the national character suffering, and the national safety at the mercy of events."—*Id., page 106.*

Congress was not successful in getting the States to give it the extension of the powers for the purposes so pathetically set forth. But it was not discouraged, and on April 18, 1783, it addressed itself to the matter again in somewhat better shape. On this day it passed the following resolution: —

"*Resolved,* By nine States, that it be recommended to the several States, as indispensably necessary to the restoration of public credit, and to the punctual and honorable discharge of the public debt, to invest the United States in Congress assembled with a power to levy, for the use of the United States, the following duties upon goods imported into the said States from any port, island, or plantation. . . .

"Provided, that none of the said duties shall be applied to any other purpose than the discharge of the interest or

principal of the debts contracted, on the faith of the United States for supporting the war, agreeably to the resolution of the 16th day of December last, nor to be continued for a longer term than twenty-five years."—"*Elliott's Debates,*" *Vol. 1, page 93.*

"That it be further recommended to the several States to establish for a term limited to twenty-five years, and to appropriate to the discharge of the interest and principal of the debts contracted on the faith of the United States for supporting the war, substantial and effectual revenues . . . for supplying their respective proportions of one million five hundred thousand dollars, annually, exclusive of the aforementioned duties."—*Id., page 95.*

In support of their action, and to influence a grant of the power to Congress, an address was made to the States on April 26, 1783, to accompany the act of April 18, 1783.

The language used in the act was general, and in the fear that it might be thought that all the debts heretofore set out were included, and their payment be insisted upon, this address was particular to set forth what part of the debt was intended.

It will be seen that only so much of the debt hereafter set forth, under the head of "Debt Proper," as was in existence at that date, was intended to be provided for. The portion of said report that it is deemed necessary for the purpose in view is as follows:—

"The prospect which has for some time existed, and which is now happily realized, of a successful termination of the war, . . . has made it the duty of Congress to review and provide for the debts which the war has left upon the United States, and to look forward to the means of obviating dangers which may interrupt the harmony and tranquillity of the Confederacy.

"The first measure recommended is, effectual provision for the debt of the United States. The amount of these debts, so far as they can now be ascertained, is $42,000,375. To discharge the principal of this aggregate debt at once, or in any short period, is evidently not within the compass of our resources. . . . The amount of the annual interest is computed to be $2,415,956. Funds, therefore, which will certainly and punctually produce this annual sum, at least, must be provided. In devising these funds, Congress did not overlook the mode of supplying the common treasury, provided by the Articles of Confederation, but, after the most respectful consideration of that mode, they were constrained to regard it as inadequate and inapplicable to the form into which the public debt must be thrown. . . . Some departure, therefore, in the recommendation of Congress, from the Federal Constitution, was unavoidable; but it will be found to be as small as could be reconciled with the object in view, and to be supported besides by solid considerations of interest and sound policy."—*"Elliott's Debates," Vol. 1, page 96.*

These are the views now held by the faction which had so framed the Continental Congress and the Articles of Confederation that the bills of credit emitted either had to be taken up by a direct tax or repudiated.

It appears strange at this day, that when the five-per-cent certificates to fund the Continental currency were issued, the deficiency of the Articles of Confederation was not apparent. It is stranger still that the issue of Continental currency under the defective Articles was continued until so many were issued that they became entirely worthless, and it became necessary to charter a bank. And it is astonishing, that after a domestic debt of $28,858,180.65 was

created through the agency of this bank by the loan of gold and silver to the Government, when there was not ten millions of the metals in the country, they should all at once have such clear ideas as to how they could secure the payment of the principal and the interest.

The policy proposed to the States by Congress was to devote the tax on imports to the payment of the interest on the debt for twenty-five years; and "to render the fund as productive as possible, and at the same time to narrow the room for collusions and frauds, it has been adjudged an improvement of the plan, to recommend a liberal duty on such articles as are most susceptible of a tax according to their quantity, and are of most general consumption, leaving all other articles, as heretofore proposed, to be taxed according to their value. The amount of the fund is computed to be $915,956. The residue of the computed interest is $1,500,000, and is referred to the States to be provided for by such funds as they may judge most convenient. The necessity of making the two foregoing provisions one and indivisible act, is apparent."—"*Elliott's Debates*," *Vol. 1, page 97.*

After explaining more in detail the workings of the plan, and stating the reasons for insisting upon the provisions being made indivisible and irrevocable, the address recommends a constitutional change of the rule by which a partition of the common burdens is to be made among the States.

It states: "The plan thus communicated and explained by Congress must now receive its fate from their constituents. All the objects comprised in it are conceived to be of great importance to the happiness of this Confederated Republic — are necessary to render the fruits of the Revolution a full reward for the blood, the toils, the cares, and

the calamities which have purchased it. But the object, of which the necessity will be particularly felt, and which is peculiarly the duty of Congress to inculcate, is the provision recommended for the national debt. Although this debt is greater than could have been wished, it is still less, on the whole, than could have been expected; and when referred to the cause in which it has been incurred, . . . ought to be borne not only with cheerfulness, but with pride.

"But the magnitude of the debt makes no part of the question. It is sufficient if the debt has been fairly contracted, and that justice and good faith demand that it should be fully discharged. Congress had an option between different modes of discharging it. The same option is the only one that can exist with the States. The mode which has, after long and elaborate discussion, been preferred, is, we are persuaded, the least objectionable of any that would have been equal to the purpose. Under this persuasion, we call upon the justice and plighted faith of the several States to give it its proper effect, to reflect on the consequences of rejecting it, and to remember that Congress will not be answerable for them."—*"Elliott's Debates," Vol. 1, page 99.*

When it is recalled that this same Congress had repudiated all the currency issued to fight the war of independence, in order that the banking scheme might be forced upon the country, the special pleading in the address reads like the essence of human gall and insolence, and especially the clause which reads, "It is sufficient if the debt has been fairly contracted, and that justice and good faith demand that it should be fully discharged."

As if answering the suspicion in their own minds that the people would see through the thin veneer of fair dealing they were attempting to throw about the financial legis-

lation of the Revolution, they group the honest foreign debt and the debt due the soldiers with the debt due them which had been contracted through the agency of the bank.

"If other motives than that of justice," the report states, "could be requisite on this occasion, no nation could ever feel stronger; for to whom are the debts to be paid? To *an ally,* in the first place, who, to the exertion of his arms in support of our cause, has added the succors of his treasury; who, to his important loans, has added liberal donations. . . . *To individuals in a foreign country*, in the next place, who were the first to give so precious a token of their confidence in our justice, and of their friendship for our cause. . . . Another class of creditors is *that illustrious and patriotic band of fellow citizens* whose blood and whose bravery have defended the liberties of their country. . . .

"The remaining class of creditors is composed partly of such of our fellow citizens as originally lent to the public the use of their funds, or *have since manifested most confidence in their country by receiving transfers from the lenders;* and partly of those whose property has been either advanced or assumed for the public service. To discriminate the merits of these several descriptions of creditors would be a task equally unnecessary and invidious. If the voice of humanity pleads more loudly in favor of some than of others, the voice of policy, no less than of justice, pleads in favor of all. A wise nation will never permit those who relieve the wants of their country, or who rely most on its faith, its firmness, and its resources, when either of them is distrusted, to suffer by the event."—*"Elliott's Debates," Vol. 1, pages 99, 100.*

The address closes with the following homily upon governmental morals: "If justice, good faith, honor, gratitude, and all the other qualities which ennoble the character of a

nation, and fulfills the ends of Government, be the fruits of our establishments, the cause of liberty will acquire a dignity and luster which it has never yet enjoyed, and an example will be set which can not but have the most favorable influence on the rights of mankind. If, on the other side, our Governments should be unfortunately blotted with the reverse of these cardinal and essential virtues, the great cause for which we have engaged to vindicate will be dishonored and betrayed, the last and fairest experience in favor of the rights of human nature will be turned against them, and their patrons and friends exposed to be insulted and silenced by the votaries of tyranny and usurpation."— *Id., page 100.*

All this will happen if their domestic debt of twenty-eight millions is not secured and eventually paid; for the payment of that sum was the only thing they were really interested in, and to secure the payment of the same the address was framed as it was.

Notwithstanding these dire predictions, it appears that the people were not moved to take the action necessary to authorize the hard-money faction in Congress to secure the payment of their debt and interest, and on January 21, 1786, the General Assembly of Virginia passed the following resolution: —

"That ——— ——— ——— be appointed commissioners, who, or any five of them, shall meet such commissioners as may be appointed by the other States in the Union, at a time and place agreed on, to take into consideration the trade of the United States; to examine the relative situation and trade of said States, to consider how far a uniform system in their commercial regulations may be necessary to their common interest and their permanent harmony, and to

report to the several States such an act relative to this great object as, when unanimously ratified by them, will enable the United States in Congress assembled, effectually to provide for the same."—"*Elliott's Debates*," *Vol. 1, page 116.*

"In response to this call, delegates from seven of the States met at Annapolis, Md., on September 11, 1786, and adjourned September 14, because they did not conceive it advisable to proceed on the business of their mission under the circumstances of so partial and defective a representation."—*Id., page 117.*

The report then makes the acknowledgment upon the part of all the commissioners of the defects in the Articles of Confederation, and the importance of calling a convention to cure these defects, and grant the Government enlarged powers in accordance with the suggestions that have heretofore been the subject of public discussion.—*Id., page 119.*

They therefore recommended that the States appoint commissioners to meet in Philadelphia on the second Monday in May, 1787, "to take into consideration the situation of the United States, to devise such further provisions as shall appear to them necessary to render the Constitution of the Federal Government adequate to the exigencies of the Union."

The commissioners sent a copy of the report to Congress, and on February 21, 1787, that body had under consideration the following:—

"*Resolved*, That Congress, having had under consideration the letter of John Dickerson, Esq., chairman of the commissioners who assembled at Annapolis during the last year; also the proceedings of said commissioners; and entirely coinciding with them as to the insufficiency of the

Federal Government, and the necessity of devising such further provisions as shall render the same adequate to the exigencies of the Union, do strongly recommend to the different Legislatures to send forward delegates, to meet the proposed condition, on the second Monday in May next, at the city of Philadelphia."—*Id., pages 119, 120.*

VII

Constitutional Convention

THIS time they were successful, and the Convention which met at Philadelphia on the second Monday of May, 1787, framed the Constitution of the United States of America.

After the strenuous efforts of the hard-money faction for the past four years to make provision for the payment of the debts contracted during the war, a large part of which they owned, it may be expected that they would secure strong representation in the Convention.

The people under the separate Governments, as free and independent States, obligated to act in unison by the Articles of the Confederation, remembering the loss that they had sustained in the conduct of the war, were not concerned about the immediate payment of the balance of the obligations incurred, especially the domestic debt. They had, therefore, paid no attention to the appeals of the hard-money faction to convene and make provision for the payment of their debts, but had taken a breathing spell in order that they might deliberate and experience the workings of their practical existence as a free people, before they would take final action for all the future. In fact the demands of the moneyed class, who had so managed the issuance of the Continental currency that they forced the unconstitutional grant of a charter for a bank from Congress as the price of their assistance, and through the agency of which they had been enabled to convert their coin and credit into the obli-

gations of the Government, was calculated to defer the time of final action.

But four years after the war the people were willing that effort should be made to establish a more perfect union of the States, and frame a form of government that would secure to them forever the benefits and advantages they had fought for and were entitled to.

The subsequent history of the country bears evidence that they succeeded in securing and providing for everything that would contribute to their future welfare, except in the instances that the hard-money faction cheated them out of and secured to themselves.

The war for freedom from English tyranny was over. The fight for freedom from the greed of the hard-money faction, which had its home and highest expression in Massachusetts and her system of finance, was on.

One of the chief contentions in the Convention was upon the proposition that they should guarantee the payment of the repudiated obligations of the States and Congress which were held by the speculators. This was resisted.

Mr. King, of Massachusetts, speaking in favor of the guarantee, said he thought that the matter was of more consequence than the objectors seemed to do. "Besides," he said, "the considerations of justice and policy which had been mentioned, it might be remarked, the State creditors, an active and formidable party, would otherwise be opposed to a plan which transferred to the Union the best resources of the States without transferring the State debts at the same time. The State debts were probably of greater amount than the Federal."—*"Madison Papers," Vol. 3, page 1357.*

Mr. Gerry, of Massachusetts, also advocating the proposition, "enlarged upon the merits of this class of citizens

and the solemn faith which had been pledged under the existing Confederation." "If this should be changed," he said, "as here proposed, great opposition would be excited against the plan."—"*Madison Papers*," *Vol. 3, page 1378.*

Mr. Butler, of South Carolina, answering, said, "It would compel payment to blood-suckers who have speculated on the distress of others, as well as to those who had fought and bled for their country. He wanted to discriminate between the two classes" (*Id., page 1412*), and therefore he opposed the guarantee of payment.

Mr. Mason, of Virginia, said "there was a great distinction between the original creditors and those who purchased fraudulently of the ignorant and distressed. . . . He was sensible of the difficulty of drawing the line in the case, but he did not wish to preclude the attempt" (*Id., page 1424*), and therefore he opposed the guarantee.

Mr. Gerry, of Massachusetts, replied "that the frauds on the soldiers ought to have been foreseen. . . . These poor, ignorant people could not but part with their securities. . . . As to stock jobbers, he saw no reason for the censures thrown on them. . . . They keep up the value of the paper."—*Id., page 1425.*

The result was that they guaranteed the part payment of both the repudiated debts of Congress and of the States, to the speculators and stock jobbers.

The second contention was over the clause giving Congress the right and power to emit bills of credit. This power had been given Congress under the Articles of Confederation, but was not allowed to be exercised by the money power to the extent of making them legal tender, because they wanted to make a condition of affairs that would force Congress to charter a bank.

It was not to the interest of the hard-money faction ever

to recognize this right, or accede the power to the Government to issue a full legal-tender paper money direct to the people. They therefore condemned the theory of paper issues by Congress, and cited the experience of the Continental Congress, in their resistance to the grant of such power by either the States or the General Government.

The warfare against paper money is no modern fight, as will appear from the citations from speeches made in the Constitutional Convention upon the motion of Gouverneur Morris, of Pennsylvania, to strike out of the report of the "Committee on Detail," the clause granting Congress the right and power to emit bills on the credit of the United States.

Mr. Madison asked "if it would not be sufficient to prohibit the making them a tender?" "This will remove," he said, "the temptation to emit them with unjust views; and promissory notes in that shape may, in some emergencies, be best."—"*Madison Papers*," *Vol. 3, page 1344.*

Mr. Gouverneur Morris said, "Striking out the words will leave room still for notes of a responsible minister, which will do all the good without the mischief. . . . *The monied interest will oppose the plan of Government, if paper emissions be not prohibited.*"—*Id., page 1344.*

Mr. Ellsworth, of Connecticut, "thought this a favorable moment to shut and bar the door against paper money. The mischief of the various experiments which had been made, were now fresh in the public mind, and had excited the disgust of all the respectable part of America. By withholding the power from the new Government, more friends of influence would be gained to it than by *almost anything else.* Paper money can in no case be necessary. Give the Government credit, and other resources will offer. The power may do harm, never good."

Mr. Wilson, of Pennsylvania: "It will have a most salutary influence on the credit of the United States to remove the possibility of paper money. This expedient can never succeed whilst its mischiefs are remembered. And as long as it can be resorted to, it will be a bar to other resources."

Mr. Read, of Delaware, "thought the words, if not stricken out, would be as alarming as the mark of the beast in Revelation."

Mr. Langdon, of New Hampshire, "had rather reject the whole plan than retain the three words, 'and emit bills.'"

Mr. Randolph, "notwithstanding his antipathy to paper money, could not agree to strike out the words, as he could not foresee all the occasions that might arise."—"*Madison Papers,*" *Vol. 3, page 1345.*

Mr. Mercer, of Maryland, "was a friend to paper money, though in the present state and temper of America he should neither propose nor approve such a measure. He was consequently opposed to a prohibition of it altogether. It will stamp suspicion on the Government to deny it a discretion at this period. It was impolitic, also, to excite the opposition of all those who were friends of paper. The people of property would be sure to be on the side of the plan, and it was impolitic to *purchase their further attachment* with the loss of the opposite class of citizens."—*Id., page 1344.*

Mr. Luther Martin, of Maryland, said, "It would be improper to deprive Congress of that power; that it would be a novelty unprecedented to establish a Government which should not have such authority; that it was impossible to look forward into futurity so far as to decide that events might not happen that should render the exercise of such a power absolutely necessary; and that he doubted whether, if a war should take place, it would be possible for this

country to defend herself, without having recourse to paper credit; in which case there would be a necessity of becoming a prey to our enemies, or violating the Constitution of our Government."—"*Secret Proceedings and Debates of the Convention of 1787,*" *page 55.*

The hard-money patriots were successful, the clause was stricken out, and the power to emit bills of credit was withheld from Congress. The States were also prohibited from issuing them, and they succeeded in making the idea of paper issues by the Government the worst of heresies, even to this day, although the war of 1812, the Mexican war, and the war of 1861, necessitating their issue, demonstrated the truth of Luther Martin's prophecy, commended Randolph's caution in his inability to foresee that it would be necessary, and disproved the utterances of Morris and the others.

They were also successful in securing the guarantee that the new Government would pay in part to the speculators both the repudiated debt of Congress and the States; and that gold and silver should have the exclusive monopoly of furnishing all the circulating currency of this country.

The Massachusetts theory of finance prevailed; and when it was decided that no State should make anything but gold and silver a legal tender, the absolute control of the money system of the entire country was turned over to the owners of gold and silver.

All that was now needed to perfect their plans to command entire control of the resources of the country, through legislation, was the aid of banks having the power to issue notes. To enable them to do this, they must secure to Congress the power to grant charters of incorporation. Therefore, Mr. Madison, who seems to have been the friend, or dupe in some instances, of the moneyed class, presented, among the powers he wished granted to Congress, one to

grant charters of incorporation in cases when the public good may require them, and the authority of a single State may be incompetent.

The committee left out said power in their report; and when the report was under discussion, a motion was made to add the power "to provide for cutting canals when deemed necessary."

Mr. Madison again endeavored to secure to Congress the power to grant charters of incorporation, by suggesting an enlargement of the motion into a power "to grant charters of incorporation where the interest of the United States might require, and the legislative provisions of individual States may be incompetent."—*"Madison Papers," Vol. 3, page 1576.*

Even Mr. King, of Massachusetts, at that time was satisfied with what had been secured, and the experience with banks during the Revolution, for in his speech he said:—

"The States will be prejudiced, and divided into parties. In Philadelphia and New York it will be referred to the *establishment of a bank*, which has been a subject of contention in those cities. In other cities it will be referred to the mercantile monopolies."—*Id., page 1577.*

"Col. Mason was for limiting the power to canals. He was afraid of monopolies of every sort."—*Id., page 1577.*

Mr. Madison's amendment, as restricted by Mr. Mason, was defeated by a vote of eight States to three, so great was the dread of the baneful effects and influence of corporations upon the future development of the Government.

The Constitution, giving gold and silver the sole right and privilege to circulate as money or pay debts, and withholding from Congress the right or power to grant charters of incorporation or to emit bills of credit, was approved by the people, and became the supreme law of the land.

This legal-tender monopoly given to gold and silver was further strengthened by prohibiting the States from emitting bills of credit, and by requiring a vote of three fourths of all the States to alter or amend the Constitution.

The hard-money party, looking only to the immediate future, realized that the collection of their debts, when gold and silver were the only circulating currency, would operate to transfer the greater part of the property of the country into their hands. With not more than ten millions of specie in the country, and with a large war debt to be paid, in addition to the private debts of three millions of people, and the demand for money to carry on business, a Constitution limiting the circulating currency to gold and silver was adopted.

It was essentially incumbent upon the new Government at that time, after the national and State issues were made worthless, to furnish the money necessary to enable the people to recuperate from the debt and ravages of the long war, in order that by thrift, enterprise, and economy they might be enabled to save from their creditors the little they had left. On the contrary, however, they were restricted by the terms of the Constitution to $3.33 1/3 or less per capita, until more gold and silver came from Europe, or was brought from the mines.

Such governmental indifference to the prosperity and welfare of the people, and such tender consideration for the moneyed, or creditor, class, tended in a great degree to bring disaster and deprivation upon the country.

VIII

Statement of the Debt, and Provision for Its Payment

By the adoption of the Constitution, June 2, 1788, the United States of America was launched upon its career as one of the nations of the world. It went into operation as a Government with the inauguration of George Washington as president, April 30, 1789.

The following statement, from "History of the Currency of the Country," page 20, shows the indebtedness proper of the United States at the organization of the present form of Government, including arrearages of interest to January 1, 1790: —

Loan from Farmer's General of France, balance	$ 153,688.89
French loan of 18,000,000 livres	3,267,000.00
Loan from Spain in 1781	174,017.13
French loan of 10,000,000 livres	1,815,000.00
Holland loan of 1782	2,000,000.00
French loan of 6,000,000 livres	1,080,000.00
Holland loan of 1784	800,000.00
Holland loan of 1787	400,000.00
Holland loan of 1788	400,000.00
Total principal of foreign debt	$10,000,000.00
Balance due France for military supplies	24,332.86
Arrearages of interest to January 1, 1790	1,760,270.08
Debt due foreign officers in Revolutionary war	186,988.97
Arrearages of interest to January 1, 1790	11,219.32
Total foreign debt and interest	$12,081,524.06

Principal of the domestic debt (estimated)	$28,858,180.65
Arrearages of interest to January 1, 1790 (estimated)	11,398,621.80
Total domestic debt and interest (estimated)	$40,256,802.45
Add arrearages and claims outstanding against the late Government, since paid	450,395.52
Making the total debt, January 1, 1790	$52,788,722.03

The Treasury Department was created by act of Congress, September 2, 1789, and on the eleventh of the month Alexander Hamilton was appointed secretary. There was no money in the treasury, and the secretary was forced to borrow on his own responsibility until such time as the revenue from duties on imports and tonnage began to come in.

In obedience to a resolution of the House of Representatives, passed September 21, 1789, Secretary Hamilton, on January 9, 1790, made a report of the debts of the old Government, and those of the several States, and submitted a plan for supporting the public credit.

His recommendations were adopted and embodied in the Act of August 4, 1790. This act, after setting aside six hundred thousand dollars to defray the expenses of the Government, appropriates in —

Section 1. All revenue in excess of this amount to the payment of the interest and principal of the foreign debt that is now or may hereafter be contracted.

Section 2 authorizes the president to borrow a sum not exceeding twelve million dollars to be used in paying the arrears, instalments, and principal of the foreign debt.

Section 3. That a loan to the full amount of the domestic debt be made; that books be opened for subscriptions to said loans, and that said subscriptions should be payable in certificates heretofore issued by authority of Congress,

according to their specie value, and interest to be computed on all those bearing interest to December 31, 1790.

And the bills of credit issued by the authority of the United States in Congress assembled, at the rate of one hundred dollars in the said bills, for one dollar in specie.

Section 4 provides that certificates shall be issued to the subscribers to the loan as follows: Two thirds in six-per-cents, and one third in deferred six-per-cent certificates.

Section 5 provides that to those subscribers to the loan who paid in the interest of the loan of the domestic debt computed to December 31, 1790, three-per-cent certificates are to be issued.

Sections 13, 14, and 15 provide for a loan of twenty-one million and five hundred thousand dollars to pay the debts of the respective States, and that subscriptions to said loan are payable in the principal and interest of the certificates, or notes issued by the respective States prior to January 1, 1790, in the prosecution of the war and in defense of the United States, as follows: four ninths in six-per-cents, two ninths in deferred six-per-cents, and one third in three-per-cents.

The number of six-per-cent and three-per-cent certificates issued will show the amount paid by the new Government in assuming the domestic debt of the Continental Congress, the debts of the States, and the debts of the Confederation — principally owned by the bank and the speculators.

The amount of six-per-cents issued was	$30,688,307.75
The amount of deferred six-per-cents issued was	14,040,328.76
The amount of three-per-cents issued was	19,719,237.39
Total amount issued	$64,456,963.90
The amount issued to pay debt of the States	18,271,786.47
The amount issued to pay the Domestic debt of Congress	$46,185,177.43

Inasmuch as Congress borrowed large sums of foreign nations, the payment of which was completed by the issuance of $12,000,000 in bonds for that purpose, and the Continental Congress issued bills of credit to the amount of $359,547,027.35 (according to the highest estimate, that of the register of the treasury of 1790), which, at 100 for 1, were redeemable by the issue of $3,595,470.27 of the six-per-cents and three-per-cents, no large amount of six-per-cent and three-per-cent certificates would be issued to redeem at specie value the other evidences of debt enumerated under Section 3, that was not the property of the bank, and yet there is $64,456,963.90 of six-per-cents and three-per-cents to be accounted for.

It is evident that this sum, less the amount of six-per-cents and three-per-cents that were issued to redeem the other evidences of debt enumerated in Section 3, owned by the officers, soldiers, and contractors, represents the profits of the hard-money faction — the bloodsuckers, as they were denominated by Mr. Butler, of South Carolina. It is also evident, inasmuch as gold and silver had since 1781 been the only circulating currency, or legal tender, that their owners had through the necessity and demand for their use, and through the agency of the bank, acquired at their own price the greater portion of the $64,456,963.90 of six-per-cent and three-per-cent certificates issued to pay the debts of the Continental Congress, the States, and the Confederation.

The payment of this sum is further secured in Sections 20, 21, and 22 by appropriating all the money that may arise under the revenue laws that have been or may be passed in the session to the purposes set out in said act, and pledging that all such money shall be reserved and inviolably pledged for this purpose, and shall not be diverted until

the principal and interest are both paid; and also pledged all the proceeds of the sale of the lands in the western territory now belonging, or that may hereafter belong, to the United States.

The determination of the hard-money faction to remain on the specie basis which Massachusetts had found so advantageous, and the fight against the Continental currency which had so seriously impeded the progress of the Revolution, bore down all opposition.

In desperation and total disregard of all consequences it precipitated such a state of affairs during the war that the people were forced to lose all the circulating currency that had been issued, and accept in lieu thereof the banking scheme of 1781, which Mr. Madison writes was forced upon Congress.

It has heretofore been shown how tireless and indefatigable the financiers were after the war in their endeavors to secure the payment by a new Government of the debts contracted during and subsequent to the war, solely because they were the owners and holders of most of the evidence of this debt. They were not satisfied with securing the payment of the sums loaned by them from 1781 to the passage of the act, but made provision to collect $21,500,000 for the surrender of the worthless State issues, and $3,595,470.27 for the surrender of the worthless Continental issues.

IX

The First Bank of the United States

THE effort of the hard-money faction was so successful that it was overreaching in its effects, and forced the execution, on the part of the Government, of the very policies that had been inhibited, and withheld from Congress, in forming the Constitution.

The specie basis which had been irrevocably secured, as was supposed, by the inhibition to the States to emit bills of credit, or to make anything a legal tender except gold and silver, and by withholding from Congress the right or power to emit bills on the credit of the Government, or to grant charters of incorporation, was soon found to be insufficient to supply the money necessary to preserve the life of the nation, to say nothing of the welfare and prosperity of the people.

In this dire contingency, and under the acknowledged stress of an insufficient number of mediums of payment, the Government was forced to take some action to furnish the currency so essentially needed.

Recalling the efficiency and the value in use of the credits of the Bank of Venice and the notes of the colonists, it is evident that if the Constitution had been so framed that gold and silver had only been given the sole right to purchase the paper legal tenders of the Government, the domestic debt could have been paid by the issue of $65,000,000 in legal-tender notes and the foreign debt by the issue of $12,000,000 in bonds. The two desirable and essential requisites

— the payment of the debts and the issue of a full supply of legal-tender currency — would have been accomplished.

The fact that the treasury notes would have been legal tenders in the payment of all debts public and private throughout the United States, would have insured their par value until they were deprived of this quality, without any provision for their redemption; and if it had been provided, in the event the Government should ever see proper to deprive them of this quality, that they should be redeemed in six-per-cent bonds, this would have protected them from depreciating in value from fear of any such action. Such financial legislation would have been in the interest of the people, as well as in the interest of the creditors and wealthy class.

The creditors and the bankers would not have been enabled to so manage and manipulate the Government that they could live off the six-per-cent and three-per-cent issues, as non-producers and drones, a scourge upon the body politic, haunting, influencing, and corrupting the halls of legislation throughout all the future.

Notwithstanding all this, the fact that the hard-money faction had overreached itself, and the issue of additional money, either by treasury notes or chartering a bank with the right to issue notes, was a necessity, that faction was so influential that it forced the Government to abandon the idea of issuing treasury notes, and to charter a bank known as the Bank of the United States. This, the "First Bank of the United States," was chartered by Congress February 25, 1791, notwithstanding the power to grant a charter of incorporation was withheld from Congress; and this bank was given the power to issue notes, notwithstanding the exercise of such a power was withheld from Congress in the refusal to give it power to emit bills on the credit of the Government.

What must be thought of a system of finance which so soon proved so defective that the Constitution had to be, in two of its most material inhibitions, set aside and overridden in the first five years of the existence of the Government? This unconstitutional act of Congress is excusable to some extent when the necessity for additional currency is considered.

If there had been no abuse by the Supreme Court of the power conferred upon it, the bank might have flourished, and relieved the distress by the issue of notes until the development of the gold and silver mines, and the importation of gold and silver, furnished a full supply of money. Congress could then have repealed the act granting the charter, or, if it had expired by limitation, refused to grant another charter, on the ground that it was unconstitutional, and thus have preserved the integrity of that instrument in that particular. Doubtless the members of that Congress recalled the action of the Continental Congress in passing a similar measure, and felt assured that when a full supply of gold and silver had removed the necessity for the further continuance of the unconstitutional institution, a subsequent Congress would do away with it; and, if Congress should prove derelict, the Supreme Court would decide, if the question came before it, that the grant of the charter was in excess of the powers of Congress.

The imperative necessity for additional currency was officially made known to Congress by the secretary of the treasury in April, 1791. He stated that the nation could not depend upon coin for its circulating currency — that ten millions of coin could not be collected in the country. It was then urged, as there was not enough for the business of the country, that it was the duty of Congress, since it was entrusted by the Constitution with the power "to make

money and to regulate the value thereof," to issue such paper money clothed with the name and authority of the United States as would supply the place of hard money which could not be obtained.

It seems strange, since it was so soon demonstrated that the avaricious and unscientific system of finance was totally unfitted to subserve the purpose for which it was intended, and Congress was called upon to take action under the general power "to make money and regulate the value thereof," that the qualities and characteristics of money were not more closely analyzed.

When it is recalled that money, or a medium of exchange, is a growth arising out of the necessity of expediting and making easy the exchange of products, and unless the system adopted subserves this purpose, that it is an imposition upon the people, it becomes evident that the specie basis of the United States, which was complained of by the secretary of the treasury, should have been abandoned, and not merely supplemented, as was done. This becomes more apparent when an analysis shows what elements of value there are in money, and how easy it is to be led into the adoption of a false system when avarice and greed are permitted to have any influence in formulating the plan.

Money, or a medium of exchange, has two separate and distinct elements of value; and it is essential to know this, and what they are, before the difference between one system of finance and another can be appreciated.

The first element of value in money is the value of the fiat of Government that forces every one to accept it in payment as a solvent of debt, at its labor expression of value; and the second element of value is the value of the commodity upon which the fiat of the Government is stamped. The value of the commodity out of which the legal-tender

money is made, varies, as does every other commodity, with the demand for and supply of that commodity; but the legal tender or labor value is one hundred cents for each dollar as long as it is a legal tender. The value of the commodity as long as it is a legal tender, is dormant, and held in subjection to the legal tender or labor value of one hundred cents.

It is axiomatic that this primary or labor element of value impressed upon the commodity by the stamp of the Government, making it legal tender, would be the same as to every substance which may be endowed with the exclusive privilege of being used as legal tender. Therefore, the only difference there could possibly be in the adoption of the one or the other substance to be used as money, would be the difference in the cost of the commodity, if the money is issued by the Government.

This first cost, the cost of the commodity, is always paid by the people, and is an unnecessary expense; but when, in addition, they are forced to pay the owner of the commodity the value of the one hundred cents that is stamped upon it by the Government fiat, and which value arises from the incessant use the people are compelled by the law of legal tender to make of it, the imposition becomes a financial and political crime.

When the Government issues legal-tender notes to the people at their labor expressions of value, it is at the minimum cost to them; for notwithstanding they give to the Government a full equivalent for every dollar they receive, they get it back when they part with it at the same expression of value at which they received it. When the Government issues gold coins, it is at the maximum of cost to the people.

In the case of gold, the Government receives the gold of

the individual, mints it into coin, and returns the coin, enhanced in value by the legal-tender quality given it, which forces the people to purchase them from the owner at their enhanced value. In the case of gold all the value of legal tender goes into the pockets of the owner of the metal, and no value whatever goes into the treasury for the benefit of the people; and when the owner of the gold parts with the coin, he has virtually sold his metal for the enhanced value given it by legal tender. The owner of the metal always refuses to part with it for even the enhanced value, but endeavors to retain it, and issues through the agency of banks three or more dollars of paper for every dollar of metal, and thus trebles the value of his metal, or the usufruct arising therefrom.

The one is a pure financial system, and its merit is based upon its ability to subserve in the highest degree the purpose for which it was intended; viz., the easy and frictionless exchange of products, and at the same time in great part defray the expenses of the Government, thereby saving the people from much of the burden of taxation, and from the distress of recurring periods of expansion and contraction. The other is an avaricious abuse of a pure and scientific system, in that it always fails to subserve the purpose for which it was intended; abandons the country and the people in every danger; produces periods of depression and loss by corrupt contraction, or going to other countries for greater profit; and finally and inevitably gathers to the owners of the metal the entire wealth of the country.

The history of the finances of the United States is a history of the subterfuges and corruption practised upon the people, to keep them from adopting the one system, and driving the other out of contemplation.

The specie basis adopted by the Constitution having so

soon proved worthless, it would very naturally be supposed that the issue of notes by the government at their labor expressions of value, would now be made, to give the people and the nation the relief that was so sorely needed; but the hard-money faction in Congress was too powerful for any such action to be taken.

The power to emit bills on the credit of the Government was withheld from Congress, and they did not intend to permit any violation of that instrument which would prove detrimental to their interests. They therefore induced Congress to issue the additional currency through the agency of a bank, with a capital of ten million dollars, and the right to issue thirty millions of notes, all of which were made legal tender for all debts of every description due the United States.

The Government was to have two millions of the stock, and individuals were to subscribe for the balance; and to insure the success of the institution, it was given a monopoly for twenty years.

Notwithstanding the notes were issued by the bank, and were redeemable on demand in gold and silver, they were virtually issued on the credit of the Government, because they were received by the Government in the payment of any and all debts due the Government. By reason of this provision, the bank was enabled to issue and keep afloat the thirty millions of notes authorized, for the notes were preferred to coin, not only at home, but in other countries. Under the law all the Government money was placed in the bank, where it remained subject to the warrants of the treasurer. The bank received the Government revenues and paid the Government debts.

In reality the bank was the treasury; and so far as finance was concerned, the bank was the Government — all

the coin of the country eventually found its way to the bank. The notes of the bank being receivable for twenty years for all debts due the Government, were received in all transactions, private as well as public, and there was little or no demand for coin in business. The notes circulated among the people, and the coin remained in the bank.

Under this scheme the hard-money faction, with their ten millions of specie deposited in the bank, were enabled, by the law making the notes of the bank a legal tender for public debts, to issue and keep afloat three dollars of paper for every dollar of specie they owned. The notes of the bank were then loaned to the people at such rates of interest as the bank saw fit to exact; for by the retirement into the bank of all the specie, there was no currency left to transact business, except the bank-notes, and there would be no additional currency for the next twenty years, if the Constitution and the obligation not to charter another bank should be respected.

It is evident that the scheme of the bank was nothing but a legalized process which authorized the hard-money faction to treble or quadruple their capital by coining their credit into money, so that they might receive three or four times the regular rate of interest upon their specie.

Through the instrumentality of banks of issue, the law of legal tender has the power to enable the hard-money owners to turn their credit into currency to be loaned the people, and though the notes may theoretically be redeemable in specie, every one knows that three dollars in paper can not be redeemed with one dollar in specie. This constituted in brief the theory of the banking system, and its success was dependent upon the legislation which made the bank-notes receivable for public debts; but if they are not given the legal-tender quality, the success of the bank

depends upon the fact that the people treat and use them as legal tenders, instead of presenting them for redemption.

The banks do not hesitate to issue notes, even when they are not legal tenders, and have no fear that they will be presented for redemption; for they are never issued until the Government has been influenced to retire so much of the currency that the distress is such the people are glad to get the notes to be used as mediums of payment in order that they may make a living.

The consciousness of the hard-money faction that the scarcity of currency, made by legislation, will force the people to use their bank-notes, and not present them for redemption, is the main theory upon which laws authorizing banking are passed; and a maximum issue is generally provided to keep the greed and avarice of individuals from destroying the scheme by overissue.

By forcing Congress to ignore the Constitution, and grant a charter to a bank, giving that bank the privilege to emit bills of credit, the hard-money faction secured to themselves the right to exploit the nation.

It is now essential that the Government should establish mints for the coinage of money; that the proportion of value between gold and silver should be decided; that the language of price and the language of payment, and the name and value of coins should be uniform; and in order that this might be done, a "money of account" must be selected and enacted into a law.

X

"Money of Account"

To demonstrate the necessity that existed for the establishment of a "money of account," attention need only be called to the fact that the population consisted of people speaking the English, German, French, Italian, Portuguese, and other European languages, and that in their business transactions and trades each used his own language and the "money of account" of his own country to price his products. To a great extent, trade between people of the same State and of different States was accompanied with the same difficulty as trades are now with Germany or France.

In order that an American may appreciate and understand the value that a German is placing on his wares when stated in the "money of account" of Germany, he has to go through the arithmetical calculation or process of reducing the German expressions of value to dollars, dimes, and cents. On the other hand, the German, to appreciate and understand the value that an American is asking for his wares when stated in American expressions of value, has to reduce them to German "money of account." Though the American may have no idea of the value a German is putting on his goods when they are priced in the German "money of account," and can not determine whether or not he is willing to give that price for them, he knows instantly when he has gone through the mathematical process of reducing the German expressions of value to their equivalent value in dollars, dimes, and cents.

It is not necessary that the actual, or metal, dollars,

dimes, and cents be seen by the American for him to know the value of the wares the German is proposing to sell. The mere stating the amount in the words of the "money of account" gives him all the idea of value that can be conveyed to his mind much more fully and clearly than if he was shown the money, or coins. For if shown the concrete money he would still have an uncertain idea of its value until he had classified and counted it and ascertained its value in dollars, dimes, and cents.

It is evident, then, that an American can have no correct idea of the value of American money until he has reduced the coins to their expressions of value in the "money of account." As soon, however, as he has classified and counted it, and knows the sum total of the actual or concrete dollars, dimes, and cents, he undergoes an unconscious mental calculation, and becomes intensely conscious of the value of the pieces of money.

A mental calculation similar to the one that assures him of the value of the pieces of money, when he has ascertained the sum total of the dollars, dimes, and cents, as it is expressed in the language of "money of account," assures him of the value the German is placing on his wares, as soon as he has reduced the German expressions of value to their equivalent value in dollars, dimes, and cents.

This idea of value conveyed to the mind of a person by the language of his country's "money of account" is an abstraction or a concept. It arises as a growth of the relation of the value of products to each other, crystallized into language; and that language is "the language of price, of books of account, of prices current: it is the mode of expression employed in all money securities, to denote the amount for which they are given; and, in fine, it is the very language of finance."

Therefore, when a Government undertakes to mint coins, it ascertains the quantity of metal that is the value of the concept that the name to be given the coin means, or conveys to that people. Originally, and until late years, there was no piece of metal in England known or called the pound; and yet Englishmen have no other idea of value than such as is conveyed by the word "pound," and every piece of money they have ever had only conveyed the idea of value determined from its relation to the idea of value conveyed by the use of the word "pound."

The English sovereign, when coined, was said to be of the value of one pound; and as the metal out of which the sovereign was made varied in value, so has the sovereign. This has been shown by its being below or above par, the par value being the idea of labor value conveyed by the word "pound."

"Money of account" is, therefore, that growth of the intelligence of a people which finally crystallizes their ideas of the relative values of products to each other, considering the labor that has been expended upon the products, into words that accurately express the value of the labor expended.

As Colwell, in his "Ways and Means of Payment," so well states, "To leave 'money of account' out, when the whole subject of currency, banking, and credit is involved, is like leaving arithmetic out of mathematics.

"It is for the want of attention to the real agency of 'money of account,' that such expressions as the power of money are often used, when only the power of credit is intended.

"When a merchant inquires the price of a hundred bags of coffee, learns the rate, and makes the purchase, giving his note for the amount, money has exercised neither power

nor influence in the transaction. It was the power of credit which made the purchase, and the power of the 'money of account' which enabled the parties to understand each other, make the transaction, and take the note for the amount of the purchase. The greatest power in the commercial world is commercial integrity, and the confidence of credit which it inspires. This is the power which moves nine tenths of the commodities found in the channels of trade and industry.

"Money, by which we intend coins of gold or silver, is neither a standard of value, a measure of value, nor a representative of value.

"The precious metals are commodities of value, and do not, of course, lose that quality, though they gain another by being coined."

By coinage and the law of legal tender, they become standards of payment.

"Every man may, by law, claim payment in coins; that is, for any commodity previously sold, for any debt due, every person may exact the expressed equivalent in the commodity of gold and silver assayed and coined at the mint in denominations agreeing with the 'money of account,'" because it is made a solvent of debt by the law of legal tender. "All debts are thus payable; and it is only because the parties agree to other modes of payment that all debts are not thus paid."

In some instances, however, it is due to the fact that the Government limits the legal tender of the money issued.

"The men of trade and industry, who receive money in large amounts only to pass it off in the same way, are more concerned to escape trouble, risk, and expense in the matter of payment, than anxious to employ only gold and silver which have passed through the mint.

"At the present time the precious metals are employed

only as the *standard of payment,* or legal tender; as the medium of the merest retail trade; as a reserve or security for their issues by banks of circulation; and as the medium of paying balances of trade both foreign and domestic — all these together do not make five per cent of the operations of industry and trade in this country, or in Great Britain. All the rest is accomplished by means of credit, and the many processes of the 'credit system.'

"It must be a great and mischievous fallacy, then, to regard gold and silver coins as a sort of model medium of exchange, to the characteristics and incidents of which all other modes of interchange must be made to correspond. This is nothing less than an attempt to fasten upon industry and commerce the very shackles and inconveniences which they have long been struggling to cast away.

"There are many ways of making payments without using coins, each of which may stand for what it is worth, and be employed according as it may be available, without being tortured to work as coins would have been worked, if they had been employed.

"When two men of business deal largely together, keeping the record in their books of account, which once in three months are balanced, and the mutual debts thus paid without the use of coins, there is no possible sense in which the mutual payments thus effected could be made more effectual by any reference to coins than by this simple and economical method of balancing the sums of the various entries, debts, and credits, expressed in 'money of account,' the one against the other.

"This mode of payment needs no aid in theory, in practise, or by analogy, from any employment of coins; but this mode of payment is one of the main devices of the 'credit system.' As the debts of men of business find their way into

the banks, so do their credits; and the functions of the banks, stripped of their many complications, consist chiefly in balancing and thus extinguishing the debts and credits of their customers. There is no ground, we think, for the doctrine that the incidents and characteristics which attend a currency of gold and silver should be imitated, or even referred to, in the process of the 'credit system,' much less regarded as laws.

"All are equally agents or processes of commerce, and must be considered and judged upon their respective merits, and be employed according to the opinion and sound discretion of the parties concerned."

Coins become indispensable only when given the exclusive privilege of being legal tender and made the only solvent of debt.

The advantages which accrue to a people from the use of a "money of account" and the "credit system" are turned into tyranny and oppression when the only solvent of debt is the legal-tender coins of gold and silver, and all amounts due under the credit system and all currency are payable in them.

The theory of the Bank of Venice and its practise is the only instance in all history *where the payment of the debts* contracted under the "credit system" were not dependent upon the legal-tender coins, and it is also the only instance in all history where for any length of time there were no recurring periods of financial expansion and contraction with its attendant loss and misery.

"Money of account," as heretofore set forth, is altogether separate and different from money; and by its aid alone the value of money is ascertained, even though the money is made a legal tender. The danger attendant upon ignorance of this distinction arises from the possibility of

the designing and crafty changing the value of the mediums of payments by the manipulation of the laws of legal tender, until, in the course of time, they force the people to change their conception of the value of their "money of account" to the value of the metal in the representatives of the "money of account." While this process, necessarily slow in its operation, is taking place, all the creditors are reaping a harvest, and all the debtors are being pauperized.

"Sir James Stewart, in whose works we first find distinctly set forth the existence and uses of a 'money of account,' did not speak of it nor propose it as a currency; he did not regard it as money." We give his own words: —

"Money which I call 'money of account' is no more than a scale of equal parts, invented for measuring the respective value of things vendible. 'Money of account' is, therefore, quite a different thing from money coin, and might exist although there were no such thing in the world as any substance which could become an adequate and proportional equivalent for every commodity.

"'Money of account' performs the same office, with regard to the value of things, that degrees, minutes, seconds, etc., do with regard to angles, or as scales do to geographical maps, or to plans of any kind. In all these inventions there is some denominative taken for the unit. In angles, it is the degree; in geography, it is the mile; in plans, foot, yard; in money, it is the pound, livre, florin, etc. The degree has no determinate length, so neither has that part of the scale upon the plans or maps which mark the unit; the usefulness of all these being solely confined to the marking of proportions. Just so, the unit in money can have no invariable determinate proportion to any part of value; that is to say, it can not be *fixed in perpetuity to any particular quantity of gold or silver, or any other commodity.*

"The value of commodities depending upon circumstances relative to themselves, their value ought to be considered as changing with respect to one another only; consequently, anything which troubles or perplexes the ascertaining these changes of proportion by the means of the general determining and invariable scale must be hurtful to trade; and this is the infallible consequence of every vice in the policy of money or coin."

It is the study of the philologist to explain why in the formation of a language certain words were developed to describe certain objects, and other words to convey the impressions and workings of the mind. Certain it is, however, in the progress of each nation and the growth and development of language, words were originated to convey the idea of value for labor, effort, and energy expended, and privation undergone in securing products, and for the relative value of the different products when they were exchanged.

This language conveying ideas of the labor value inherent in products, etc., was the language of finance and the "money of account."

The words conveying the ideas of value, indicating the price asked and the price offered, were concepts or abstract expressions of value in comparison, and when expressed concretely, took the shape of coins.

The size and shape of the coin was determined from its convenience for the purpose and its fitness for the use intended; and its quantity and quality from the value of the metal as a commodity measured by the unit of the "money of account." Therefore only so much of the metal was put into the coin as was supposed to be the equivalent in value of the abstract idea of labor value inherent in and conveyed by the "word" that was to be given the name of the coin.

In view of the foregoing considerations,— which were thoroughly appreciated by such statesmen as Jefferson and Hamilton, who understood the science of finance, and knew the necessity for a "money of account," if we were in the course of time to become a homogeneous people, speaking one language,— Congress, under their advice, in the act of April, 1792, established a "money of account."

The act reads as follows: Section 20. "That the 'money of account' of the United States shall be expressed in dollars or units, dimes or tenths, cents or hundredths, and mills or thousandths; a dime being the tenth part of a dollar, a cent the hundredth part of a dollar, etc., and that all accounts in the public offices, and all proceedings in the courts of the United States, shall be kept and had in conformity to this regulation."

It will be seen from the reading of the above, it was arranged that the unit of the "money of account" should be the "word" dollar; and in Section 9 of the same act it was provided that dollars or units were each to be of the value of a Spanish milled dollar as the same is now current.

According to Colwell, in his "Ways and Means of Payment," page 140, "This is, perhaps, the first time that a 'money of account' was ever enacted or established by any public authority as an act of power."

"Money of account" had in all nations grown up in the commercial and mental habits of the people, and was the language originated to express the relative value of the energy, effort, and labor expended and privation undergone in fitting and bringing into proper form for man's use the products of nature.

"The dollar was employed by the Spanish nation as a term of the "money of account," and the Spanish silver coin known as the dollar had been in frequent use in this

country, and was familiar to many people of the United States, before and after the struggle for independence. It was wisely chosen, because no other could have been brought into general use so soon," and because of the great need of having one uniform system of reckoning and keeping accounts, if we were to become one homogeneous race.

The use of the Spanish milled silver-coin dollar had established in the minds of those people who had been handling them, the concept of their value; and if there had not been such a number of the people who had not used them, and had no idea whatever of the labor value intended to be conveyed by the "word" dollar, it would not have been necessary to have ever minted a coin and called it the dollar. If all the people had had the concept of the labor value the "word" dollar was intended to convey, it would have been better never to have minted a coin and named it the dollar. In such a case we would have escaped the abuse of a pure financial system that invariably occurs when the coins of payment bear the same name as the unit of the "money of account." For wherever that is the case, the variation in value of the commodity out of which the coins are made, is constantly changing the value of the coins; and as the value of the coins of payment change, the labor value of the unit of the "money of account" changes with it. This is understood and taken advantage of by the avaricious, and has been a great incentive to much of the vicious financial legislation we have suffered.

The people never have any conception of what is going on, until in the payment of their obligations they realize, contrary to all experience and information, that they are continually and unavoidably losing the little they have. As an illustration of this, the English sovereign, which is the value of a pound sterling, varies in value with the com-

modity out of which it is made, and may be above or below par; par being the pound, the abstract idea of labor value to every Englishman in his knowledge of the relative labor value of products to each other, even though one of the products may be the metal out of which the sovereign is made.

Unfortunately for the people of the United States it was not possible to form a pure financial system, because they had no infancy as a nation, no language that had grown from their necessities, but were a congregated people from all nations, and many of them had no idea of the value intended to be conveyed by the use of the "word" dollar, the unit of the "money of account." It was therefore incumbent upon the Fathers to give a concrete expression in some commodity of universally known, if varying, value to the "word" dollar. This was done by taking one thousand Spanish milled silver-coin dollars, fresh from the mint, melting them into a mass, removing all alloy, and ascertaining how much pure silver there was in the one-thousandth part of this mass. The experiment, made by the aid of such instruments for assaying as were in use at that time, indicated that there were 371 4/16 grains of pure silver in one one-thousandth of the mass.

It was thereupon enacted by Congress, in Section 9 of the act of April 2, 1792, that the value of the "coin" dollar should be 371¼ grains of pure, and 416 grains of standard, silver, and that it should be a legal tender, thereby making it the standard dollar of payment, but not the standard of value, for that was restricted to the abstract idea of labor value conveyed by the "word" dollar.

This concrete expression of the "word" dollar,— viz., 371¼ grains of the commodity silver,— was the value necessarily conveyed by the "word" dollar when used in making

contracts payable in dollars; and the legal-tender quality given it was a guarantee that whatever the payee might claim, the payer could never be compelled to pay more than this value, in contracts calling for the payment of dollars, so long as this statute stood unrepealed. This determination of the value of the dollar of payment remained intact until 1873, when the attempt was made to change it from 371¼ grains of pure silver to 25 8/10 grains of standard gold.

It is evident that if the coinage of dollars had been restricted to silver, there would never have been any variation in value between the dollars of payment and the idea of value intended to be conveyed by the use of the "word" dollar in pricing products, or making contracts, from the fact that the "word" dollar, not being a growth of the language of the people, would have had no generally accepted and controlling abstract idea of value, but would have, perforce, only conveyed, whenever used, the value of 371¼ grains of pure silver. Therefore, the meaning of the "word" dollar, being altogether dependent upon the statute, would have been controlled in its meaning of value by the value of 371¼ grains of silver in the coin dollar, and hence varied in value with silver.

It is a financial truism, not generally accepted, however, that the value of the dollar of payment depends more upon the possible numbers that can be coined than upon the number that are coined. This was thoroughly appreciated and understood by Jefferson, Hamilton, and the members of the first Congress, and was deemed a necessary palliative in restricting the money of the country to gold and silver.

Notwithstanding the dominance of the Massachusetts hard-money faction forced the country to a specie basis, and it had been secured, as was supposed, for all time to come,

or until the Constitution was amended; and notwithstanding it was well known that there was not more than ten millions of specie in the country, the fact that all the gold and silver in Europe, as well as all the gold and silver mined in the future, could come to the mints to be coined, it was hoped, would make the possible number of dollars so uncertain, so indeterminate, so uncontrollable, and so incalculable that the evil effects of a scarcity of the circulating medium would not oppress the people seriously, and certainly not for any great length of time.

Having provided for the minting and coinage of silver, it was necessary to make similar provision for the minting and coinage of gold.

First, it was necessary to determine the relative value of gold and silver. The experiments made indicated that one weight of gold was equal in value to fifteen weight of silver, and, therefore, the ratio of value between the two metals was 1 to 15. The names given the gold coins were the eagle, the half-eagle, and the quarter-eagle. The value given the eagle was the equivalent of ten dollars; the half-eagle the equivalent of five dollars; and the quarter-eagle the equivalent of two and one-half dollars. The amount of gold put in the eagle was one fifteenth the quantity of silver put in ten dollars; the quantity of gold put in the half-eagle was one fifteenth the quantity of silver put in five dollars, etc. The gold coins were made, equally with the silver coins, a legal tender, and both were mediums of payment; the silver coins, dollars of payment, and the gold coins, the equivalent of the dollars of payment, but not "dollars" of payment. It is evident that the value of the dollars of payment, the silver coins, and the value of the equivalent of the dollars of payment, the gold coins, would vary as the value of the two metals varied.

If the "word" dollar, the unit of the "money of account," had had an independent, controlling, abstract idea of value that was inherent in and a part of the consciousness of the people, as the "word" pound is with the English, the variation in the value of either the gold or silver coins would have been shown in its relation to this value, and they would have been either above or below par; but the value of the "word" dollar being by statute dependent upon the value of the silver in the silver-coin dollar, the variation in value only of the gold coins appeared to the people, and the value of the silver dollar appeared to be stable and unchanging, as does the value of the gold coins to-day when they are called the standards of value.

Ignorance of these essential and elementary principles, causes many writers who pose as authority upon matters financial, to continuously vociferate that gold never changes in value; that it is an absurdity to suggest such an idea, for it is the standard of value, and can no more change than does the yardstick.

It is true that in one sense they are correct; and it is this defect in the system of this country that enables the avaricious to work out their schemes of spoliation, and which must be corrected if the country would escape the fate of the dead nations. For it is impossible under a system which makes gold and silver coins the only solvent of debt, to restrain the designing from so manipulating specie at unexpected times as to destroy the ratio of value between it and all products, wares, real estate, and property; so that when settlement and payment in these legal-tender coins, that have acquired such an undue value, is made, all the debtors are heavy losers, and all the creditors are gainers of the loss.

The fact that the only change that has occurred to make this radical disturbance of relative values has been in the

gold and silver coins, and that it is the enhancing or doubling their value which occasions the destruction of values, does not appear, because *the power of legal tender, making them the only solvent of debt,* has the practical effect of forcing the acceptance of the realization that, however it may be in fact, in law and practise the value of gold and silver has remained the same, and the value of everything else has changed.

In this sense only is it true that the value of gold and silver coins do not vary, and are ignorantly termed standards of value. The advantage that accrued to the people under the financial plan of the Constitution, and the acts of Congress, arose out of the fact that both gold and silver coins were given the exclusive right to legal-tender value, and that the value of the "word" dollar would never be over 371¼ grains of silver.

Therefore, the manipulation of one of the metals did not affect the right of the people to pay debts with the coins made out of the other; and so long as silver was a legal tender, had free access to the mint, and 371¼ grains was the value of the unit, it was impossible for the creditor to compel the debtor to pay more than the value of 371¼ grains of silver per dollar, in contracts calling for payment in dollars. It was possible, however, for the debtor to pay in dollars which were of less value than 371¼ grains of silver, when gold coins were at a discount, and this was because the gold coins were a legal tender, and the debtor could use them to pay debts. It was natural, therefore, that the debtor would always exercise the option of paying in the cheaper dollar, whether it were gold or silver.

In this option lay the only redeeming feature of our original financial system; and though in the early history of the country the scarcity of gold and silver was such that

the loss and suffering for want of the necessary circulating currency forced Congress to charter a bank with authority to issue notes, yet a day did come when the quantity of gold and silver was such that the resultant effect was the prosperity of the entire nation.

The prosperity that naturally accrued from the right to pay all debts, contracts, etc., in the dollar of 371¼ grains of silver, or a cheaper dollar, if gold should be cheaper, as the silver and gold increased in supply, was the only heritage in the financial system secured to the people by the Constitution and the Coinage Act of 1792.

The people enjoyed this advantage to their great benefit, notwithstanding the perverting abuses and impositions that were at times practised by the creditors and the hard-money faction during the entire history of the country, until the money power endeavored to deprive the people of the use of silver under the construction given the following clause in the act of 1873: "The gold coins of the United States, at the standard weight of 25 8/10 grains, shall be the unit of value."

After this change by construction of the unit of the "money of account" from a dollar of the value of 371¼ grains of silver or 25 8/10 of gold, to a dollar of the value of 25 8/10 grains of gold only, the "word" dollar has meant in payment the value of 25 8/10 grains of gold, though it was used in making the contract as of the value of 371¼ grains of silver.

This one fact, aided by the additional value that was given gold coins by limiting the legal tender of the silver dollar, was instrumental in transferring the property of the debtor to the creditor, and was the process by which the rich were made richer and the poor, poorer. The callous avariciousness of the motives of the creditors has only been

surpassed by the shameless hypocrisy of their professions, as will appear hereafter.

At the time of the establishment of a mint (1792) for the coinage of silver into dollars, and subdivisions of a dollar, naming the coins in the language of the "money of account," and the coinage of gold into eagles, and subdivisions of the eagle, the only coins in use were foreign coins. It was essential that these coins should be deprived of their foreign names and value, and be Americanized. This could only be done by recoining them into dollars and subdivisions of the dollar, if they were silver, and into eagles and subdivisions of the eagle, if they were gold. Inasmuch as they were needed for mediums of payment until this could be done, Congress, on February 9, 1773, regulated their value, made them legal tenders for the value assigned them, and gave them three years to be recoined at the mint, when, if not recoined, they should no longer be legal tenders.

XI

State Banks

CONGRESS, through the agency of the Bank of the United States, its issue of notes, the renewal of Government loans, and the regulation of the value of foreign coins, provided a circulating currency for it and the hard-money faction.

No provision whatever had been made to furnish the people with the sorely needed mediums of exchange. Congress would grant them no relief, for it acted upon the assumption that it was morally obligated to respect the pledge of the prior Congress, that no other bank would be granted a charter for twenty years.

The people were therefore forced to rely upon the tender mercies of the hard-money faction and their bank, since the Constitution prohibited the State Legislatures from making anything a legal tender except the gold and silver coins of the United States, and also prohibited them from emitting bills of credit.

If the General Government could have exercised the power at that time to enforce a strict observance of the Constitution, the people would have been compelled to compete with each other to the verge of desperation for the legal-tender money of the hard-money faction, and the accumulation of wealth would have taken place much earlier than has been the case. Fortunately the States were yet powerful, for the General Government was in the first stages of experimentation.

Since Congress, in chartering the Bank of the United

States — with the monopoly to issue notes for twenty years — exercised powers which had been withheld from it, the State Legislatures — which had the undisputed right to grant charters of incorporation — exercised in the interest of the coin owners, upon the pretext of assisting the people, the unconstitutional power of authorizing their banks to issue notes.

Therefore by 1806 there were many State banks in operation, whose notes were being used by the people to their great advantage and prosperity, and were also protecting their property from the spoliation of the hard-money faction that would have resulted if the supply of money had been restricted to the limited issue of the first bank.

The first bank of the United States, as is now apparent, was a close combine, organized in the interest of some members of Congress and a few individuals on the outside, and the Government was taken in as co-partner to give its notes circulation, and to protect their interests.

The State banks were originated by that class of the hard-money faction who could not get into the United States Bank deal, and their number was augmented, and they were made more powerful as a faction, by the owners of such additional gold and silver as came into the country to share in the rich harvest that the financial system, as exploited, guaranteed.

The scheme of finance put into operation by the General Government was so unfair and unjust to the people, and so partial and advantageous to the wealthy, that it made necessary and fully justified the system of State banks, unwholesome and unsound as they were.

The theory upon which the State banks were organized was similar to that of the Bank of the United States. It was claimed for them, as it was for the Bank of the United

States, that all the notes issued were redeemable in specie, and that those issued in excess were fully protected by the fact that they were so necessary as mediums of payment that the small amount of coin held in the bank vaults would always be ample to redeem all notes presented.

Under such a condition of affairs and such a system of finance, it is not surprising that but little supervision was exercised by the States over the banks, for it stands to reason that those highest in authority, their favorites, friends, and kindreds, were the chief officers and beneficiaries of the institutions.

This interested neglect upon the part of State officials also encouraged the adventurers and the speculators to go into the business of State banking with no capital except their credit and their daring.

So long as their banks passed State inspection, though there was no specie in their vaults to redeem the notes, they were as efficient mediums of payment as were the notes of banks which had only specie enough to redeem a part of their notes.

Until attention was called to the fact that the banks could not redeem their notes, they were current with the people, and served the purpose for which they were issued as well and as efficiently as any other money, and would have so continued in their usefulness. But when it was once whispered that there was no money in the vaults to redeem them, the value of the notes declined as the whisper spread, until they became worthless.

This always entails a double loss upon a community; the smaller and more immediate loss is the loss to the last holder of the note; the larger but less apparent loss arises from the decrease in the price of products that always accompanies a decrease in the circulating currency.

The detection and advertisement of the fact that certain banks could not redeem their notes, was always due to the avarice of the hard-money faction whenever and so soon as the notes interfered with or came into active competition with their specie and bank-notes, and began to reduce their profits. The fact that the circulation and use of the State bank-notes may have been beneficial in furnishing a full supply of money, and instrumental in keeping the hard-money faction from exacting from the people an undue quantity of products in the sale of their money, was always fatal to the longer use of the State bank-notes, when that consideration alone should have entitled them to continuous circulation, since such a system had been imposed upon the people.

Under such a system, where the notes of the banks,— representing only twenty-five or less cents in specie value — pass as of the value of one hundred cents, it is impossible for the Government to keep either gold or silver coins in the country. Both the owners of gold and silver refused to carry their metals to the mint to be coined into legal-tender dollars of equal value with a bank-note that was the representative in actual specie of only twenty-five cents, for the same reason that the owners of silver refused to carry their silver to the mint to be coined into a legal-tender dollar only equal in value to a gold dollar when the bullion value of the silver in the dollar was more valuable than the bullion value of gold in the gold coin.

Therefore for the same reason that in the early history of the country silver was used as local money and gold went to Europe, silver was driven to Europe by the cheaper bank-notes as their volume of issue was increased. It is evident then that the system of issuing bank-notes encouraged or forced the owners of specie to ship it to Europe for the

higher value they could get for it there; and the only gold or silver that remained in the country was what the precautionary wisdom of the bankers retained in seeming idleness in their vaults to redeem their notes when presented.

The only restraint upon the greed of the bankers to issue three dollars of paper for one of specie, and then sell the specie for export, was their precautionary wisdom and governmental inspection and regulation. The history of banking shows that no reliance can be placed upon the precautionary wisdom of the bankers, and the interest of State officials in the banks kept them from exercising any but the most perfunctory inspection.

Mr. Jefferson realized, since gold left the country because silver was cheaper, and silver was leaving because the bank-notes were cheaper, that all the specie was leaving the country, and if demand should be made for payment of the bank-notes in specie, under such circumstances, the country would be ruined. The State-bank faction was so strong at that time that he could do nothing with it, nor cause the proper regulation of their banks, and the only action left him was to issue the silver coins in denominations less than the dollar, in the hope that the people would use them so incessantly that they could not be secured by the speculators to be exported.

He, therefore, in 1806, influenced Congress to pass a law to cease the coinage of the silver dollar,— which was exported as fast as issued from the mint,— and coin only the subsidiary coins which it was hoped would remain in circulation.

It appears that by 1809 the notes of the State banks were seriously interfering with the profits of the Bank of the United States, and "the Legislature of Rhode Island was induced to cause an examination into the affairs of one of

its banks,— The Farmer's Exchange Bank of Gloucester,— and it was found that the bank had $580,000 of its notes in circulation, and only $86.16 of specie in its vaults with which to redeem the notes issued."

The advertisement of this fact had the desired effect; the $580,000 notes of the bank were made worthless, as a circulating currency; the currency of the country was reduced to that extent, and to the extent that the volume of currency was curtailed, to that extent was the value of the remaining currency enhanced.

The warfare against the State banks was kept up by the hard-money faction and the Bank of the United States, and by the end of the year there was a general suspension of all the State banks of New England. The result of these suspensions was immediate loss to the holders of the notes of the suspended banks, for they had to await the winding up of the affairs of the bank in order to collect whatever of value there might be in the notes. It is apparent that the people lost and the hard-money faction gained to the extent that the volume of currency was reduced by driving State bank-notes out of circulation.

Expressed in a financial axiom, the reduction of the volume of currency decreases the price of products, and enhances the value of the money that is left in circulation, in the proportion of the reduction to the volume.

This warfare continued until 1811, and drove the adventurers and speculators out of the banking business.

It appears that by 1811, the number of notes issued and in circulation by the State banks was twenty-eight millions, notwithstanding the warfare that had been waged against them by the Bank of the United States.

In the warfare the State-bank faction won; and at the expiration of the charter of the Bank of the United States

in 1811, Congress was induced to refuse it a new charter. It was therefore forced to go into liquidation, and redeem its notes. Under these circumstances, and with this false, inefficient, and unscientific system of finance, the Government found itself at war with England in 1812.

After Congress refused to recharter the Bank of the United States, many additional State banks sprang into existence; and, as the notes of the Bank of the United States were redeemed and retired from circulation, the notes of State banks took their place, until they were the principal money of the country.

XII

The War of 1812 and the Treasury Notes

THE State banks were called upon to furnish the money necessary to fight the war, and they agreed to exchange the notes of the banks for the bonds of the Government, taking them at the value of eighty cents on the dollar.

The iniquities of a financial system wherein bank issues are based upon redemption in specie, and the abuses which are practised, appear most vividly in times of war.

It is proper to ascertain the specie value of the bank-notes in order that the patriotism of the hard-money faction may be made to appear.

Under any and all banking systems an issue of three dollars in paper for one of specie was the minimum, and the maximum issue depended either upon the regulation of the Government or the prudential avarice of the bankers, if there was no restriction.

It can safely be assumed, at that time, and under those circumstances, that there was an issue of four dollars of paper for one of specie by every bank which had notes outstanding, making the notes the representatives of twenty-five cents only in specie. Therefore the exchange would be as follows: On $100 in specie there was issued $400 of bank-notes, and at eighty cents on the dollar for the six-per-cent bonds the $400 of bank-notes would exchange for $500 of the six-per-cent bonds; an annual interest of thirty per cent on the $100 of specie so long as the bond was unpaid, and $400 profits when the bond of $500 was paid in specie.

This is a fair sample of the self-sacrificing spirit always displayed by the hard-money faction whenever the country is threatened with the dangers of war; and if they are not permitted to exercise this liberality, and the Government should resort to some other plan to raise money, which is not equally advantageous to them, they invariably endeavor to discredit the issues so that the Government will be forced to accede to their terms; and they then have the effrontery to pose as the saviors of the country.

This proposition of the State banks was being acted upon by the Government when Congress was induced to issue treasury notes on January 30, 1812, to the amount of $5,000,000. These treasury notes were only to run one year, bear five and two-fifths per cent interest, and were receivable for all debts due the Government. They were also to be paid to all public creditors and other persons willing to receive them.

The treasurer was authorized to borrow, at not less than par, such sums, from time to time, as the president might deem expedient; and for this purpose authority was given to deposit them in such banks as would receive them at par with accrued interest, and give credit to the treasurer of the United States.

It was further provided that the commissioners of the sinking fund should pay and retire said treasury notes at the times named in said act. Under this arrangement it is evident that the banks would hold the interest-bearing notes of the Government, and pay out their own notes upon the order of the treasurer.

Inasmuch as the bank-note of one dollar was the representative of only twenty-five cents of specie, it is evident that when it was exchanged for a one-dollar treasury note bearing five and two-fifths per cent annual interest, every dollar of specie upon which bank-notes were issued was

drawing four times that much interest, or twenty-one and three-fifths per cent per annum.

The treasury notes were not intended to circulate as money, and nothing is said in the act about the denominations in which they were to be issued; and though it was provided that they might be used in the payment of all Government dues and taxes, they were given that right only to enhance their value with the bankers.

It is difficult to understand why Congress, if it was not dominated by the State-bank faction, did not authorize the issue of the treasury notes in small denominations, as legal tenders in the payment of all debts, public and private, direct to the people without the assistance of the banks.

This could have been done as an experiment, trusting that the patriotism of the people would sustain them during the crisis, even if they had to make provision to pay them after the termination of the struggle by their gradual exchange for interest-bearing obligations. If the notes had been issued impressed with these characteristics, they need not have borne interest; and if they had retained their full legal tender until they were presented by the people for bonds, they would be in circulation to this day.

That they would have been a much safer issue than the bank-notes is necessarily true from the fact that the bank-notes were good only because they were claimed to be redeemable in coin, while the treasury notes would have been good because they were receivable for all Government dues, taxes, and obligations, and were legal mediums of payment for all private debts.

The history of the finances of every nation which has issued notes, making them a full legal tender and not redeemable in coin, fails to show a single instance where the value of the note decreased below the value of specie, so long as

they were a legal tender in the payment of public and private debts; but on the contrary they were always at par, and frequently at a premium over specie, so long as they were on an equal footing before the law with gold and silver coin.

The history of every nation which has authorized banks to issue notes, based on redemption in specie, shows frequent instances where, from inability or failure from some cause, the banks have not redeemed their notes, and the people have borne the loss.

An exposure of the motives which control in the issuance of the notes by the one system or the other, should be sufficient to convince any unprejudiced and unselfish individual which is the purest and most natural.

In the issue of bank-notes it is the avarice and greed of the owners of the specie that always controls. The owners of the specie claim that they have the right to the monopoly of using their gold and silver as money, and that they are protected in their claim against adverse legislation, by the Constitution; that if at any time the scarcity of gold and silver should make it necessary to issue additional currency, they only have that right, and should be permitted to meet the exigencies of the occasion by issuing three or more dollars of paper on every dollar of specie, through banks of issue; that this extra issue of paper money, made through the instrumentality of their banks, meeting the demands of the people and fulfilling the requirements of trade and commerce, justifies them in exacting six per cent interest on every dollar of their paper loaned, though it does not represent in value more than twenty-five cents in specie, and in many cases a much less amount; that this right and privilege is secured by the Constitution, and if it had not been there would have been no Constitution nor independent Government; that the sole exercise of this privilege was the

price they exacted for securing the independence of the country, and thereby guaranteeing the freedom which has so long been enjoyed; that they only permitted the Government to be formed and the Constitution framed, upon this condition, and that there shall be no violation of their vested rights; that whenever there is a violation on the part of the Government of these enforced conditions, which are calculated to deprive the gold and silver owners of the profits of the privilege secured, they no longer owe the Government any allegiance, and have the right to oppose such action of the Government in any way that best subserves their purpose. Standing in this attitude of constitutional hostility to the Government, it is essentially necessary that they should control the legislation and officials of the United States.

The motives which should control in the issuance of treasury notes should be the desire of the Government to relieve the people from the suffering and loss that an insufficient supply of money always causes, or to so aid the people, whenever an enemy is invading the country, that they may be encouraged and enabled to repel the invasion.

These are the underlying and controlling considerations that make it impossible to secure a Congress which will issue treasury notes at all, or, if it is forced to issue them in the hour of danger, issues them in such a manner that it is more to the advantage of the coin owners than to the advantage of the people and the Government. These reasons are never advanced, however, for a correct understanding of the matter by the people would cause them to put a stop to the practise of the iniquitous abuse upon them and their prosperity.

The argument which is most universally presented to the people, and has proved most conclusive and controlling, is that Congress can not be trusted to issue treasury notes,

for it would in the course of time issue so many that it would destroy the value and use of all the issues, and thus cause the greatest disaster.

The hard-money faction teach that the weakness and instability of man, and consequently of Governments managed by men, has always been and always will be such that they can not be entrusted to discharge this governmental duty. In fact they claim that no class of men ever have or ever will faithfully, impartially, and justly discharge this function of Government, and that nature, in its arbitrary treatment of humanity, is the only safe reliance. Therefore they claimed, inasmuch as the experience of the centuries had demonstrated that nature has not given to mankind more than enough gold and silver to furnish an equitable and just supply of money, that gold and silver are the only commodities which have the right to be used for that purpose.

This doctrinal error was supposed to be safely incorporated into the Constitution of the United States, and was guarded by denying to the States the right or power to emit bills of credit, or make anything a legal tender except the gold and silver coins of the United States; and further protected by withholding from Congress the right or power to emit bills on the credit of the Government, or to charter banks.

Therefore, on occasions when the supply of gold and silver is not sufficient to discharge the duties required of a circulating medium, and this scarcity has to be augmented by an additional issue, the hard-money faction resent any independent action of irresponsible and weak Congresses tending to such an end, and demand that the entire matter shall be turned over to them. This demand has always been acceded to, and the money and currency of the country has

been and is issued on the assumption that what could not be left to the discretion of Congress could be safely turned over to the avarice of the hard-money faction.

It should not be a cause of surprise that the history of the finances has been that of a redundant and contracted currency at such times as the avarice of individuals has decided was most advantageous for their interest, even to the despoilment of the people.

It is a most serious reflection upon the stability and integrity of the form of Government, and a challenge to its right of longer continuance, that it can not be entrusted to exercise the most essential act of sovereignty; an act that it is absolutely necessary to exercise, and exercise properly and justly, to preserve the prosperity and liberty of the people, and which in hours of deadly peril to the Government it is only allowed to exercise in such a manner as the hard-money faction will permit.

This digression has been made to exhibit the influence and power, and the causes therefor, of the hard-money faction over Congress; and to show that though under the excitement of a declaration of war with England it could not be restrained from issuing treasury notes, yet it could be induced to issue them in such a manner that they bore twenty-one and three-fifths per cent interest, and were to be retired so soon as the crisis was past.

On February 25, 1813, Congress passed an act authorizing an issue of ten millions of treasury notes upon the same terms and with similar provisions for their payment and cancellation as the first issue.

XIII

The Origin of the Factional Parties

THE first bank of the United States, in which the financiers of Massachusetts invested their money, and which was chartered by Congress when it was under their influence and control, expired by limitation in 1811.

When the Massachusetts hard-money class secured the charter, there may have been difference in opinions as to the policies to be pursued, but no division of the people into factions. The Patriots were in the ascendant, the Tories had disappeared, and the people were united, except for the aggressive and greedy activity of the hard-money faction in its efforts to control legislation in order that it might exploit the country.

The inhuman selfishness, as manifested in its manipulation of the constitutional convention and early Congresses, and its manifest intention to make the United States Government a strong centralized power to serve their purpose of self-aggrandizement, caused and created an opposition party; and in 1801 the opposition, under the name of the Republican party, elected Thomas Jefferson president, and took charge of the Government.

By the election of Mr. Jefferson, the control of the Government was taken out of the hands of the Massachusetts hard-money faction, and many reforms that enured to the benefit of the people were inaugurated, and their principles are the basic ideas of the Democratic party to-day; but none could be instituted in the finances because of the restrictions

of the Constitution, and the opposition of both hard-money factions.

If Mr. Jefferson had been willing to extend the privilege of national banks to meet the demands for a circulating currency, he could not have done so, because of the pledge exacted from Congress that it would not grant any other bank a charter until 1811.

If he was opposed to the State Legislatures' granting charters to banks, and empowering them to do what the States were prohibited from doing, he was equally powerless; for the necessity and demand for additional currency that forced this radical action of the State Legislatures, had so strengthened the State-bank faction that he was dependent upon and indebted to their assistance for such reforms as he was able to secure.

A statesman who respected the Constitution, a strict constructionist of that instrument, an advocate of the sovereignty of the States, and opposed to a strong centralized Government, Mr. Jefferson preferred affiliation with the State-bank faction in the management of the affairs of the Government. From principle and construction he was opposed to the State-bank system. From principle, construction, and experience he was opposed to the national-bank system. He resisted the contention that because the Constitution did not give the power to Congress to emit bills of credit, it had no right to exercise such power; but claimed that such an exercise of power was an essential and necessary act of sovereignty, inherent and inalienable.

He was indignant that any class of men, actuated by motives of avarice, could be so inhuman and indifferent to the public and private weal that they were willing to so use their influence over Congress as to cause it to refuse to issue treasury notes, when additional currency was imperative,

on the unsound pretext that said power had not been delegated to Congress; and yet could use their influence to have that body grant a charter of incorporation to a bank with power to issue notes, when neither of the powers were delegated to it.

Under these circumstances Mr. Jefferson had much more toleration for the State-bank faction which had come into existence, not so much from the greed of its own members as from the policies of the Massachusetts hard-money faction; and he was willing to affiliate with them in order, first, that he might remove the fangs of the national bankers from the throat of the country, and bide his opportunity to free the people from the imposition of the State-bank system.

A purist in thought, reason, and action, he kept severely aloof from both systems in theory, and only committed himself to a present policy of expediency, in associating with the State-bank faction, in the hope and for the purpose of being enabled to correct and reform the abuses that had been forced upon the Government by the financiers of the East. He endeavored to inaugurate and put into the practise and policy of the Government, principles, which, if preserved and enforced, will insure the prosperity of the country and the enjoyment of liberty for all future time.

The overthrow of the Eastern financiers, the destruction of their financial system, and the stoppage of their wholesale spoliation of the people, was wormwood and gall to the money-making patriots of the East, and they denounced Jefferson, and have reviled his principles and their advocates from that day to this.

XIV

The National-Bank Faction

MR. JEFFERSON was succeeded in office by Mr. Madison in 1809, and he, aided by the State-bank faction, was in control when war was declared against England in 1812, and treasury notes were being issued and turned over to the State banks in exchange for their notes.

Under this condition, all the money that was being made out of the necessities of the Government and the people in the conduct of the war, was going into the pockets of the State-bank faction; and there being no profit in the war for the Massachusetts hard-money faction, they bitterly opposed it, and continued their opposition until it became treasonable.

When war was declared, the New England Federalists, with Josiah Quincy, of Massachusetts, as leader in Congress, denounced it as unnecessary, unjust, and undertaken from the most criminal motives. So malicious and scurrilous were these attacks that Mr. Clay felt called upon to answer them on January 8, 1813, and after quoting Quincy's former sentiment in favor of disunion, declared his conviction that no man who had paid any attention to the tone of certain prints, and to transactions in a particular quarter, of the Union (New England) for several years past, could doubt the existence of a plot to dismember the Union.—"*Randall's Life of Jefferson*," *Vol. 3, page 376.*

"The Boston *Daily Advertiser* recommended that the New England States form a separate peace, urging that it was lawful and proper to do so; and if Congress should

refuse its assent, it would be for wise and prudent men to decide what ought to be done."—*"Randall's Life of Jefferson," Vol. 3, page 385.*

"The executives of Massachusetts and Connecticut had refused to submit the militia of those States to orders issued by the President."— *Id., page 384.*

"In November, 1813, Chittenden, governor of Vermont, by proclamation, ordered home the militia of his State from Canada.

"The officers answered that they regarded the governor's proclamation with mingled emotions of pity and contempt for its author.

"The reply of the soldiers and the resolutions in Congress to instruct the attorney-general to prosecute Chittenden for attempting to induce desertion, though withdrawn at the request of the Republican representatives from that State, did not restrain the Legislature of Massachusetts from pledging that State to the support of Vermont, or any other State, whose constitutional rights were invaded."— *Id., page 384.*

After this the warfare was conducted by the banks; and, "according to Matthew Carey in his 'Olive Branch,' the Boston banks in the latter part of 1813 and the early part of 1814, entered vigorously upon an attempt to stop the wheels of Government by draining the banks in the Middle and Southern States of their specie, and thus producing an utter disability to fill the loans which the Government was attempting to effect."— *Id., page 387.*

The amount of specie withdrawn in eight months was between seven and eight millions of dollars, and the result was that the banks from New York to Norfolk inclusive, as well as most of them to the westward, were literally drained of their specie; and when the Government, early in 1814, called upon the banks for a further loan, they were forced to decline unless they were allowed to suspend specie payment.

The New England financiers, in their determination to break down the State banking system, and force the Government to grant them a charter for a national bank, refused to let their specie circulate or be used in the United States.

"The Federal press and pulpit of Massachusetts so violently denounced the citizens of the State who should take any part of the Government loans, that the agents of the Government were compelled to advertise that the names of subscribers should be kep secret."—*"Randall's Life of Jefferson," Vol. 3, page 388.*

The Massachusetts hard-money faction was so imbued with this fell spirit, and their warfare against the State banks was so uncompromisingly hostile, that notwithstanding the country was at war with England, "they invested their specie in the bills of the English Government which had been drawn in Quebec."—*Id., page 388.*

It was at the time this war of extermination between the two hard-money factions was being waged in reckless disregard of the welfare of the country, that the Government found it necessary to issue treasury notes to resist the aggression of English tyranny.

But however bitterly the factions might wage war for supremacy in the control of the finances, they were too conscious of the ultimate benefit to them for either to join with Mr. Jefferson against the other in the enforcement of his theories, and they joined forces to preserve to the victor all the spoils, and forced Congress to issue treasury notes in the manner hereinbefore set forth. Therefore the act of March 14, 1814, authorized the issue of ten millions additional notes, similar to those heretofore issued, and that they should be placed to the credit of the Government in the suspended State banks.

The national bank preferred even this — advantageous as it was to the State banks, which they had good cause to

think they had destroyed — to the adoption of the theories of Mr. Jefferson, and they bided their time and awaited their opportunity.

On December 26, 1814, Congress authorized the issue of twenty-five millions in treasury notes, in the place of a loan of that amount previously authorized; ten millions to be used in the payment of ten millions previously borrowed. These notes were to run only for one year, were to bear five and two-fifths per cent interest, were a legal tender in the payment of all debts to the Government, and to be otherwise like previous issues.

On February 24, 1815, Congress authorized the issue of twenty-five millions in treasury notes, in addition to the other issue, and it appears from Sections 3 and 5 that Mr. Jefferson's influence was prevailing over Congress, notwithstanding ulterior influences. Section 3 of the act reads as follows: —

"That the treasury notes shall be prepared of such denominations as the secretary of the treasury, with the approbation of the president of the United States, shall from time to time direct; and such of the said notes as shall be of a denomination less than one hundred dollars, shall be payable to the bearer, and be transferable by delivery alone, and shall bear no interest; and such of the said notes as shall be of the denomination of one hundred dollars or upwards, may be made payable to order, and transferable by delivery and assignment, indorsed on the same, and bearing interest from the day on which they shall be issued at the rate of five and two-fifths per cent per annum; or they may be made payable to bearer, and transferable by delivery alone, and bearing no interest, as the secretary of the treasury, with the approbation of the president of the United States, shall direct."

Section 4 of said act provides that the holders of the non-interest-bearing treasury notes may present them at any time in sums of not less than one hundred dollars at the treasury of the United States for redemption in certificates of funded seven-per-cent stock, and those bearing interest for the redemption in certificates of six-per-cent funded stock.

Section 5 provides that all treasury notes so surrendered, as well as those received in the payment of taxes, duties, or demands, in the manner hereinafter provided, *shall be reissued.*

These notes were made legal tenders for all debts of the United States, but not for private debts. They were issued to circulate as money, and to take the place of the notes of the suspended banks. They were not redeemable in coin, for they were issued to aid the coins in effecting exchange of products; and if at any time they should not be needed for that purpose, they could be exchanged for interest-bearing bonds, or funded stock, as it was then called.

The denominations in which they were to be issued was left to the secretary and the president; and when the notes were received by the Government, they were not to be canceled, but were to be reissued indefinitely. The only defect in the last issue was the failure to make them legal tenders in the payment of private debts.

The hard-money factions were conscious that the use which could and would be made of these treasury notes, as mediums of payment, by the people, would be so valuable to them that they would be preferred to bank-notes, and on account of the superior convenience in handling them, they would be preferred over gold and silver coins.

The fact that they were issued by the Government, and were received by the Government in payment of dues and

taxes, made them such safe mediums of payment, and so satisfactory to the trading and commercial people, that, as in the case of the credits of the Bank of Venice, they were too valuable as mediums of payment for the wealthy to secure them to be exchanged for Government securities.

The result would have been that these notes would have remained actively and continuously in circulation, excluding from circulation just that many bank-notes; and their efficiency and general acceptance, as mediums of payment, would have demonstrated the propriety and wisdom of the Government's issuing enough to supply the demand for a circulating currency, and have done away with the artificial necessity for the issue of bank-notes.

There was, therefore, a combination of the hard-money faction, the bankers, and the capitalists to drive these notes out of circulation and create a demand for money, in order that they might issue more bank-notes.

The first move to that end was made by the First Bank of the United States, which was in process of liquidation.

A large debt was still due this bank, and, *though pressing for payment of its debts,* it refused to receive these treasury notes. Inasmuch as they were not a legal tender for the payment of private debts, the bank had the right to refuse them. This action compelled those who owed the bank to refuse them, and so they were forced to a discount. It is only too evident that this was done to drive the treasury notes out of circulation, and thereby create such a demand for currency as would force Congress to grant them a charter for a bank to issue notes, and that it was not done from any sense of the insecurity of the value of the treasury notes, which were exchangeable for a six- or seven-per-cent Government obligation.

If the notes had been given the quality of legal tender for

the payment of private debts as well as public dues, this could not have happened; but as it was, the omission was fatal.

Their purpose of discrediting the treasury notes having been accomplished, Congress, instead of passing an act making the notes a legal tender for private debts, granted them a charter for a bank. The charter provided that the bank should take from the Government, as part of its capital, fifteen millions of these same treasury notes, in order that they might be kept out of circulation.

Mr. Madison, in vetoing this bill, stated in his message of January 30, 1815, that "the direct effect of this operation is simply to convert fifteen millions of treasury notes into fifteen millions of six-per-cent stock;" and that "the bank as proposed to be constituted can not be relied on during the war to provide a circulating medium, nor to furnish loans or anticipations of public revenue."

Peace was formally declared February 18, 1815, and the president, in his seventh annual message, dated December 5, 1815, stated "that the national debt on the first of October last was $120,000,000; $39,000,000 of which was the debt before the commencement of the war, $64,000,000 the funded debt contracted during the war, and $17,000,000 the unfunded and floating debt, including the various issues of the treasury notes that are gradually being paid.

"That a uniform national currency should be restored to the community. . . . *That the absence of the precious metals will, it is believed, be a temporary evil,* but until they can again be rendered the general medium of exchange, it devolves on the wisdom of Congress to provide a substitute which shall equally engage the confidence and accommodate the wants of the citizens throughout the Union.

"If the operation of the State banks can not produce this

result, the probable operation of a national bank will merit consideration; and if neither of these expedients be deemed effectual, it may become necessary to ascertain the terms upon which the notes of the Government (no longer required as an instrument of credit) shall be issued upon motives of general policy as a common medium of circulation."

This classification of Mr. Madison that, while the country was awaiting the return of gold and silver, he would be willing to again experiment with the unconstitutional State-bank system, and then with the equally unconstitutional national-bank system, before he would undertake to ascertain the terms upon which the Government would be allowed to issue its notes, would seem strange coming from a president of the United States, under the experience of the preceding twenty-five years, did we not recall his questionable conduct while a member of the Constitutional Convention, and the language in his veto of the bank charter, which dismissed the question of the constitutional authority of Congress to establish an incorporated bank, because of repeated recognitions of the validity of the institution by acts of the legislative, executive, and judicial branches of the Government, accompanied as they have been by indications in different modes of a concurrence of the general will of the nation.

These observations were untrue so far as the judicial branch of the Government was concerned, for the question of the constitutionality of neither State nor national banks had been before the Federal court of last resort; nor is he justified in construing the enforced necessity for Congress and the States to authorize banks to issue notes, and the acquiescence of the people therein because of the conditions that unwise, selfish legislation had placed about them, as a "concurrence of the general will of the nation."

XV

The Second Bank of the United States

Encouraged by the expression of these sentiments from a retiring chief executive, the hard-money faction pressed Congress so vigorously to grant them a charter for a bank, that the Federalists, with the assistance of enough Republicans of the ilk of Mr. Madison, succeeded in giving them one on April 10, 1816.

The capital of $35,000,000 was composed of $21,000,000 of the funded interest-bearing debt of the United States and $7,000,000 in coins, to be paid by the subscribers to the stock; the balance, $7,000,000, was taken by the Government, and paid in coin.

The charter provided that no other bank should be established by any future law of the United States for twenty years, and it authorized the issue of notes in denominations not less than five dollars as legal tenders in payment of all taxes and dues to the United States.

The most distinguished feature of the charter is "that in consideration of the exclusive privileges and benefits conferred by this act upon the said bank, it shall pay to the United States $1,500,000."

The obligation of the Government to provide for the welfare of the people seems to have been fully resolved when the Government was taken into copartnership with the bankers, and paid $1,500,000, in consideration of its taking $7,000,000 of the bank-stock, and agreeing to deposit all its collections in the bank, and receive the notes of the bank in payment of all dues and taxes.

The act granting the charter to the second bank was drafted to meet the decision that Chief Justice Marshall had previously rendered in the case of the First Bank of the United States vs. Deveaux, at the February Term, 1809.—*5 Cranch's R., page 61.*

The facts in that case are as follows: In 1805, the State of Georgia passed a law taxing the branch bank of the First Bank of the United States at Savannah. The bank refusing to pay the tax, the State officers entered the bank, and seized two thousand dollars, the amount of the tax.

The bank thereupon sued the officers, Deveaux & Robertson, in the Circuit Court of the United States. The defendants plead want of jurisdiction upon the part of that court; the plea was sustained, and the bank appealed the case to the Supreme Court of the United States.

On March 15, 1809, that court decided that no right was conferred on the bank by the act of incorporation to sue in the Federal courts, notwithstanding the act read that the bank had the right "to sue and be sued, plead and be implead, answer and be answered, defend and be defended, in courts of record, or any other place whatsoever."

Even at that early period, before the warfare between the two banking systems had become serious to the national bank, then in control of the management of the financial policy of the Government, it is evident that the court was determined to take care of the interest of the bank, and protect it from State legislation.

For though the court held that the bank as a corporation could not sue for the recovery of the two thousand dollars, it decided that the officers and stockholders, as citizens of another State than the State of Georgia, could sue the defendants, citizens of the State of Georgia, for the recovery of the two thousand dollars seized.

It was held by the court, that *though a corporation might not be a "citizen" in the sense in which the word "citizen" had been used in the Constitution in giving the citizens of one State the right to sue the citizen of another State in the Federal courts*, it would look beyond the corporation as a faculty, and determine from its members whether it was composed of citizens of another State.

In doing this, inasmuch as it appeared that the citizens of Pennsylvania owned the stock of the bank, the Court decided that they had the right to bring the action against the defendant in the Federal courts; and since they had this right as citizens of another State, it was not error to bring the suit in the corporate name of the bank.

Chief Justice Marshall was fully aware that the framers of the Constitution would not give Congress the power to create a corporation; that they would not let the word or idea of a corporation appear in the Constitution for fear it would be abused by chartering a bank; that they deprecated the fact that the States had the power to create corporations, and would permit no regulation over the exercise of that power; and that it was the intention of the framers of the Constitution in using the word "citizen" or "citizens," in describing those who had the right to sue in the Federal courts, to exclude corporations.

And yet he availed himself of the first opportunity, in his intention to take care of the interest of the money power, to judicially legislate into the meaning of the word "citizen" the construction that the wisdom of the framers of the Constitution had excluded.

That Mr. Marshall was conscious of what he was doing, but regardléss of the consequences, so that he took care of the Bank of the United States, is evident from the following: —

In 1809, it was deemed sufficient to reimburse the bank for the money that had been forcibly collected by the State officers; therefore nothing was said about the right of the State to impose a tax. This was virtually admitted, and it was only a question of the method of procedure on the part of the States to collect the tax.

It became different after 1811, when the renewal of the charter was refused by Congress, and the owners of the institution experienced not only the effect of the influence and teachings of Mr. Jefferson, but realized the possibility of its destruction by such action as the assessment of a tax and a decree of the Supreme Court of a State for its collection. The decision of the Supreme Court of the United States, though it saved the owners of the bank from the loss of the two thousand dollars, failed to realize the necessity of holding that the States did not have the power to assess and collect the tax.

In view of this decision, wherein the Court was forced to hold that it did not have jurisdiction, and resorted to the legal subterfuge of deciding that it would look beyond the corporation as a faculty, and determine from its members whether it was composed of citizens of another State, the act of April 10, 1816, granting a charter to the Second Bank of the United States, endeavors to confer jurisdiction upon the Federal courts in the following: —

"To sue and be sued ..... in all State courts having competent jurisdiction, and in any Circuit Court of the United States."

It will be seen in subsequent pages how material were these words, "in any Circuit Court of the United States," to the interest of the owners of the bank, notwithstanding Chief Justice Marshall had said, "If the Constitution would authorize Congress to give the courts of the Union juris-

diction in this case, in consequence of the character of the members of the corporations, then the judicial act ought to be construed to give it."

It is evident, that if the Constitution did not intend to give Congress the power to create a corporation from the fear that it would be abused by the creation of a bank, it did not intend "to authorize Congress to give the courts of the Union jurisdiction in this case in consequence of the character of the members of a corporation" that it had withheld the power from Congress to create.

XVI

The Fight Against the Treasury Notes Continued

THE supremacy of the State banks from 1811 to 1816, and the use of treasury notes during the war with England, awakened the national-bank faction to an intense realization of what the loss of the control of the Government was to their interest; and, as has been shown, they made herculean efforts to overthrow both the State-bank and treasury-note systems, and force their own once more upon the country. They entertained a far more wholesome fear of the issuance of treasury notes than they did of the issuance of notes by State banks.

Under the influence of Mr. Jefferson, Congress was being educated to a proper understanding of the subject of the finances, and the right and duty of the Government to furnish directly to the people, without the intervention of a bank, State or national, a full supply of circulating currency.

Congress had improved and progressed in the method of the issuance of treasury notes until it had authorized their issue in small denominations, non-interest-bearing, non-redeemable in coin, legal tenders for all Government dues and taxes, and only redeemable by surrender and exchange for interest-bearing obligations of the Government, if the people preferred this course to that of using them as medium of payment.

If they had been made a legal tender for the payment of private debts, they would have proved to be an ideal issue;

for it would not have been in the power of the hard-money faction to have affected their use and consequently their value as mediums of payment. It would have been impossible for them to have secured the notes to be exchanged for six- or seven-per-cent bonds, because as mediums of payment they would have been so much more convenient to handle than gold and silver coin, and so much safer than either national or State bank-notes, that, like the credits of the Bank of Venice, they would have been too valuable in use to exchange for a mere interest-bearing obligation.

The heresy that was dominant at that time, and is dominant to-day,— that they must not be made a legal tender for private debts,— possessed Congress; and Mr. Jefferson unable to induce it to take that step, hoped, by giving them the right to be exchanged for interest-bearing obligations, to affix to them such a value as an investment that the hard-money faction would not exercise their right to refuse them in payment of private debts.

If this bait thrown to the avarice of the hard-money faction had been accepted, and the treasury notes permitted to show their efficiency as a circulating currency for a few years, it would have been an experience and demonstration that would have educated the people to an understanding and appreciation of the correct manner of supplying them with a full supply of mediums of payment.

Mr. Jefferson, in the hope that this experience would demonstrate in practise the truth of his theories, was busy teaching that the issue of all treasury notes should be "bottomed on taxes;" in other words, that they should be a pure legal-tender circulating currency for the payment of all debts, public and private, and redeemable only in the sense that as solvents of debts, they are redeemed, so far as the owner is concerned, every time they pay his debt.

The members of the hard-money faction were as conscious and keenly alive in their far-seeing and intelligent inhuman avarice, as Mr. Jefferson was in his patriotism and statesmanship, of his heroic efforts to make the Declaration of Independence complete by freeing the people and the Government from the tyranny and oppression of the hard-money cormorants.

Notwithstanding they had been forced out of the national-bank business since 1811, did not desire to invest their money in State banks, and were importuning Congress to grant them a charter for another bank, they were too intelligently greedy to accept the present offer of a safe interest-bearing Government investment, and allow Mr. Jefferson's theories of finance to take root, and find lodgment in the practises of the people.

Mr. Jefferson exerted his influence at a time when he had the right to suppose that he had the presidential power with him, for Mr. Madison was in harmonious accord with his efforts until sometime after January 30, 1815, the date he vetoed the act granting a charter to the Second Bank of the United States; but a great change seems to have come over him between that time and December 5, 1815, when, in his seventh annual message, he penned the following: "The probable operation of a national bank will merit consideration." On April 10, 1816, when he approved the bill granting the charter to the bank, his surrender was complete.

In his eighth annual message, December 3, 1816, page 578, he appears as the tool of the money power, as the following discloses: —

"Upon this general view of the subject it is obvious that there is only wanting to the fiscal prosperity of the Government the restoration of a uniform medium of ex-

change. The resources and the faith of the nation, displayed in the system which Congress has established, insures respect and confidence both at home and abroad. The local accumulations of the revenue have already enabled the treasury to meet the engagements in the local currency of most of the States, and it is expected that the same cause will produce the same effect throughout the Union; but for the community at large, as well as for the purpose of the treasury, it is essential that the nation should possess a currency of equal value, credit, and use wherever it may circulate. The Constitution has intrusted Congress exclusively with the power of creating and regulating a currency of that description, and the measures which were taken during the last session in execution of the power, give every promise of success. The bank of the United States has been organized under auspices most favorable, and can not fail to be an important auxiliary to those measures."

After the grant by Congress to a national bank of "the power exclusively entrusted to it by the Constitution," and the invitation of the president to force on the country a uniform medium of exchange for the interest of the community at large, as well as for the purpose of the treasury, it should not be cause of surprise that the bank demanded (inasmuch as it had paid the Government $1,500,000 for the monopoly of issuing currency for the next twenty years) that the treasury notes outstanding should be deprived of the legal-tender quality, and retired from circulation.

In response to this demand, Congress passed, and the president approved, March, 1817, an act to repeal all laws authorizing the issue of treasury notes, and provided that all treasury notes that should become the property of the Government should be canceled, not reissued. Though the treasury notes were not a legal tender for the payment of

private debts, and were being discriminated against by the hard-money faction and the Government, the people found them so efficient as mediums of payment that they continued to use them for that purpose.

It appears that a ruling was made that they would not be received anywhere but at the treasury, and in 1818 a firm in Boston tendered treasury notes in payment of duties on imports. The collector of the port refused to receive them, notwithstanding they were a legal tender in the payment of all dues and taxes to the United States.

The Government thereupon was forced to bring suit for the duties; tender of the treasury notes, with accrued interest, was plead; and Judge Story (23 Federal Cases, page 1124) decided that the treasury notes with the accrued interest were legal tenders for everything for which the law makes them receivable. The national-bank faction was afraid to appeal from this decision at that time, and the notes continued to be used by the people as mediums of payment.

XVII

The State Banks Attempt to Destroy the Bank of the United States

The State-bank faction, though defeated and deprived of the control of the Government, did not despair, but was preparing for a fight to the death of one or the other, if not both, of the banking systems. A branch of the national bank had been established at Baltimore, Md., and in 1818 the Legislature of that State passed a law to tax all banks or branches thereof in the State not chartered by the Legislature. The Legislature of Maryland was endeavoring to do in behalf of the State bank what Congress has since done for the national bank against the State bank — tax it out of existence. If this could be done by one State, it could be done by all; and the result would have been that the national bank would have been taxed out of one State after another, as the State banks got control, until it would have been confined to such a limited territory as to greatly impair, if not destroy, its efficiency as a money-making scheme for its promoters.

The branch bank refused to pay the tax, and one John James, for himself and the State of Maryland, sued McCullough, the cashier. Judgment was given by the State courts against McCullough for the payment of the tax, and the case was appealed to the Supreme Court of the United States. It was evident that the Legislature of Maryland passed the act taxing the branch bank solely in the interest of the State banks, and that it was the intention to drive it out of the State.

The warfare at this time between the two bank factions for control in the affairs of the Government is one of the most crucial periods in the history of the country. If the State-bank faction could succeed in getting the Supreme Court to decide the issues raised, according to correct reason, sound logic, and in the interests of the people, the false theory of the national-bank system would be forever eliminated from the policies of the country. If this had been done, the national-bank faction could, with equal assurance of success, have challenged the equally false State-bank system before the bar of the Supreme Court, and upon the application by that tribunal of the same correct reason and honest logic to the issues raised, have eliminated it forever from the policies of the country. With both systems eliminated, the Government would have been forced to supply additional currency, in order that it might relieve the people from the evils of a scarcity of money.

In the consideration of this momentous question the wisdom of Congress could not have overlooked the fact that on the occasion of the war with England, the two systems (one in full operation, and in charge of the Government; the other in operation, but undergoing liquidation) combined, assisting gold and silver, were not equal to the emergency, and had to summon treasury notes to their aid.

Under such circumstances the enforced consideration by Congress of treasury notes,— their efficiency as mediums of payments, their continuous use and retention by the people even against legislative action to retire them,— would have developed the conclusion that the Constitution, in withholding from Congress the power "to emit bills on the credit of the United States," attempted to deprive the Government of its most essential act of sovereignty. It would have discovered that all the impositions practised upon the

people,— depriving them of their property and retarding their prosperity,— were caused by the officials of the Government turning over, first to the national-bank faction and then the State-bank faction, the purely governmental function that should have been exercised by Congress; viz., that of furnishing a full supply of circulating currency direct to the people.

One consideration alone would have shown conclusively that the issuance of treasury notes was pure and scientific, both in theory and practise, and that is that in time of war, gold, silver, and bank-notes are failures, and treasury notes are invariably resorted to and relied on.

An examination of the past history of the country, and especially the history of the framing of the Constitution with a view to perfect the financial system, would have shown that Congress was a body of delegated and not implied powers; and though the assertion and practise of the doctrine of implied power would prove necessary and be justified at times, it could never be constitutionally exercised in favor of the power that had been intentionally withheld from Congress against the exercise of the sovereign power that an erroneous attempt had been made to withhold.

As has heretofore been shown, the power to grant a charter of incorporation was in two instances withheld from Congress, and while it is admitted that an endeavor was made to withhold the sovereign power to emit bills of credit also, it is not understood how Congress could charter a bank and give the bank the right to emit bills of credit, and at the same time deny itself the right to exercise its sovereign power of issuing treasury notes upon the ground that it was unconstitutional.

It would have been ascertained that the thing which the framers of the Constitution most feared from the proposi-

tion to give Congress the power to grant charters of incorporation — the creation of a bank — was done in 1791, and that this institution was given the right which had been withheld from Congress itself.

It would have been realized that although the owners of the bank turned their credit into money, and loaned it at high rates of interest, it had brought no adequate relief to the people, nor given profitable prices to products; but on the contrary, the want of additional currency was such that they had been enabled to rob the people of their property.

It would have been realized that this condition of affairs forced and justified the States in coming to the relief of the people by authorizing their banks to emit bills of credit.

It would have been realized that these unconstitutional decisions caused such oppression of the people that Mr. Jefferson endeavored to secure relief for them by organizing the Republican party, and with the assistance of the State-bank faction, turn the Bank of the United States faction out of power.

It would have been realized that the one faction, under the name of Federalist, and under the leadership of Hamilton and Chief Justice Marshall, stood for that form of government which was best calculated to amass large fortunes for the privileged few, and enhance wealth by corporate activity and governmental aid.

It would have been seen that this corporate activity and governmental aid is utilized in their interest by protective tariff laws, by the granting of subsidies and franchises, by turning over to the favored few the monopoly of supplying the circulating currency through the agency of banks of issue, and by the enactment of any and all laws necessary to nourish and foster these interests, even to the

extent of invading all personal rights, and, if it should become necessary to protect and secure the possession and enjoyment of the ill-gotten property and franchise rights, distort the republic into a strong contralized government.

It would have been realized that the other faction, under the name of Republican, and under the leadership of Mr. Jefferson, stood for that form of government which was best calculated to preserve and protect the individual in his person, right of free speech, freedom of conscience, enjoyment of the products of his labor, and pursuit of happiness, from the avaricious aggressions of the other faction; and would also necessarily, if incidentally, take care of his property, and secure to him and his posterity the enjoyment of the same.

It would have been discovered that the governmental means by which these ends are best attained are tariff laws for the purpose of raising revenues, with incidental protection only; no subsidies whatever, but the most economical expenditure of the people's money; either the sale of the franchises for a limited period, or if they were given away, that it should be only for the life of the spendthrift generation, so that subsequent people might have the power to protect themselves and their interest, as changed and changing conditions might make necessary, and by the exercise of sovereign power issue all money direct to the people without the intervention of banks of issue, making it a full legal tender, and redeemable only in the sense that can be implied from Mr. Jefferson's phrase, "bottomed on taxes."

The conditions were as hereinbefore set forth when the State-bank faction in Maryland, by the imposition of a tax upon the national bank, forced the Bank of the United States to appeal to the Supreme Court of the United States for the preservation of its existence.

XVIII

The Trustees of Dartmouth College vs. Woodard, 4 Wheaton (S. C. Rep.), 518

In the case of McCullough vs. The State of Maryland, previously referred to, it was contended in behalf of the State that Congress had no power to incorporate the Bank of the United States.

Assuming that Congress had this power, it was contended in behalf of the bank that the State may not tax the branch bank without violating the Constitution.

The Supreme Court of the United States would be embarrassed in its desire to aid the money power, even if it held that Congress had the power to incorporate a bank, so long as the case of the Bank of the United States against Deveaux stood unreversed; for in that case the State of Georgia had assessed and collected a tax from a branch of the United States Bank, and the Supreme Court, in an opinion delivered by Mr. Chief Justice Marshall, refused to give the bank, as a corporation, relief.

It was therefore necessary to get this case out of the way, or in some manner circumvent the principles admitted in its decision, before it would do to permit the case of McCullough vs. The State of Maryland to come to a decision, if it was the intention to aid the Bank of the United States.

That it was the intention of the Supreme Court, and those who controlled its decisions at that time in such cases as they desired, to aid the bank, and protect it in the future

from State Legislatures, is evident from a decision of the court on February 2, 1819, a little over a month prior to its decision in the case of McCullough vs. the State of Maryland. The case decided on February 2, 1819, was the celebrated case of The Trustees of Dartmouth College vs. Woodard. The facts in that case are as follows: —

In 1769 the king of Great Britain granted a charter to Dartmouth College, in the Province of New Hampshire. Under this charter the college was governed by trustees appointed in accordance with its provisions until 1816. The college was originally designed as a charity school for the education of Indians. The charter was an elaborate document, and pointed out the powers conferred and the manner of their exercise with great minuteness of detail. It fixed the number of trustees and defined their powers and duties, and declared Dr. Wheelock to be the founder and president for life, with power to appoint his successor. Dr. Wheelock died in 1779, and appointed as his successor his son, John Wheelock. After the war of the Revolution, dissensions arose among the trustees, which finally culminated in the election of a board hostile to the interests of Dr. John Wheelock. Dr. John Wheelock, who had been removed from the presidency of the college by the old trustees, and declared unfit to hold the office, procured in 1816 the passage of acts by the Legislature of the State of New Hampshire, by which the name of Dartmouth College was changed to Dartmouth University, the number of trustees was increased, a board of overseers was appointed, and other radical changes made in its mode of government; and for the first time in its history the officers were required to take an oath to support the Constitution of the United States and of the State of New Hampshire.

The real object of the law was to place Dr. Wheelock

and his friends in control of the college. The new board obtained control of the property, the books, and the records of college. They promptly elected officers in their interest. The old board determined to test the validity of this law, and suits were brought against William H. Woodard, the treasurer of the new board, for the conversion of the books and records of the college, the common seal of the corporation, and its leases and accounts.

When Dr. John Wheelock was turned out of the office of president, he very naturally supposed that the Legislature of the State of New Hampshire succeeded the king and Parliament of England in the control of the corporation. His conduct indicated that he did not deem it proper to apply to the courts to be reinstated until he had secured legislative relief, for it was not reasonable to suppose that one set of Americans would be turned out of the official management of the affairs of the corporation to secure to another the unusual personal privileges granted in the charter of King George.

After the Legislature passed the acts mentioned, the contest for the control of the college involved no important principle, certainly no principle of property rights; but as soon as it became necessary in the case of McCullough against the State of Maryland to get around the admission in the case of the Bank of the United States vs. Deveaux, this case attracted the attention of the financial and political factions, and was made the chief issue between the Federalists, under the leadership of Hamilton and Chief Justice Marshall, and the Republicans, under the leadership of Thomas Jefferson.

Before general attention was attracted to the fact that the Legislature of New Hampshire had passed a law varying and changing the terms of a charter, Dr. Wheelock

consulted and retained Daniel Webster, paying him a fee to uphold the right of New Hampshire to exercise control over the institution; but just as soon as the issue was made national by the United States Bank faction's manifest intention to utilize this case to relieve the situation in the McCullough case of the embarrassment caused by the decision in the Deveaux case, Mr. Webster was influenced to withdraw his services and devote them to the interests of the bank.

In the State court the question principally discussed was whether the law making the changes in the charter was warranted by the constitution of New Hampshire. Its conflict with the United States Constitution was not presented as being a strong point in the case. The case was ably argued before the State court, and its decision was unanimous in support of the validity of the acts of the Legislature.

The syllabus of the opinion, as prepared by the chief justice of the Supreme Court of New Hampshire (New Hampshire Reports, page 111), is as follows: "Third. *The charter of the king creating the corporation of Dartmouth College, is not a contract within the meaning of that clause of the Constitution of the United States which prohibits States impairing the obligations of contracts.*"

"Mr. Webster in a letter to his opponent, Judge Mason, said of it: 'The truth is, the New Hampshire opinion is able, ingenious, and plausible.' And Chancellor Kent, after carefully examining the opinion, commended it in the highest terms, and concurred in all its conclusions."

That the decision was correct, and the reasons given were those of a wise judge, is only too evident in the light of the experience, practises, and abuses that have grown up under its reversal, and the announcement of a contrary doctrine.

The opinion of the New Hampshire Court was as follows: "Contract, as used in the Constitution, must be taken in its ordinary and common acceptation, as an actual agreement between parties, by which something is granted or stipulated immediately for the benefit of the actual parties;" but that it was never intended to regulate or limit the power of the States in relation to their public servants.

The Court, in conclusion, says: "If the charter of a public institution like that of Dartmouth College is to be construed as a contract within the intent of the Constitution of the United States, it will, in our opinion, be difficult to say what powers, in relation to their public institutions, if any, are left to the States. It is a construction, in our view, repugnant to the very principles of all government, because it places all the public institutions of all the States beyond legislative control; for it is clear that Congress possesses no power on the subject." The Court adds: "We are, therefore, clearly of the opinion that the charter of Dartmouth College is not a contract within the meaning of this clause of the Constitution of the United States."

The case was taken to the Supreme Court of the United States by writ of error, where its entire charge was entrusted to Mr. Webster; and its decision was left to the influence of Chief Justice Marshall, who, as one of the leaders of the Federalist party, was expected to take care of the interests of the money power.

The case of The Trustees of Dartmouth College vs. Woodard lost all of its original personality and individual interest in the Supreme Court, became the most prominent political issue of the day, and was a burning question between the Federalist and Republican parties where Marshall and Jefferson took opposite sides.

Mr. Webster was retained to advance reasons that would justify the reversal of the decision of the Supreme Court of New Hampshire; and, if necessary, supplement his towering capacity with all his adroitness in fomenting the intensity of the hostility between Chief Justice Marshall and Mr. Jefferson, in his endeavor to secure a decision that would save the Bank of the United States, and all other corporations, from future interference by State Legislatures.

In his argument Mr. Webster laid down the broad principle that "the Legislature of New Hampshire would not have been competent to pass the acts in question, and to make them binding on the plaintiff without their assent, even if there had been, in the constitution of New Hampshire, or of the United States, no special restriction on their part; "because," as he claimed, "these acts are not the exercise of a power properly legislative."

He argued that "their object and effect is to take away from one rights, property, and franchises, and to grant them to another, and this is not the exercise of legislative power. . . . To justify the taking away of vested rights there must be a forfeiture, to adjudge upon and declare which is the proper province of the judiciary;" that "attainder and confiscation are acts of sovereign power, not acts of legislation;" that "the British Parliament, among other unlimited powers, claims that of altering and vacating charters, not as an act of ordinary legislation, but of uncontrolled authority;" that "this omnipotent sovereign power exercised by Parliament does not belong to any Legislature of the United States;" that "the Legislature of New Hampshire has the same power over this charter which belonged to the king who granted it, and no more, and that the king can not take away from them any rights that had been merely subsisting in them under old charters or prescriptive uses;"

that "it can not be pretended that the Legislature, as successor to the king in this part of his prerogative, has any power to revoke, vacate, or alter this charter.

"If, therefore, the Legislature has not this power by any specific grant contained in the Constitution, nor as included in its ordinary legislative powers, nor by reason of its succession to the prerogatives of the Crown in this particular, on what ground would the authority to pass those acts rest, even if there were no special prohibitory clause in the Constitution and the bill of rights?"

Mr. Webster sets up a right and power in Parliament to alter, amend, or vacate charters. He denies that the Legislatures succeeded to this power; and it is evident that Congress did not, for it was not even given the power to grant charters of incorporation.

It appears from the reasoning of Mr. Webster that this power of Parliament did not go to the Legislatures of the States. The logic of the principles upon which the Constitution was framed is that it did not go to Congress; and this is borne out by the action of the Fifty-sixth Congress calling for an amendment to the Constitution to confer said power on Congress. The conviction is therefore forced upon one that Mr. Webster's implied argument that this power of Parliament remained in the charter of Dartmouth College, was judicially legislated into the law of the country under the specious plea that "a charter is a contract," and protected by that clause of the Constitution that forbids any State to pass a law impairing the obligations of a contract.

A careful reading of the debates in the Constitutional Convention shows that some of the framers of that instrument knew the effect that corporate activity and greed would have upon the perpetuity of the form of government they were striving to establish, and withheld from Congress the

power to grant a charter of incorporation for any purpose, fearing that it would be abused; and they regretted they could not exercise some control, as a safeguard, over the unlimited power which the States retained to grant charters.

It looks like the irony of fate that this fear which they guarded against so well, and which was from necessity left to the uncertainty of the action of the State Legislatures, should have been turned into a more formidable machinery for the oppression of the people and the overthrow of the form of government, by the judicial legislation of the Supreme Court of the United States, under the influence of Chief Justice Marshall, in his hatred of Thomas Jefferson and his amenability to the money power.

Mr. Webster, having by implication argued that this power of Parliament to alter, amend, or vacate charters was not possessed by the Legislature of New Hampshire, next addressed his argument to the assumption of the Legislature of New Hampshire, which was supported by the Supreme Court of that State, that it did belong to the Legislature.

He claimed that the action of the Legislature was in violation of the tenth section of the first article of the Constitution of the United States, "that no State shall pass . . . a law impairing the obligation of contracts."

When he comes to argue that a charter is a contract, Mr. Webster, in order that he may get the benefit of the constitutional inhibition upon the States, relies more upon the weight of his assertions than upon correctness of statement and application of citations. He leads up to the argument with a perversion of an accepted condition of affairs, when he says that "the sober people of America are weary of the fluctuating policy which has directed the public councils. . . . They have seen with regret, and with indig-

nation," he says, "that sudden changes and legislative interference in cases affecting personal rights become jobs in the hands of enterprising and influential speculators, and snares to the most industrious and less-informed part of the community. . . . They have seen, too, that one legislative interference is but a link of a long chain of repetitions; every subsequent interference being naturally produced by the effects of the preceding."

All this was feared by the framers of the Constitution, is inherent in every form of government, and was one of the reasons why they refused to give Congress the power to grant charters of incorporation to aid in the iniquitous tendency. To exercise restraint over the Legislatures, and provide against such dishonest action, was one of the most serious problems before that body. The problem was solved, and solved well, by the clause that no State should pass a law impairing the obligations of contracts.

It was never supposed that the judiciary, upon whom devolved the duty of protecting the citizens from such impositions, would, at the dictation of the money power, inflict a far more serious injury upon the people in deciding that a charter was a contract, and in the sphere of its operations, uncontrollable by either the States or Congress. That this was done, because it was necessary to protect an unconstitutional bank from the action of State Legislatures, was the judicial crime of the century.

Yet Mr. Webster, in his desire to secure this decision, cites the following legal principles: "Upon a change of government, it may be admitted that such exclusive privileges attached to a private corporation as are inconsistent with the new government, may be abolished. . . . But that the Legislature can repeal statutes creating private corporations, or confirming to them property already acquired

under faith of previous laws, and by such repeal vest the property of such corporations exclusively in the State, or dispose of the same to such purposes as they please, without the consent or default of the corporation, we are not prepared to admit; and we think ourselves standing on the principles of natural laws of every free Government, upon the spirit and titles of the Constitution of the United States, and upon the decisions of the most respectable tribunals, in resisting such a doctrine."

No one could object to such an enunciation of the law, for it savors of common honesty, common fairness, and common sense; and the argument only shows that it was not necessary to declare a charter a contract to secure citizens against the hostile action of the Legislature, for they had full protection, under the law, from such imposition.

If Mr. Webster had been satisfied with that enunciation, no harm would have been done; but he would not have succeeded in getting around the principles admitted in the Deveaux case, that a Legislature had a right to tax a branch of the Bank of the United States to raise funds to help bear the expenses of the State. To succeed in this it was necessary to carry the Supreme Court to the extent of holding that a charter was a contract; and if the bank preserved its existence, no thought was given to the harm that might be brought upon the country and the perpetuity of the form of government.

In the light of the years that have passed, and the experience of the country since under the decision, the following reflects no credit on Mr. Webster as a statesman: —

"Much has heretofore been said of the necessity of admitting such a power in the Legislature as has been assumed in this State. Many of possible evils have been imagined, which might otherwise be without remedy.

Abuses, it is contended, might arise in the management of such institutions which the ordinary courts of law would be unable to correct. But this is only another instance of that habit of supposing extreme cases, and then of reasoning from them, which is the constant refuge of those who are obliged to defend a cause which upon its merits is indefensible. The apprehension of danger is groundless, and therefore the whole argument falls. Hitherto, neither in our country or elsewhere, have such cases of necessity occurred. *The judicial establishments of the States are presumed to be competent to prevent abuses and violations of trusts, in cases of this kind as well as in all others.*"

The following description is given by Mr. Goodrich of the close of Mr. Webster's argument: —

"Sir, you may destroy this little institution; it is weak; it is in your hands. I know it is one of the lesser lights in the literary horizon of our country. You may put it out. But if you do so you must carry through your work. You must extinguish one after another all those greater lights of science which for more than a century have thrown their radiance over our land. It is, sir, as I have said, a small college; and yet there are those who love it. Here his feelings mastered him; his eyes filled with tears, his lips quivered, his voice was choked. In broken words of tenderness he spoke of his attachment to the college, and his tone seemed filled with memories of home and boyhood, of early affections and youthful privations and struggles.

"The courtroom," says Mr. Goodrich, "during these two or three minutes presented an extraordinary spectacle. Chief Justice Marshall, with his tall and gaunt figure bent over as if to catch the slightest whisper, the deep furrows of his cheeks expanded with emotion, and with eyes suffused with tears; Mr. Justice Washington at his side, with his

small emaciated frame, and countenance more like marble than I ever saw on any human being, leaning forward with eager, troubled look; and the remainder of the court at the two extremities pressing, as it were, to a single point, while the audience below were wrapping themselves around in closer folds beneath the bench, to catch each look and every movement of the speaker's face."

If this is a correct description of the closing moments of Mr. Webster's argument, and its effect upon the court, it only shows the hypocritical acting of the speaker, and the judicial mummery of the court, for it is evident that the interest of the occasion grew out of its bearing upon the Bank of the United States, and not upon Dartmouth College. Whatever the decision, the college suffered nothing more than a change of officers and name.

The dramatics of the speaker were not successful in enabling the impressionables on the bench to secure a majority; and though the case was argued in March, 1818, it was not decided until February 2, 1819. "Justices Marshall and Washington were for deciding that a charter was a contract; Justice Story was inclined to an opinion favorable to the power of the State Legislature to pass the laws, but was still open to conviction; Justices Johnson and Livingston were wholly undecided; and Justices Ford and Duval were against the contract theory." Thus the matter stood, Chief Justice Marshall the eager champion of the theory that a charter was a contract.

"The announcement was made by the chief justice that in consequence of the disagreement of the judges no opinion could be given, and the case must be continued until the next term of the court." This left the matter open for further argument.

"The new board had the opinion of Chief Justice Rich-

ardson, of the Supreme Court of New Hampshire, printed and widely circulated. In reply to this, Mr. Webster prepared an elaborate, printed argument, partly in the nature of a brief and partly as *a campaign document,* which was placed only in the hands of a part of the judges, but was carefully kept from those who were known to be opposed to the theory that a charter was a contract."

The outside argument of the bank faction was the most persuasive. Even Chancellor Kent, upon reading Mr. Webster's argument, admitted that it put "a new complexion on the case;" though he had previously approved of the opinion of the chief justice of New Hampshire. Justices Johnson and Livingston asked Chancellor Kent for his opinion, and for some reason he saw proper to withdraw his approval of the opinion of Judge Richardson.

Chief Justice Marshall, in delivering the opinion of the court, stated that the points for consideration were: First, Is this contract prohibited by the Constitution of the United States? Second, Is it impaired by the acts under which defendant holds?

He assumed that a charter was a contract, and decided the case in that assumption; but he realized that he must limit the meaning of the word "contract" as used in the Constitution "to contracts respecting property," as he stated, "as distinguished from the meaning of the word 'contract' in its broad sense of comprehending the political relations between the Government and the citizens;" viz., "offices held in a State for State purposes; laws concerning civil institutions, which must change with circumstances, and be modified by ordinary legislation, which deeply concern the public, and which, to preserve good government, the public judgment must control; and marriage contracts. . . . Taken in the broad and unlimited sense, the clause would be an

unprofitable and vexatious interference with the internal concerns of the State, and would unnecessarily and unwisely embarrass its legislation, and render immutable those civil institutions which are established for purposes of internal government, and which, to subserve those purposes, ought to vary with varying circumstances."

It is unaccountable that he could see so clearly and express so lucidly the danger of accepting the meaning of the word "contract" in its broad sense, and ignore the equally evident evils that would be visited upon the country in accepting the meaning of the word in the sense he gave it, except upon the hypothesis that he was determined to take care of the bank at any and all hazards.

The plea of ignorance of the evil effects of the decision which are so sorely afflicting the prosperity of the people, can not be presented in his behalf; for Judge Richardson in his opinion called attention to the possible evils that would naturally flow from holding that corporations retained in their charters a sovereignty uncontrolled and uncontrollable by either the Legislatures of the State or by Congress, and in the argument these fears were presented so forcibly that Mr. Webster felt compelled to contemptuously refer to them as imaginary and mere pretense.

The only extenuating feature of the decision was the inadvertent clause of Justice Story that "if the Legislatures meant to claim such an authority [viz., to alter, amend, or repeal charters] it must be reserved in the grant;" and even this was left out of the chief justice's opinion.

The result has been that the only suggestion which was of the slightest benefit was so well hidden in the uninteresting verbosity and tiresome recitations of the opinion, that the States did not for a long time see the necessity for such reservation; and their territory is filled with corporations

which defy their power, and make fun of the futile attempts of their Legislatures to exercise even the power of taxation over them, except as they please to submit to the same.

The failure of the States to reserve the right to alter, amend, or repeal, was neglected for such a time that the courts, influenced by the decision in the Dartmouth College case, and fear of corporate power, are judicially legislating from the States such rights as it was originally intended should be retained by the reservation clause in charters that have been granted in late years.

The chief justice's justification for limiting the meaning of the word "contract" to property rights is, "that as the framers of the Constitution could never have intended to insert in that instrument a provision so unnecessary, so mischievous, and so repugnant to its general spirit, the term contract must be understood in its limited sense."

The wrong that has been inflicted by said opinion justifies the statement that the chief justice virtually said, "In my determination to take care of the bank of the property-rights faction, I will limit the meaning of the word 'contract' to the minimum of provisions unnecessary, mischievous, and repugnant to the general spirit of the Constitution.

He adds further: "It must be understood as intended to guard against a power of at least doubtful utility, the abuse of which has been extensively felt; and to restrain the Legislature in future from violating the right to property," meaning thereby the taxation of the Bank of the United States; for in the case under consideration, it was only the supervision and control of the eleemosynary institution that the legislative act affected, not the divesting or altering in the least of any of its property rights."

"Anterior to the form of the Constitution," he said, "the course of legislation had prevailed in many, if not all States,

which weakened the confidence of man in man, and embarrassed all transactions between individuals, by dispensing with the faithful performance of engagements. To correct this mischief, by restraining the power which produced it, the State Legislatures were forbidden 'to pass any law impairing the obligations of contracts,' that is, of contracts respecting property under which some individual could claim a right to something beneficial to himself; and that since the clause in the Constitution must receive some limitation, it may be confined, and ought to be confined, to cases of this description, to cases within the mischief it is intended to remedy."

It should have been known to Chief Justice Marshall that this power of injustice is inherent in all forms of government, and that its exercise is restricted only by the morality of a people and a nation, as expressed in the decisions of the judiciary.

He should have known also that the most futile antidote for this dishonest tendency was chartering corporations, which, when freed from legislative control and supervision, become instruments of more formidable injustice than have been exercised by any governing body known to history.

He should have known that it was the aggregation of men of wealth by corporate enactment, with the license of corporate irresponsibility, and the power of possible corporate immensity, that inclines and enables them to influence the action of Legislatures, Courts, Congresses, and Presidents into committing the injustice complained of; and that when and wherever officials are free from those malevolent influences, they have never been guilty of the practises he was pretending that he was warding off.

He knew that he had at heart the interests, and was in

feeling the friend and advocate of, the property-rights faction, bitterly opposed to the personal-rights faction led by Mr. Jefferson, and that the strength and success of his faction relied on corporate activity, free from the control of State legislation, and especially the corporate activity of the bank, in order to prevail over the genius of Mr. Jefferson.

No one was more familiar than he with the principles evolved to protect the people from the aggressions and impositions of his faction, and the checks and overthrows received from the superior statesmanship of Mr. Jefferson, who had once driven them from power, and was influencing the policies of the Government.

No one was more familiar than he with the treasonable conduct of his faction during the war with England, and the manner in which Mr. Madison was induced to desert Mr. Jefferson, and sign the bill granting a charter to the United States Bank.

No one realized better than he the deadliness of the blow of the State of Maryland when it placed its prohibitive tax upon the operation of the bank in its territory; and no one was more alive and keener to the fact that now all depended on him and his influence with the members of the court.

This influence prevailed; and after he secured the majority of the court, the opinion was announced, as it was intended that it should be, when Mr. Webster was directed to change sides, if Chief Justice Marshall could carry the court with him.

Having discovered that a charter was a contract, and such a contract as was protected by the Constitution of the United States, there was nothing dangerous to the interests of the bank in the case of McCullough against the State of Maryland, and the hearing of that case was had and the opinion delivered March 7, 1819.

XIX

McCullough vs. the State of Maryland, 4 Wheaton (S. C. Rep.), 313.

In the argument of the case, Mr. Webster developed the main point in the following adroit manner: "The question whether Congress constitutionally possesses the power to incorporate a bank, might be raised upon the record, and it was in the discretion of the defendant's counsel to agitate it; . . . but it might have been hoped that it was not now to be considered as an open question. It is a question of the utmost magnitude, deeply interesting to the Government itself, as well as to individuals. The mere discussion of such a question may most essentially affect the value of a vast amount of private property.

"We are bound to suppose that the defendant in error is well aware of these consequences, and would not have intimated an intention to agitate such a question, but with the real design to make it a topic of serious discussion, and with the view of demanding upon it the solemn judgment of this court. This question arose early after the adoption of the Constitution, and was discussed and settled, as far as legislative discretion could settle it, in the First Congress."

Mr. Webster knew when he made this statement that the action of the First Congress was caused by restricting the money of the country to gold and silver, and that the distress caused by the scarcity of money was such that it was imperative for Congress to take some action to temporarily relieve this suffering.

Mr. Webster further knew that a certain clique that controlled Congress took advantage of this necessity for additional currency, and influenced that body to grant them a charter for a bank, by means of which they could and had robbed the people.

Mr. Webster also knew that this clique was so afraid that Congress would confer a similar favor upon others, that they influenced that body to make the pledge that no other charter would be granted for twenty years.

Mr. Webster also knew that the selfishness of the bank clique had in great part destroyed their calculation, because the distress of the people, even after the bank was in operation, became so grievous that the States were forced to come to their relief by the unconstitutional act authorizing the bank chartered by them to issue notes.

He knew that the exercise of these two unconstitutional powers, first by Congress and then by the States, had developed two hostile factions, which had been struggling for the control of the Government.

He knew that the national-bank clique was overthrown in 1811, and that the State-bank faction was overthrown in 1817, and that this effort of the State-bank faction would prove fatal to the national bank, unless the court held that Congress had the power to grant a charter to a bank. Therefore he opened the argument as he did, claiming that acts (which arose out of the distress that had been imposed by the limitations and restrictions of the Constitution) were precedents so numerous, so long, and so generally acquiesced in that they were now constitutional.

He adds "that arguments drawn from the Constitution in favor of this power were stated, and exhausted in that discussion." Perhaps so, but the arguments drawn from the motives, the facts, and Machiavellism which caused the

abuse of the Constitution, have not been stated, much less exhausted.

He adds, "They were exhibited with characteristic perspicuity and force by the first secretary of the treasury in his report to the president of the United States;" and it may be added that similar violations of the Constitution, in the interests of the national-bank clique, have received the advocacy of their agents while attitudinizing in the office of the secretary of the treasury as servants of the public.

He states "that the First Congress created and incorporated the bank, and that nearly each succeeding Congress, if not every one, has acted and legislated on the presumption of the legal existence of such a power in the Government." He made this statement when he knew the pledge given by the First Congress that it should have a monopoly for twenty years, had carried it safely through the succeeding nine Congresses, and that the Eleventh, the first one that was free from the moral obligation, refused to exercise said power.

He knew that the Eleventh Congress refused the bank the renewal of its charter, and that Mr. Madison vetoed the bill granting a charter to a bank in 1816, and approved the bill in 1817, and yet he makes the following statements: "Individuals, it is true, have doubted, or thought otherwise; but it can not be shown that either branch of the Legislature has at any time expressed an opinion against existence of the power. The executive government has acted upon it [and he might have added both ways], and the courts below have acted upon it. Many of those who doubted or denied the existence of the power, when first attempted to be exercised, have yielded to the first decision, and acquiesced in it as a settled precedent.

"When all the branches of the Government have thus

been acting on the existence of this power for nearly thirty years, it would seem almost too late to call it in question, unless its repugnancy with the Constitution were plain and manifest. Congress by the Constitution is invested with certain powers; and as to these objects, and within the scope of these powers, it is sovereign."

This last clause is a true and well-stated proposition, and if Mr. Webster, as a statesman and not as the paid advocate, had been honestly seeking the true construction of the Constitution, considering only the present and future welfare of the people, and the perpetuity of the best form of government ever given to man, he would have ascertained what our Supreme Court has three times enunciated, and maintains to-day; viz., that the only sovereign power Congress has in reference to the circulating currency is the issue of legal-tender treasury notes (as well as the coinage of specie), that are no more redeemable in gold or silver coin than the coins are redeemable in treasury notes.

Mr. Webster was too good a statesman to go on record that Congress was exercising a sovereign power when it granted a charter to a bank, for in his argument he says, "Corporations are the means; they are not the objects of Government. No Government exists for the purpose of creating corporations as one of the ends of its being. They are institutions established to affect certain beneficial purposes, and, as means, take their characters generally from their end and object."

Mr. Webster's argument makes it possible to state the issue so clearly that any one may understand it, and no longer be mystified and confounded by the metaphysical, literary, and governmental distinctions of words, phrases, and powers that have been palmed off as luminous expositions of the Constitution.

Congress, under the teaching and influence of Mr. Jefferson and the stress of the war with England, exercised the sovereign power of a nation in the bill authorizing the issue of treasury notes, non-interest-bearing, non-redeemable except in exchange for bonds, and legal tender for all debts and dues to the United States.

President Madison in 1816 vetoed a bill to grant a charter to a bank that was intended to nullify the provisions and the benefits of that act. For some unexplained reason, in 1817 he reversed himself, and approved the bill granting a charter to a bank.

By the terms of this bill the bank was given a monopoly for twenty years, with the right to issue notes. In addition the bill provided that the bank was to pay the Government $1,500,000 for this exercise of its sovereign power; and the Government was obligated to get its treasury notes out of circulation, so that they would not compete with the notes of the bank.

The people were so well pleased with the efficiency of the treasury notes that they refused to exchange them for bonds, notwithstanding they were refused by the banks, and notwithstanding the Government refused to receive them in payment of import duties.

The people, through their State Governments, were resenting the debauchery of their president and Congress. The State of Maryland instituted the fight, and most efficiently, by a prohibitive tax upon the branch of the bank established in that State. The Supreme Court of that State sustained the action of the Legislature, and with annihilation staring the bank in the face, it appealed to the Supreme Court of the United States for protection.

The Dartmouth College case was utilized to have the Supreme Court decide that a charter was a contract; so that

when it was decided that Congress had the power to charter a bank, the principles settled in that case would be decisive of the right of the States to tax the bank, with a view to its destruction.

Mr. Webster had won one branch of the fight, and he must exert to the full the greatness of his intellect and ingenuity to furnish arguments that would do as a pretext for deciding that Congress could, for a pittance of $1,500,000, barter away to a bank the exercise of a sovereign power for twenty years. Therefore Mr. Webster, after establishing the proposition that Congress by the Constitution is vested with certain powers, and as to the objects and within the scope of these powers it is sovereign, refused to see what the necessity of events, the true theory of government, and the inexorable logic of financial science, has since caused the Supreme Court to announce as the law of the land; viz., the power and right of Congress to issue treasury notes redeemable only in the sense that they are receivable for all debts, dues, and obligations of the Government, and a legal tender for the payment of private debts.

If this expression of the true theory of the issuance of money had been accepted by Mr. Webster, he need not have gone off hunting for the implied power which he and Chief Justice Marshall made so much of in their desire to save the machinery of the property-rights faction, and which has been so instrumental in enabling that faction to transfer the property of the people into their possession.

He knew that the doctrine of implied power did not, and could not, arise, if there was a constitutional or a sovereign power to accomplish the same end. Therefore he, and his faction, contended that Congress had no right to issue treasury notes, because the power had been withheld from Congress; and as said power had been designedly withheld,

they had the right to assume that there was no way to do what was necessary to be done, and sustain what had been done, except to invoke the doctrine of implied power as a means to an end under the general welfare clause.

The argument used to induce the Supreme Court to deny the right of Congress to exercise this sovereign power, was reversed in the effort to induce the court to sustain the action of Congress that granted a charter to the bank, and sold the sovereign power to the bank. The grant of a charter to a bank was not an implied or sovereign power, as will appear from the following portion of Mr. Webster's argument: —

"Even without the aid of the general clause in the Constitution empowering Congress to pass all necessary and proper laws for carrying its powers into execution, the grant of powers itself necessarily implies the grant of all usual and suitable means for the execution of the powers granted. Congress may declare war; it may consequently carry on war, by armies and navies, and other suitable means and methods of warfare. . . .

"It may of course use all proper and suitable means, not specially prohibited in the raising and disbursement of the revenue. . . . It is not enough to say that it does not appear that a bank was in the contemplation of the framers of the Constitution."

And it seems that it made no difference to Mr. Madison and others then in office, who were in the Constitutional Convention, that a fear that Congress would create a bank was the expressed reason why the power to grant charters was withheld from Congress. Mr. Webster must have known this when he made these statements, though it is admitted that the report of the proceedings of the Convention had not been made public at that time. It is hardly

possible, in the consultations before the argument, that he was not fully informed of what was said in the Convention, if not furnished with a copy of so much of the debate as was preserved.

Mr. Webster, in accounting for the fact in his statement "that it does not appear that a bank was in the contemplation of the framers of the Constitution," says, "It was not their intention, in these cases, to enumerate particulars." Negatively they had enumerated the bank, and been most particular in withholding the power from Congress to grant charters for building canals, because of the well-entertained fear that it would be abused by the creation of a bank.

Mr. Webster adds further: "The true view of the subject is that if it be a fit instrument to an authorized purpose, it may be used, not being specially prohibited."

It was a vicious play upon words and hypocritical legal juggling to argue that a power which the wisdom of the Fathers on three occasions refused to bestow upon Congress, was a power that could be implied because it was "not specially prohibited" in the language of the Constitution.

Judged by the other test laid down by Mr. Webster, "that if it be a fit instrument to an authorized purpose, it may be used," the creation of a bank was unconstitutional and an imposition. The authorized purpose should only have been to furnish the people with a full supply of circulating currency with which they could transact business, and secure their merited prosperity.

It should have been evident to any one but paid advocates, partisan judges, and interested parties, that forcing a people to give up efficient and satisfactory treasury notes that they would not exchange for seven-per-cent bonds, and substituting in their stead bank-notes upon which they were forced to pay interest at the rate of twenty or a higher per

cent for every dollar of specie invested, was not in consideration of the interests of the people, but solely in the interest of the bankers. Mr. Webster spoke only in the interest of his client, the bank.

The fitness of the bank, as an instrument to subserve the purpose of the bankers, had been twice demonstrated in the history of the country: first, in the methods, practises, and accumulated wealth of the stockholders of the bank chartered by the Continental Congress; and, second, by the methods, practises, and success of the stockholders of the first bank chartered by Congress.

Its authorized purpose,—to enrich the privileged few at the expense of the many,—and its total unfitness to subserve the interests of the people, was equally well known, and therefore the Government was taken into copartnership and given a share of the profits that were being made off of its citizens and supporters.

Mr. Webster's argument betrays that in the close examination he gave the question he was forced to the conclusion that Congress had the sovereign power to issue treasury notes, as had been done, and that its action in selling the exercise of that power to the bank, and calling in the treasury notes was vicious in motive and wrong in the correct theory of government; but inasmuch as it had been done, and retracing its steps could not, under the circumstances, be safely attempted, or he was not willing under his party obligations and personal ambitions that it should be done, the bank might be a necessary but not a proper instrument. Therefore he contended that "proper," as used in the Constitution, only meant "necessary;" for in the next sentence he adds, "If this be not so, and if Congress could use no means but such as were absolutely indispensable to the existence of granted powers, the Government would hardly

exist; at least it would be wholly inadequate to the purposes of its formation. A bank is a proper and suitable instrument to assist the operations of the Government in the collection and disbursements of the revenue, in the occasional anticipations of taxes and imports, and the regulation of the actual currency as being a part of the trade and exchange between the States. It is not for this court to decide whether a bank, or a bank such as this, be the best possible means to aid these purposes of the Government. Such topics must be left to that discussion which belongs to them in the two houses of Congress. Here the only question is whether a bank, in its known and ordinary operations, is capable of being so connected with the finances and revenues of the Government as to be fairly within the discretion of Congress, when selecting means and instruments to execute its powers and perform its duties."

Mr. Webster knew that he was making a misstatement in saying that "the only question is whether a bank, in its known and ordinary operations, is capable of being so connected with the finances and revenues of the Government as to be fairly within the discretion of Congress," etc., with a view to mislead the court; for the main question was, as appears from the record, whether Congress had the power to create a bank.

It is evident to the most superficial observation that if Congress did not have the power to grant a charter of incorporation, a bank chartered by Congress, however necessary and efficient, would not have been constitutional. If Mr. Webster had put his argument for the right and power of Congress to grant charters upon the necessity and fitness of the bank, as the sole instrument for the preservation of the country, he would have gone to record as indirectly denying the power of Congress to use any other means than

a bank. This he was not willing to do. His intellectual honesty was superior to his personal integrity, and he asserts and maintains the one while ignoring the other.

Conscious that Congress, in the act authorizing the issue of treasury notes, had only exercised an inherent and natural sovereign power, and that the sale of the exercise of this power to the bank was vicious in its effects, but advantageous to his clients, and therefore essential and necessary to their interests, he made this statement: "Congress has duties to perform and powers to execute. It has a right to the means by which these duties can be properly performed and the powers executed. Among other means, it has established a bank; and before the act establishing it can be pronounced unconstitutional or void, it must be shown that a bank has no fair connection with the execution of any power or duty to the national Government, and that its creation is consequently a manifest usurpation."

However it may have been at that time, when the Government was a co-partner in the bank, and dependent upon its working, it is now evident that a bank has no fair connection with the execution of any power or duty of the national Government.

The second question for decision, as stated by Mr. Webster, was "whether, if the bank be constitutionally created, the State Governments had power to tax it?" "The only inquiry, therefore, in this case is," he stated, "whether the law of the State of Maryland imposing this tax be consistent with the free operation of the law establishing the bank,— which is the supreme law of the land,— and the full enjoyment of the privileges conferred by it."

Eliminated of the interest that the Government has in the bank,— which was inserted in the act for the double purpose of securing the protection of the Government and the

profits that might be made out of its deposits,— it is evident "that the full enjoyment of the privileges conferred by it" could only apply to the clique who influenced Congress to pass and the president to approve the bill.

Mr. Webster further stated: "The object in laying this tax may have been revenue to the State. In the next case, the object may be to expel the bank from the State; but how is this object to be ascertained, or who is to judge of the motives of legislative acts. . . . The Government of the United States has itself a great pecuniary interest in this corporation. . . . Can the State tax this property? . . . The State of Maryland might, *with as much propriety,* tax treasury notes."

It is evident from the last observation that Mr. Webster was fully aware of the governmental abuse which Congress committed when it sold its sovereign power to the bank to issue notes, and endeavored to force its notes out of circulation so that the bank-notes could be issued in their stead. It was absurd, if not treasonable, to argue that Congress has the constitutional right to ignore and set aside an essential and recognized sovereign power in order that it might exercise, in behalf of a national bank, a doubtful if not clearly unconstitutional power.

Mr. Webster further argued that "the bank can not exist, nor can any bank established by Congress exist, if this right to tax exists in State Governments. . . . One or the other must be surrendered, and a surrender on the part of the Government of the United States would be a giving up of those fundamental and essential powers, without which the Government can not be maintained."

Here we have Mr. Webster contending, between the right of the States to exist by the exercise of constitutional power and the right of the bank to exist by the exercise of

unconstitutional power, that the States must give way, and upon the false assumption that Congress would be giving up a fundamental and essential power, if it could not preserve its bank.

It is one of the anomalies of our judicial and congressional history that such zeal has been shown in behalf of the power of Congress to charter a bank, when it had no such power, and so much indifference shown as to the right of Congress to exercise the truly fundamental and essential power to issue treasury notes.

Mr. Webster admitted that the chartering of a bank by Congress was not the exercise of a fundamental and essential power in the following: —

"A bank may not be, and is not, absolutely essential to the existence and preservation of the Government. The question," as he was forced to state, "is not whether a bank be useful or necessary, but whether Congress may not constitutionally judge of that necessity or utility; and whether, having so judged and decided, and having adopted measures to carry its decisions into effect, the State Government may interfere with its decisions, and defeat the operation of its measures."

Chief Justice Marshall, in his opinion, stated "that the first question made in the cause is, Has Congress power to incorporate a bank?" and not, as Mr. Webster contended, "whether a bank, in its known and ordinary operation, is capable of being so connected with the finances and revenues of the Government as to be fairly within the discretion of Congress, when selecting means and instruments to execute its powers and perform its duties."

In the light of what has been written, setting forth the motives and avaricious influences that forced upon the country the abuses made necessary by the unpatriotic and selfish

limitations of the Constitution in the matter of money, Mr. Marshall begins his opinion with a statement that begs the question: —

"It has been truly said that this can not be considered as an open question, entirely unprejudiced by former proceedings of the nation respecting it. . . . The principle now contested was introduced at a very early period of our history, has been recognized by many successive Legislatures, and has been acted upon by the judicial department, in cases of peculiar delicacy, as a law of undoubted obligation.

"*It will not be denied that a bold and daring usurpation might be resisted after an acquiescence still longer and more complete than this.*

"An exposition of the Constitution, deliberately established by legislative acts, on the faith of which an immense property has been advanced, ought not to be lightly disregarded.

"The power now contested was exercised by the first Congress elected under the present Constitution. . . . The bill for incorporating the Bank of the United States did not steal upon an unsuspecting Legislature and pass unobserved. . . . Its principle was completely understood, and was opposed with equal zeal and ability. . . . After being resisted first in the fair and open field of debate, and afterward in the executive cabinet, with as much persevering talent as any measure has ever experienced, and being supported by arguments which convinced minds as pure and as intelligent as this country can boast, it became a law. . . . The original act was permitted to expire."

He omits to add that under the influence of Mr. Jefferson the bank was refused a renewal of its charter, that the war of England was fought with treasury notes against the treasonable opposition of this banking clique, and that its second

charter was secured in 1817 through the treachery of President Madison; but instead, stated that "a short experience of the embarrassments, to which the refusal to revive it exposed the Government, convinced those who were most prejudiced against the measure of its necessity, and induced the passage of the present law. . . . It would require no ordinary share of intrepidity to assert that a measure adopted under these circumstances was a bold and plain usurpation, to which the Constitution gave no countenance."

It was well known to Mr. Marshall, when he penned the above, that the embarrassments he referred to were caused by the treasonable warfare against the State banks and the treasury notes. And he also knew that the very act of Congress he was sustaining had, for the consideration of $1,500,000, sold to the bank the right and power to issue notes, upon the agreement that it would retire its treasury notes that were being so efficiently and satisfactorily used as mediums of payment. It did require no ordinary share of judicial intrepidity to gloss over in such a manner these well-known facts, in his intention to take care of the bank.

When one recalls all the motives that dominated the legislation of Congress, the further purposes then in view, and reads such insincere and prejudiced statements in the opening of the opinion, he knows there could have been no doubt in the mind of the most disinterested hearer what the decision would be; and it occasioned no surprise that Chief Justice Marshall found reasons sufficient to himself for holding that Congress had the power to incorporate a bank. Reasons would have been found even if there had been no ground for the pretexts advanced; for in the following clause he adds, "These observations belong to the cause; but they are not made under the impression that, were the

questions entirely new, the law would be found irreconcilable with the Constitution."

He thereupon lays down the accepted principle that "the Government of the United States, though limited in its powers, is supreme; and its laws, when made in pursuance of the Constitution, form the supreme law of the land, anything in the constitution or laws of any State to the contrary notwithstanding." This principle, if honestly and logically sustained in accordance with the facts, would have forced the conclusion that the act of Congress was not constitutional, for it has been shown by the records that three different attempts to confer this power on Congress were defeated, and solely because of the fear that it would be abused by chartering a bank. Ignoring and suppressing these facts, Mr. Marshall proceeds as follows: —

"Among the enumerated powers we do not find that of establishing a bank, or creating a corporation. . . . But there is no phrase in the instrument which, like the Articles of Confederation, excludes incidental or implied powers, and which requires that everything granted shall be expressly and minutely described. . . . Even the tenth amendment, which was framed for the purpose of quieting the excessive jealousies which had been excited, omits the word 'expressly,' and declares only that the powers 'not delegated to the United States nor prohibited to the States, are reserved to the States, or to the people;' thus leaving the question whether the particular power which may become the subject of contest has been delegated to the one Government or prohibited to the other, to depend on a fair construction of the whole instrument."

He used the word "fair" when he knew it had been asserted in the debates of the Constitutional Convention that the States had the right to grant charters of incorpora-

tion, and would not surrender it, and that it was dangerous to give the power to Congress, inasmuch as no one could predict what use would be made of said power by the States, over whose action there was no right of authority in the Government.

In the teeth of such facts, which Mr. Chief Justice Marshall must have known, it is strange that he should assert that "whether the particular power which may become the subject of contest has been delegated to the one Government or prohibited to the other" depends on a "fair" construction of the whole instrument, because the word "expressly" was left out of the clause "that the powers not delegated to the United States nor prohibited to the States are reserved to the States or to the people." It is noticeable that a national bank is the only corporation that Congress has seen proper to incorporate under the construction.

Chief Justice Marshall further stated that "although among the enumerated powers of Government we do not find the words 'bank or incorporation,' we find the great powers to lay and collect taxes, to borrow money, to regulate commerce, to declare and conduct war, and to raise and support armies and navies. . . . It can never be pretended that those vast powers draw after them others of inferior importance, merely because they are inferior. . . . Such an idea can never be advanced. . . . But it may with great reason be contended that a Government entrusted with ample powers, on the due execution of which the happiness and prosperity of the nation so vitally depend, must also be entrusted with ample means for their execution. . . . It can never be the interest, and can not be presumed to have been their intention, to clog and embarrass its execution by withholding the most appropriate means."

One reading the above in the consciousness that the

power was withheld from Congress to grant charters for fear that it would be abused by chartering a bank, and that the power "to emit bills on the credit of the United States," an essential and indispensable act of sovereignty, was also withheld, would naturally suppose that the chief justice was referring to the second and not the first power withheld.

Since the power "to emit bills of credit," according to the implied admission of Mr. Webster, was the exercise of sovereign power, and the power to charter a bank according to the admissions of both Mr. Webster and Chief Justice Marshall only a "means to an end," or an implied, certainly not a delegated or sovereign, power, it is difficult to understand how the chief justice could have been referring to "the means to an end," and not the sovereign, power.

This is the more difficult to understand when it is recalled that the exercise of the sovereign power had been sold by Congress to the bank in the very act that the chief justice was construing; and when the further fact is recalled that Congress was endeavoring to force out of circulation the very notes it had issued by virtue of this sovereign power, in order that the bank might issue its notes in their stead and increase its profits.

In the discussion of the right of the State of Maryland to tax the branch bank, Mr. Marshall stated "that the power of taxing by the States may be exercised so as to destroy, is too obvious to be denied. . . . It is admitted that the power of taxing the people and their property is essential to the very existence of the Government, and may be legitimately exercised on the objects to which it is applicable, to the utmost extent to which the Government may choose to carry it.

"The only security against the abuse of this power is found in the structure of the Government itself. . . . In im-

posing a tax the Legislature acts upon its constituents. . . . This is in general a sufficient security against erroneous and oppressive taxation.

"The people of a State, therefore, give to their Government a right of taxing themselves and their property; and as the exigencies of Government can not be limited, they prescribe no limit to the exercise of this right, resting confidently on the interest of the legislator, and the influence of the constituents over their representatives, to guard them against its abuse.

"But the means employed by the Government of the Union have no such security, nor is the right of a State to tax them sustained by the same theory. . . . Those means are not given by the people of a particular State, nor given by the constituents of a Legislature which claim the right to tax them, but by the people of all the States. . . . They are given by all, for the benefit of all, and upon theory should be subjected to the Government only which belongs to all.

"It may be objected to this definition," he said, "that the power of taxation is not confined to the people and the property of the State. It may be exercised upon every object brought within its jurisdiction. This is true. . . . All subjects over which the sovereign power of a State extends are objects of taxation; but those over which it does not extend are, upon the soundest principles, exempt from taxation. . . . The sovereignty of a State extends to everything which exists by its own authority, or is introduced by its permission; but does it extend to those means which are employed by Congress to carry into execution powers conferred on that body by the people of the United States? We think it demonstrable it does not. . . . Those powers are not given by the people of a single State. . . . They are

given by the people of the United States, to a Government whose laws, made in pursuance of the Constitution, are declared to be supreme. . . . Consequently the people of a single State can not confer a sovereignty which will extend over them."

This reasoning which releases the property of those doing a banking business under a charter granted by Congress, from bearing its due share of the burden of State government, appears strained and crude in the light of the modern practise of the Supreme Court of the United States.

The influence of the only powerful corporation of that day induced Mr. Marshall to relieve the Bank of the United States from the payment of the State tax, though it was operating within its territory, was dependent upon its protection, and owed its prosperity to the patronage of its citizens.

The influence of the powerful corporations which have grown up under the decisions in that and the Dartmouth College cases, has caused the Supreme Court to overrule Mr. Marshall in the principle so well stated that "the people of a State give to their Government a right of taxing themselves and their property; and as the exigencies of a Government can not be limited, they prescribe no limit to the exercise of this right, resting confidently on the interest of the legislator, and on the influence of the constituents over their representatives, to guard them against its abuse."

Following his example, and ignoring, as he did, his precept,— that the sovereign power of a State to tax, undisturbed and uncontrolled by any power, extends to everything which exists by its own authority, or is introduced by its permission,— the Federal courts now set aside and regulate the assessment and payment of the State taxes of

corporations upon the assumption of its enlarged equity jurisdiction under the fourteenth amendment to the Constitution.

The decision of Chief Justice Marshall in the case of McCullough vs. State of Maryland, that Congress had the power to charter a bank, and that the State of Maryland had no right nor power to tax a branch of said bank, secured to the bank, for the life of its charter, greater immunity than had been thought of when the act of Congress granting the charter was passed. And his decision in the Dartmouth College case, that a charter was a contract protected by the Constitution, and in the exercise of its rights and privileges not amenable to nor under the control of the State,— secured to the money power a commercial machinery which has been phenomenally successful in enabling them to transfer the property of the people to themselves in defiance of the States.

The argument of Mr. Webster and the reasoning of Chief Justice Marshall in the case of McCullough vs. State of Maryland, was apparently so sincere that many, in reading them, would suppose there could not have been any intimation at that time of the governmental and financial abuse that the experience of subsequent years has demonstrated was practised upon the people.

But a single quotation from the report of the legislative committee of the State of New York in 1818 shows that the evils of such abuses were felt and known in that early period. The quotation is as follows: —

"Of all the aristocracies, none more completely enslaves the people than that of money; and, in the opinion of your committee, no system was ever better devised to perfectly enslave a community than that of the present mode of con-

ducting banking establishments. Like the siren of the fable, they entice but to destroy. They hold the purse strings of society; and by monopolizing the whole of the circulating medium of the country, they form a precarious standard by which all property in the country — houses, lands, debts, and credits, personal and real estates of all descriptions — are valued.

XX

Report of W. H. Crawford, Secretary of the Treasury

One of the most remarkable papers of this remarkable period is the report of Mr. Wm. H. Crawford, secretary of the treasury, to the House of Representatives, dated February 12, 1820. It sets out the condition of the Bank of the United States as of September 30, 1819. It shows that the capital stock was $34,987,828.83; notes issued, $13,392,-288.49; due individual depositors, $2,631,453.76; due treasurer of the United States on account of deposits, $1,097,-263.33; due deposit by public officers, $1,709,899.82; due miscellaneous accounts, $1,365,726.36; a total of $54,465,-550.57.

There was on hand to meet this liability, $3,254,479.91 of specie; notes of State banks, $1,133,928.86, and notes of its own bank, $10,582,147.09; as a reserve or working capital, $7,252,591.94 interest-bearing funded debt of the United States, and the balance personal loans, bills of exchange, debts due from State bank, etc.

It will be seen from this statement that the bank had issued four times as many notes as it had specie to redeem them, and was ready to issue about three and one-half times as many more, if it could safely and profitably do so.

Said report also shows the condition of the banks in the States, Districts, and Territories so far as known. Aggregate capital stock, $72,340,770.64; notes in circulation, $35,-770,902.41; deposits, public and private, $14,583,681.74.

They had on hand to meet these liabilities, specie, $9,828,-

745.21; notes of other banks, $7,616,252.54, as a reserve or working capital, and the balance in personal loans, bills of exchange, etc. It will be seen that the State banks issued nearly four times as many notes as they had specie with which to redeem them.

The report estimates the entire specie possessed by the State banks at $12,250,000; the specie of the Bank of the United States and offices at $3,250,000; the specie in circulation at $4,500,000; the whole metallic currency of the United States at $20,000,000.

"Treating only such notes as are in circulation and not held in banks," he said, "as issued, it is probable that the actual circulation, both of paper and specie, is less at this time than $45,000,000." By the same mode of calculation Mr. Crawford estimated the whole amount of discounts at $156,000,000.

He then undertook to estimate, from such data as was preserved, the capital stock of the banks, the specie, the circulation, and discounts for the years 1813, 1815, and 1819: —

YEAR.	BANK CAPITAL.	SPECIE.	CIRCULATION	DISCOUNTS.
1813	$ 65,000,000	$28,000,000	$62,000,000	$117,000,000
1815	88,000,000	16,500,000	99,000,000	150,000,000
1819	125,000,000	21,500,000	53,000,000	157,000,000

He stated that while the bank capital had increased since 1813 from $65,000,000 to $125,000,000, the metallic base upon which the circulation of notes rest, had decreased.

Mr. Crawford did not undertake to ascertain how, in 1819, $21,500,000 of specie, through the instrumentality of a bank, could generate $53,000,000 in notes, and through the agency of these notes create a debt of $157,000,000 due the banks.

In his desire to secure a starting point upon which to

base his further observations, he assumed that the amount of circulation in 1813 was sufficient to effect the exchanges of the country with facility and advantage.

Therefore, he reasoned, inasmuch as in the year 1813 the bank capital was $65,000,000, the specie $28,000,000, the circulation $62,000,000, and the discount $117,000,000, any departure from those proportions must be erroneous in finance, and the cause of disaster.

It is estimated, he stated, that in 1815 the circulation arose to $110,000,000, and this amount was probably augmented in 1816; while at the close of 1819, it was only $45,000,000. Commenting upon this statement of facts, he writes, "All intelligent writers upon currency agree that where it is decreasing in amount, poverty and misery must prevail." The correctness of the opinion is too manifest to require proof. "The united voice of the nation attests its accuracy. . . . As there is no recorded example in the history of nations of a reduction of the currency so rapid and extensive, so but few examples have occurred of distress so general and so severe as that which has been exhibited in the United States. . . .

"During the greater part of the time that has elapsed since the resumption of specie payments, the convertibility of the bank-notes into specie has been rather nominal than real in the largest portions of the Union. . . . The convertibility of bank-notes into specie is becoming real wherever it is ostensible. . . . If public opinion does not correct the evil in those States where this convertibility is not even ostensible, it will be the imperious duty of those who are invested with the power of correction to apply the appropriate remedy."

The above is, in part, the report of the ablest secretary of the treasury upon the following facts: That for good cause

Congress refused in 1809 to renew the charter of the Bank of the United States; it was therefore forced into liquidation, the State banks had the field of finance to themselves, and many came into existence. In 1812 war with England was declared; and though the State banks bravely struggled to assist the Government, at much profit to themselves, they were destroyed by the United States Bank faction withdrawing all the specie from their vaults. Congress thereupon issued, in small denominations, irredeemable non-interest-bearing treasury notes, as legal tenders for all debts due the Government. These treasury notes, notwithstanding they were not a legal tender for private debts, withstood the assaults of the bank faction until 1817, when Congress granted a charter to the Second Bank. In the seventeenth section of this act, the resumption of specie payment was made imperative, and so much of a previous act as made it lawful for the treasurer to cause the treasury notes to be reissued, was repealed. To secure the benefit of this provision, the Second Bank limited its issue of notes to a safe minimum, and refused to receive the notes of any and all State banks, thereby forcing their depreciation in value and retirement, until the circulating currency was reduced from $110,000,000 in 1816 to $45,000,000 in 1819.

It is strange that Mr. Crawford could see the results of this class legislation so clearly, and know that it came from a contraction of the currency, and yet have no appreciation of the motives that made it possible and seemingly natural. His remedy is set forth in the following: —

"As currency is, at least in some parts of the Union, depreciated, it must, in those parts, suffer further reduction before it becomes sound. . . . The nation must continue to suffer until this is effected. After the currency shall be reduced to the amount which, when the present quantity of

the precious metals is distributed among the various nations of the world, in proportion to their respective exchangeable values, shall be assigned to the United States; when time shall have regulated the price of labor, and of commodities according to the amount; and when pre-existing engagements shall have been adjusted, the sufferings from a depreciated, decreasing and deficient currency will be terminated. Individual and public prosperity will gradually revive, and the productive energies of the nation resume their accustomed activity.

"But new changes in the currency, and circumstances adverse to the perpetuity of the general prosperity, may reasonably be expected to occur. So far as these changes depend upon the currency, their recurrence to an extent sufficient to disturb the prosperity of the nation would be effectually prevented, if it could be rendered purely metallic. But when currency is metallic, and paper convertible into specie, changes to such an extent, it is believed, will frequently occur."

The only remedy Mr. Crawford can suggest to ward off such evils as are always attendant upon a redundancy and then a contraction of the currency, is that the circulating currency should be purely metallic. Mr. Crawford's idea seemed to be that the volume of business should be confined to the volume of metallic money that could be secured and retained in the country, and that no business should be engaged in that could not promptly meet all payments in cash; or, if any credit at all was used, it should be so limited that under no possible circumstances would the confidence of the creditor in the ability of the debtor to pay all he owed, be in the slightest disturbed. The adoption of such a system would force all the business of the country to a volume that could be conducted by the cash system, aided by credits,

or personal confidence, as contradistinguished from the "credit system."

It is well known that the actual use of money in the settlement of the balances of the vast volume of business carried on by the "credit system," and in the business carried on by the cash system, is not more than three per cent of the volume of the two; and yet, theoretically and legally, this vast amount of credit is payable on demand in specie. It is impossible, in the first place, to conduct the vast volume of business in the credit system by the use of specie, for the daily handling of the amount needed would create an expense and cause a delay that would destroy all possible profits; if, indeed, in the second place, the necessary amount of specie could be had. Therefore, the enlarged prosperity of a nation, and its advance along the lines of civilization, Christianity, and the higher arts, depend upon the judicious use that is made of the "credit system" in promoting and aiding all those grand enterprises which make the honor and glory of a country.

It is evident that the abuses which tend to defeat the efficiency of the "credit system" should be warded off and provided against, and not fostered and encouraged by the Government. It is equally evident that no power, except that of the Government, has the motive and the strength to ward off the imposition of such abuses as avarice would engraft upon the system.

An examination, with a view to gather, in its last analysis, the purity of a financial system that would care for and promote the welfare of the people as individuals, and as organized bodies seeking happiness and comfort, would have shown that there was a deadly antagonism between business conducted by the cash system aided by credit — mostly the retail trade of the country — and the large wholesale busi-

ness conducted by means of "bookkeeping," or the "credit system."

It would have been seen that as the people, by the incessant and tireless application of their labor to the reduction of a primeval country to their needs and enjoyments, demanded and forced in some way the issue of mediums of payment, or tools, with which to work, they were invariably set back, despoiled, and dispirited by the fact that their tools were made worthless, as soon as the cry was raised that there was not enough specie to redeem them.

The result always is a cessation of all activity, and a rush to cover; and in this rush every one was only concerned in securing specie to pay his obligations. This competition for specie, by those engaged in the retail trade and those engaged in the wholesale transactions, made it possible for the owners to collect three or four times the value of their specie; and as it passed from one person to another, those who were lucky enough to secure it, saved themselves in part from loss, and as they in turn parted with it, recouped in some degree the loss they sustained; but inasmuch as the law forced settlement before the debtor was enabled to secure the specie, he in many instances lost all he had

The large operations which build up the country, and which become larger and more essential to the prosperity of all enterprise, can not be conducted without the use and continual enlargement of "credits," and are incessantly forcing their issues. The retail business and smaller transactions conducted by cash and personal confidence, or credit, as distinguished from the "credit system," are jeopardized and made hazardous as credits are increased. Therefore in this natural and unavoidable antagonism of the two separate systems of conducting business, when they are welded together by their dual dependence upon redemption in specie,

the enlargement of credits, which causes the prosperity of the large operations, is the jeopardy of both; and the withdrawal of credit money, to a point that insures protection to the retail business, is the destruction of all profit in both.

The evils that arise from the interdependence of the two systems as the one or the other prevails,— inflation or contraction,— has been the history of our finances, and it will continue until the dual dependence of the currency, used in both systems, on specie is changed. Instead of this Government so legislating that this dual dependence would be removed, and the antagonism of the two systems be destroyed or adjusted, it has increased the antagonism, and made both systems of conducting business more hazardous by forcing the currency and credits used in each to a reliance on the gold dollar.

The trend of the business spirit of this country is irresistibly to larger and still larger operations; and as credits are increased to meet the demand, there will be such accessions of "credit money" to the volume, that when confidence in the ability of gold to redeem all these evidences of debt has vanished, and demand is made for their payment in gold, the evils of all past panics will pale into insignificance before the horrors of the next one.

Mr. Crawford appreciated fully the evil, but because the money power had insidiously gotten into the Constitution the heresy that only gold and silver should be the basic money of the country, he saw no remedy except to let the people continue to suffer until a pure metallic currency was reached. If the fate of those who had suffered and were suffering so severely did not operate to constrain a vigorous race to make the most of the opportunities so bountifully presented, by such aid as was offered by the United States Bank and the gold and silver coins, then he saw nothing but similar

suffering for them in the recurring periods of expansion and contraction that would necessarily and inevitably occur.

It is strange that so able a financier as Mr. Crawford did not realize that it was the dependence of the two separate and antagonistic systems upon gold and silver that made the conditions of which he complained; and that he did not suggest a remedy which would have destroyed this dual dependence, and established the independence of each from the other. But instead of doing that, and formulating a system that would have encouraged and sustained the incessant and progressive activity of the Anglo-Saxon in his indomitable inclination to labor, Mr. Crawford indulged in the following reflection: —

"That the establishment of banks in agricultural districts has greatly improved the general appearance of the country, is not denied. . . . Comfortable mansions and spacious barns have been erected; lands have been cleared and reduced to cultivation; farms have been stocked and rendered more productive, by the aid of 'bank credits.' . . . But those improvements will eventually be found, in most cases, to effect the ruin of the proprietor. . . . The farm with its improvements will frequently prove unequal to the discharge of the debts incurred in its establishment. . . . Such in fact is the actual or apprehended state of things wherever banks have been established in the small inland towns and villages. . . . Poverty and distress are impending over the heads of most of those who have attempted to improve their farms by the aid of the bank credit. . . . The general system of credit which has been introduced through the agency of banks brought home to every man's door, has produced a factitious state of things, extremely adverse to the sober, frugal, and industrious habits which ought to be cherished in a republic. . . . In the place of these virtues,

extravagance, idleness, and the spirit of gambling adventure have been engendered and fostered by our institutions."

It is strange that Mr. Crawford should have been led into an attempt to explain away and deny the evidences of his senses,— viz., that these credits, or expressions of labor value, were highly advantageous to the development of the country,— and indulge the erroneous assertion that they fostered extravagance, idleness, and a spirit of gambling. He seems to have had no appreciation whatever of the true cause of the evils he declaimed against, and did not understand that the condition of affairs he so much deprecated was due solely to the abuse engrafted upon the financial system in the constitutional heresy which gives and guarantees the right to demand the redemption of all paper currency, as well as all credits, in specie, notwithstanding it is an impossibility.

It is only fair to Mr. Crawford, after the comments that have been made, that he be given a chance to redeem himself, which he does to some extent in that part of his report that is responsive to the request "to report such measures as in his opinion may be expedient to supply a circulating medium in place of specie, adapted to the exigencies of the country and within the power of the Government."

This last request of the House of Representatives to the secretary of the treasury justified an exhaustive consideration of the financial policy which would best subserve the interest of the people; for, as Mr. Crawford observes, "it assumes by implication the practicability of substituting, by the constitutional exercise of the powers of Congress, a paper currency for that which now exists."

It will be seen that the clear thinking and pure reasoning of the secretary, and the conclusions that perforce and logically must be drawn from his expositions and deductions,

were ignored, because of his sincere but erroneous acceptance of the heresy engrafted upon the Constitution that only gold and silver coins should be legal tender, or solvents of debts, and the consequent deduction that all paper issues, as well as all credits, were redeemable in specie. He leads up to the discussion with the following observations upon the power of Congress over the currency: —

"In considering the power of Congress over the currency of the United States, it can not, consistently with the respect that is due to that body, be either affirmed or denied. . . . It can not be supposed that the House of Representatives, in adopting the resolution in question, intended, through the agency of an executive department of the Government, to institute an inquiry as to the extent of the constitutional authority of a body, of which it is only a constitutional member. . . . Yet it will necessarily occur to the House that if the power of Congress over the currency is not absolutely sovereign, the inquiry, whatever may be its immediate result, must be always without any ultimate result. . . . *The general prosperity will not be advanced by demonstrating that there is no intrinsic obstacle to the substitution of a paper for a metallic currency, if the power to adopt the substitute has been withheld from the Federal Government.*"

He abandons all chance to arrive at a scientific conclusion, confounds his reasoning in inextricable confusion, and draws the most illogical deductions by the acceptance of the following predicate: "At the threshold of this inquiry it is proper to observe that it is deemed unnecessary to present an analysis of the motives which led, even in the most remote antiquity, to the general adoption by the civilized States of gold and silver as the standard of value, or of the advantages which have resulted from that adoption."

It is evident that if he refrains from an analysis of the motives which led to the adoption of gold and silver as "the standard of value," meaning, it is supposed, standard of payment, he will not ascertain what those motives were; and consequently, having no standard of the correct, he will have no guide to indicate the true, nor a criterion to detect the false, motives which prompt greed to engraft abuse upon the financial system. It is therefore evident that if, in the course of the centuries, abuses have, through the machinations of the designing, become an integral part of the system, he accepted the evil with the good, and gave both the same legal consideration that should only be given the latter.

"The circumstances to which, in the course of the investigation," he stated, "it will be necessary to advert, is the tendency which a metallic currency has to preserve a greater uniformity of value than any other commodity; and the facility with which it returns to that value, whenever by any temporary cause that uniformity has been interrupted. . . . No argument will, in this place, be offered in support of this proposition. . . . It is founded in the experience of all nations. . . . Its truth, for the present, will therefore be assumed."

That "a metallic currency has a tendency to preserve a greater uniformity of value than any other commodity," is true in the sense that it is equal in value to itself; and in the proportion established, gold and silver varied but little at the time he wrote. Since his day, however, legislation favorable to gold and hostile to silver has destroyed the truth of the assertion so confidently stated by him as "founded in the experience of all nations," and demonstrates that the impurity of the motives, which he did not deem it necessary to analyze, has succeeded in breaking down the

constitutional safeguard that both gold and silver should be the money of the country.

That a "metallic currency has a tendency to preserve a greater uniformity of value than any other commodity" as to the value of the products of this country, was as incorrect a statement then as it is to-day, and as Mr. Crawford proceeds with his report he unconsciously assigns the reasons therefor.

"It is maintained by all intelligent writers upon the subject," he stated, "that the demand for currency, at present, throughout the world, is greater than the supply which the existing quantity of the precious metals will afford, without materially depressing the price of all the objects of human industry and human desires. . . . When it is recollected that production is regulated by demand, and that both are directly affected by the quantity of currency compared with the quantity of articles to be exchanged, it is readily perceived that an increase in the currency of the world by the substitution of paper, even when convertible into coin, will increase the quantity of exchangeable commodities in the world beyond what would have existed had such increase of currency not taken place. . . . Under such circumstances, a sudden reduction of the currency by the rejection of the paper which had been employed, could not fail to derange all the relations of society by diminishing the quantity of currency, whilst the articles to be exchanged through its agency would suffer no such diminution.

"An immediate depression in the price of all commodities would be inevitable in consequence of an unqualified return to a metallic currency, upon the supposition that the quantity of gold and silver annually produced should remain undiminished. . . . But if this return to a metallic currency should be attempted at a period when the annual product

of these metals, either from temporary or permanent causes, should have considerably decreased, all the great interests of society would be most seriously disordered; property of every description would rapidly fall in value; the relations between creditor and debtor would be violently and suddenly changed. . . . This change would be greatly to the injury of the debtor; the property, which would be necessary to discharge his debts, would exceed that which he had received from his creditor; *the one would be ruined without the imputation of crime, whilst the other would be enriched without the semblance of merit.*

"Until the engagements existing at the moment of such a change are discharged, and the price of labor and commodities is reduced to the proportion which it must bear to the quantity of currency employed as a medium of exchange, enterprise of every kind will be repressed, and misery and distress universally prevail. . . . When this shall be effected, the relations of society, founded upon a new basis, will be equitable and just, and tend to promote and secure the general prosperity."

When it is remembered that these departures from a safe metallic base were made necessary by limiting the money of the country to gold and silver, and that the demand for national currency was permitted to be supplied through the agency of banks, which were continually inciting and encouraging the spirit of enterprise and development among the people by the loan of bank-notes, it seems like more than criminal ignorance to fail to see all this. It is incomprehensible that in the factional fight between the national bank and the State banks for supremacy, he failed to appreciate that they precipitated the crisis that was afflicting the country.

Mr. Crawford continues as follows: "Previous to enter-

ing upon the immediate discussion of the practicability of substituting a paper for a metallic currency, it is proper to observe that gold and silver derive part of the uniformity of value which has been ascribed to them, from the general consent of civilized states to employ them as the standard of value."

Stated in other words, the general and constant demand of civilized nations for gold and silver to be used as money, when given the value of legal tender, necessarily creates uniformity in value to the extent of the demand and its constancy.

"Should they cease to be used for that purpose," he stated, "they would become variable in their value, and would be regulated like other articles, by the demand for them, compared with the supply in any given market."

He proceeds as follows: "Having considered the nature and extent of the variations in value to which a metallic currency is necessarily subject, it remains to examine whether it is practicable to devise a system by which a paper currency may be employed as the standard of value, with sufficient security against the variations in its value, and with the same certainty of its recovering that value when, for any cause, such variations shall have been produced. . . . It is distinctly admitted that such paper currency has never existed. . . . Where the experiment has been made directly by Government, excessive issues have quickly ensued, and depreciation has been the immediate consequence."

The fault with Mr. Crawford seems to be that at such times as he should have analyzed the subject, he accepts and asserts doctrinal errors and heresies. If he had examined into the matter, he would have ascertained that though the republic of Venice did not emit paper issues, it created a much more cumbrous system of credits, the best and only

substitute that could be devised before the art of printing was discovered, which, when made legal tender under the manner and method adopted, were never issued in excess, but were for five hundred years at a premium over gold and silver, and during that time there was not a single instance of expansion or contraction of the currency, such as was then disturbing this country. If, with a full comprehension of the methods of the Bank of Venice, he had endeavored to formulate a system for this country, aided as he was by the art of printing, he would necessarily have seen that the paper issues should in no sense be a debt or obligation of the Government, and, therefore, not redeemable in specie.

Instead, however, of making such an examination, he continued as follows: "Where the experiment has been attempted through the agency of banks, it has invariably failed. . . . In both cases, instead of being used as a means of supplying a cheap and stable currency, invariably regulated by the demand, for effecting the exchanges required by the wants and conveniences of society, it has been employed as a financial resource, or made the instrument of unrestrained cupidity. . . . In no case has any attempt been made to determine the principles upon which such currency, to be stable, must be founded. . . . *In the case of banks, the experiments which have been made were intended to be temporary; they were the result of great and sudden pressure, which left but little leisure for the examination of a subject so abstruse.* . . . The employment of a paper circulation, convertible into specie, the favorite system of modern States, having, as has been attempted to be shown in a previous part of this report, the *inevitable tendency to produce the necessity of resorting in every national emergency to paper, not so convertible,* imposes upon those who are

called to administer the affairs of nations the duty of thoroughly examining the subject, with a view, if practicable, to avoid the necessity."

It is unaccountable that Mr. Crawford should have considered the exercise on the part of Congress of its sovereign power to issue treasury notes when the country was in peril as the strongest evidence of the falsity of such a system, and as the one thing for which he must examine the subject with a view to be avoided in the future.

Mr. Crawford finally comes to the conclusion that to insure the possibility of employing such a currency with advantage it is necessary that the power of the Government be absolutely sovereign. He comes to the conclusion that a paper currency will not meet the above requirements for the following reasons: "That notwithstanding coinage and the regulation of money, it may well be doubted whether a sovereign power over the coinage necessarily gives the right to establish a currency, and that any doubt as to the legality of the exercise of such an authority could not fail to mar any system which human ingenuity could devise." He ignored the fact that Mr. Webster, in the argument of McCullough vs. the State of Maryland, admitted that Congress had the sovereign power to issue treasury notes, and that it was not denied by Chief Justice Marshall. He seems to have had no comprehension of the financial truism that has since been announced by our Supreme Court in Juillard vs. Greenman, 110 U. S. Rep., 421, as follows: —

"It appears to us to follow, as a logical and necessary consequence, that Congress has the power to issue obligations of the United States in such form, and to impress upon them such qualities, as currency for the purchase of merchandise and the payment of debts as accord with the usage of sovereign Governments. . . . The Governments of Europe,

acting through the monarch, or the Legislature, according to the distribution of powers under the respective constitutions, has and have as sovereign a power of issuing paper money as of stamping coin."

Under this decision, and in accordance with the science of finance, the legal-tender value bestowed by fiat of Government is "a property right" held in trust by the Government; and it is a financial and political crime to give it to any special class, and force the people to purchase it in order that they may be enabled to carry on business and make a living.

It is disheartening to see the fetish worship for gold and silver produce that degree of financial infatuation which can see so clearly that it is legal-tender value conferred upon the metals by all the civilized nations that secures their uniformity and stability of value, and can not comprehend that the stability and uniformity of value is the resultant, and not the active, cause of the use of the metals as legal-tender money.

It is incomprehensible why this vast and powerful "property right" of legal tender should be bestowed upon the owners of gold and silver, and they be protected in the enjoyments of the profits that accrue from the exercise of the privilege, the Government even refraining, in times of deadly peril to the country, from infringing upon their claimed rights until it can secure their permission.

Mr. Crawford was asked by Congress for suggestions as to how mediums of payment, or legal tenders, could best be supplied to meet the demand; and notwithstanding the Government had outstanding at that time non-interest-bearing treasury notes of small denominations, legal tenders for only the payment of public dues,— which secured and maintained their use at their labor expression of value,— and which were being used as currency in preference to being

surrendered for seven-per-cent stock, he made the report against the issue of treasury notes in exchange for the interest-bearing debt of the Government, upon the gratuitous assumption that the public stock was so much more valuable than the treasury notes that no one would make the exchange, and therefore the volume of currency could not be increased by such a system.

XXI

A Change in Finance — President Jackson's Veto of the Bank

All the departments of the Government have now acted in the interest of the gold and silver owners and their fiscal agent, the United States Bank — Congress sold them the exercise of the sovereign power of the Government for $1,500,000; the president approved the sale, the Supreme Court protected the bank from the attack of the States, and the secretary of the treasury reported that no substitute could be devised by human ingenuity.

The resumption of specie payment under the Bank Act, and the resumption in 1820 in England under the Peel Act, after a suspension of specie payments for twenty-five years, forced all State banks also to resume or go out of business. These two acts forced the currency of England and the United States to its nearest approach to a pure metallic currency, and the struggle between the two countries for specie became intense.

Mr. Crawford describes the result in the United States as one where the creditor took from the debtor all his property without semblance of merit or imputation of crime. Sir Archibald Allison gives the history of the result in England as follows: "The entire circulation of England fell from $253,545,000 in 1818 to $147,757,000 in 1821. The effects of this sudden and prodigious contraction of the currency were soon apparent, and they rendered the next three years a period of ceaseless distrust and suffering in the Brit-

ish Islands. . . . The discounts in the Bank of England — which in 1810 had been $115,000,000, and in 1815 not less than $103,000,000 — sank in 1820 to $23,360,000, and in 1821 to $13,600,000. The effect upon prices was not less immediate and appalling; the rate of wages fell one half."

"From the tremendous reduction in the price of land which now took place," says Doubleday, "the estates barely sold for as much as would pay off the mortgages; and owners were stripped of all, and made beggars."

It is of such a state of affairs that Mr. Crawford writes: "Until the engagements existing at the moment of such a change are discharged, and the price of labor and of commodities is reduced to the proportion which it must bear to the quantity of currency employed in the medium of exchange, enterprise of every kind will be repressed, and misery and distress universally prevail. . . . When this shall be effected, the relations of society, founded upon a new basis, will be equitable and just, and tend to promote and secure the general prosperity."

In order to secure to the society of this country those equitable and just relations which have such a tendency to promote and secure the general prosperity, after the circulation has been forced to a pure metallic currency, Congress, on May 3, 1822, passed an act that "no treasury notes shall be received in payment on account of the United States, or paid, or funded, except at the treasury of the United States."

These were the treasury notes that Judge Mason forced the collector of the port at Boston to receive, and which were being so advantageously used by the people that they could not be secured by the capitalists to be exchanged for the seven-per-cent public stock. And yet, because they were in active and daily use, competing with gold, silver, and the

notes of the Bank of the United States, a subservient Congress violated the terms upon which they were issued, and was endeavoring to force their retirement.

This policy of financial iniquity was continued unabated and unchallenged until 1829, when President Jackson, in his first annual message, page 462, sounded the following note of alarm: "The charter of the Bank of the United States expires in 1836, and its stockholders will most probably apply for a renewal of their privileges. Both the constitutionality and the expediency of the law creating this bank are well questioned by a large portion of our fellow citizens, and it must be admitted by all that it has failed in the great end of establishing a uniform and sound currency. Under the circumstances, if such an institution is deemed essential to the fiscal operations of the Government, I submit to the wisdom of the Legislature whether a national one, founded upon the credit of the Government and its revenues, might not be devised which would avoid all constitutional difficulties, and at the same time secure all the advantages to the Government and country that were expected to result from the present bank."

In his second annual message, December 6, 1830, page 528, he writes: "The importance of the principles involved in the inquiry whether it will be proper to recharter the Bank of the United States, requires that I should again call the attention of Congress to the subject. . . . It is thought practicable to organize a Government bank, with the necessary officers, as a branch of the treasury department, based on the public and individual deposits, without power to make loans or purchase property, which shall remit the funds of the Government, and the expense of which may be paid, if thought advisable, by allowing the officers to sell bills of exchange to private individuals at a moderate premium.

Not being a corporate body, having no stockholders, debtors, or property, and but few officers, it would not be obnoxious to the constitutional objections which are urged against the present bank; and having no means to operate on the hopes, fears, or interests of large masses of the community, it would be shorn of the influence which makes that bank formidable. These suggestions are made not so much as a recommendation as with a view of calling the attention of Congress to the possible modifications of a system which can not continue to exist in its present form without occasional collisions with the local authorities, and perpetual apprehensions and discontent on the part of the States and the people."

In his third annual message, December 6, 1831, page 558, he writes: "Entertaining the opinions heretofore expressed in relation to the Bank of the United States as at present organized, I felt it my duty in my former messages frankly to disclose them, in order that the attention of the Legislature and the people should be reasonably directed to that important subject."

When it is recalled that Congress sold to this bank the exercise of the sovereign power to issue money; that this sale was approved by President Madison, a member of the same party which placed Mr. Jackson in the presidential chair; that the Supreme Court of the United States decided that the grant of the charter to the bank was constitutional, it is strange that the president, in his first three annual messages, should have written as he did, in the hope, as he stated, "that it might be considered and finally disposed of in a manner best calculated to promote the ends of the Constitution and subserve the public interest," if he had the slightest respect for the act of Congress, its approval by the president, or the decision of the Supreme Court.

President Jackson fully appreciated the wicked influence

of the bank owners, the evil tendency of the institution, and the practise of the abuses that were so destructive to the prosperity of the people, and the integrity of public officials, and he therefore decided that no such avaricious and unconstitutional scourge should longer afflict the country. He appreciated in his own experience the insolence of the practical power that a corrupt use of the institution gives to its officers over those who are forced to transact business and ask accommodations of it.

In the year 1832, when he was seeking a renomination, the owners of the bank influenced Congress, notwithstanding his opposition, to grant them a renewal of the charter. While the bill was in his hands for approval or rejection, he was called upon by one Nicholas Biddle, president of the bank, who, failing in his attempt to persuade the president to approve the bill, endeavored to force his approval by the implied threat that, through the influence of the many branches of the bank, he would control the majority of the delegates to the nominating convention; and in view of this fact, he, the president, might find it to his interest to approve the bill.

Fortunately for the honor of the country, President Jackson could not be cajoled, and under no circumstances be dictated to; and he answered in substance as follows: "Mr. Biddle, I believe what you say is true; and if there were no other, that of itself would be sufficient reason why I should veto the bill. Any such power is dangerous to the integrity of the ballot and the perpetuity of the Government, and should be destroyed."

The bill, renewing the charter, was passed July 4, and on July 10, 1832, President Jackson sent his veto to Congress. "A bank of the United States," he says, "is in many respects convenient for the Government, and useful to the

people. . . . Entertaining this opinion, and deeply impressed with the belief that some of the powers and privileges possessed by the existing banks are unauthorized by the Constitution, subversive of the rights of the States, and dangerous to the liberties of the people, I felt it my duty at an early period of my administration to call the attention of Congress to the practicability of organizing an institution combining all its advantages and obviating these objections.

"I sincerely regret that in the act before me I can perceive none of these modifications of the bank charter which are necessary, in my opinion, to make it compatible with justice, with sound policy, or with the Constitution of our country. . . . The present bank enjoys an exclusive privilege of banking under the authority of the General Government, a monopoly of its favor and support, and as a necessary consequence, almost a monopoly of the foreign and domestic exchange. The powers, privileges, and favors bestowed upon it in the original charter, by increasing the value of the stock above its par value, operated as a gratuity of many millions to the stockholders. . . .

"The act before me proposes another gratuity to the holders of the same stock, and in many cases to the same men. . . . *Every monopoly and all exclusive privileges are granted at the expense of the public, which ought to receive a fair equivalent.* The many millions which this act proposes to bestow on the stockholders of the existing bank must come directly or indirectly out of the earnings of the American people. It is due them, therefore, if their Government sell monopolies and exclusive privileges, that they should at least exact for them as much as they are worth in the open market. . . . The value of this present monopoly is $17,000,000, and this act proposes to sell for $3,000,000,

payable in fifteen annual instalments of $200,000 each. If we must have such a corporation, why should not the Government sell out the whole stock, and thus secure to the people the full market value of the privilege granted? But this act does not permit competition in the purchase of this monopoly. It seems to be predicated on the erroneous idea that the present stockholders have a prescriptive right not only to the favor, but to the bounty of the Government.

"It is maintained by the advocates of the bank that its constitutionality in all its features ought to be considered as settled by the precedent and by the decision of the Supreme Court. To this conclusion I can not consent. Precedent has not settled this matter. . . . The original act of incorporation enacts among other things that no other bank shall be established by any future law of the United States during the continuance of the corporation hereby created. This provision is continued in force by the act before me fifteen years from the third of March, 1836. If Congress had the power to establish one bank, they had the power to establish more than one, if in their opinion two or more banks had been necessary to facilitate the execution of the powers delegated to them in the Constitution. It was possessed by one Congress as well as another, and by all Congresses alike, and alike at every session."

The message states that the exclusive privileges and benefits conferred on the bank for fifteen years were for its use and emolument, and not for the advantage of the Govment.

"These surplus powers for which the bank is required to pay can not surely be necessary to make it the fiscal agent of the treasury. If they were, the exaction of a bonus would not be proper. The Government does not tax its officers and agents for the privilege of serving it. . . . It

is to be regretted that the rich and powerful too often bend the acts of Government to their selfish purpose. . . .

"In the full enjoyment of the gifts of Heaven and the fruits of superior industry, economy, and virtue, every man is equally entitled to protection by law; but when the laws undertake to add to these natural and just advantages gratuities and exclusive privileges, to make the rich richer and the potent more powerful, the humble members of society,— the farmers, mechanics, and laborers,— who have neither the time nor the means of securing like favors to themselves, have a right to complain of the injustice of the Government.

"There are no necessary evils in Government. Its evils exist only in its abuses. Experience should teach us wisdom. Most of the difficulties our Government now encounters, and most of the dangers which impend over our Union, have sprung from an abandonment of the legitimate objects of Government by our national Legislature, and the adoption of such principles as are embodied in this act. Many of our rich have not been content with equal protection and equal benefits, but have besought us to make them richer by the acts of Congress. By attempting to gratify their desire, we have, in the results of our legislation, arrayed section against section, interest against interest, and man against man, in a fearful commotion which threatens to shake the foundation of our Union."

President Jackson's veto was sustained. This attack of the president was most deadly to the interests as well as the system of the bank. He denied its expediency, its efficiency, and constitutionality. He demonstrated that it was neither necessary as a fiscal agent for the Government nor as an aid to the people in effecting the exchange of their products. He charged that it was false in its pretensions,

that it was chartered to accommodate the people in making their exchanges; but on the contrary was a most valuable and powerful monopoly and gratuity to a favored class. He charged that it not only bestowed millions of the people's money on the few owners of the bank, but in addition gave them command of all foreign and domestic exchange, by means of which they were enabled to still further mulct the people. He showed that it was an avaricious abuse of governmental power in response to the selfish demands of a clique which claimed the right to grow rich by legislation, not work, and that the result of such legislation arrays section against section in a commotion which threatens to shake the foundations of the Union.

It was therefore essential to the existence of the bank that President Jackson should be defeated for renomination. The president had courageously stepped between the financial wolves and their prey, the American people. Under such circumstances, the leaders of those wolves recognize no code of morals, and eliminate all considerations of ethics as well as of patriotism from their conduct. They have but one actively asserted principle either of morals, religion, virtue, or patriotism, and that is the right to make a Machiavellian use of any and all of them in the fight to win. This principle was dominant in their councils and actions in that day; has possessed and controlled them ever since, and has been so successfully practised that it is now the cardinal principle of the Republican party.

That love of money is the root of all evil, as well as the elimination of all principles, and tends to justify the abandon that humanity willingly practises, has and can have no higher exemplification than in the methods used to loot the treasuries of the country — city, county, State, and national. To such an extent has this tendency gone that all

the treasuries are regarded as impersonal and entirely foreign to the interests or welfare of the people; and he who may so desire has the Christian right to abstract all he can from the people's hard-earned and grievously collected tax money without fear of the penitentiary.

It should not be a cause of surprise, since the beneficial results of such practises have finally succeeded in controlling the entire policy of the Republican party, that the property-right followers of Mr. Jefferson succumbed many years ago.

In this connection it is proper to recall that the party of Jefferson was known by the name "Republican." It was as a member of this party that Jackson was elected president. Nicholas Biddle, the president of the bank, commanding the support and influence of all of the officials of the branch banks, was a most powerful member of the party. During President Adams's term of office the different political factions adopted names which afforded means for distinguishing them. The advocates of Jefferson's principles became the "Democratic party;" while the other, which preserved the loose constitutional construction of the Federalist party, became the "National Republican," afterwards called "Whig" party. The approaching success of the Jackson, or Democratic, party was apparent. The power and influence of the bank element was most formidable; many Congressmen directly owed their offices to it. Jackson's attitude toward the bank provoked discord and opposition within his own party. Through a show of the bank's power it was hoped that the president's ambition for a second election would induce him to surrender to the bank's demands. It was made known to Jackson that every chairman of the party throughout the United States was favorable to the bank; that the press, which was amenable then as now to money

influence, was also for the bank; and that the great majority of delegates to the nominating convention would favor the bank. President Jackson also knew that this remarkable unanimity had been accomplished, as stated by Mr. Benton in his "Thirty Years in Congress," "by the expenditure on the part of the bank of $3,000,000 in bribing and subsidizing members of Congress, newspaper editors, politicians, brokers, jobbers, and men of influence to defeat President Jackson and purchase a recharter."

Although it appeared that the entire control of the party was in the hands of Biddle, President Jackson was unshaken in his determination. He vigorously entered into the contest. It was a struggle to the death between the property-rights faction, as represented by the bank element, and the personal-rights faction, as represented by President Jackson. Upon its failure to dominate President Jackson, the bank element lost no time in perfecting an alliance with the Federalists as the National Republican party.

It would be difficult to overstate the magnitude of the contest. The early environments, business connections, criminal amenability to financial influence, and crass ignorance of the cardinal principles of democratic government then, as now, found many of the champions and espousers of the property-rights faction — consciously for a purpose in many instances, but often unconsciously — proclaiming themselves members of a party which, in its pure and true expression, represents the personal-rights idea of government. In this contest it was essential that the president should take such action as would separate "the sheep from the goats." This could only be done by a reorganization of the party in such a manner as would make it in fact, as well as in name, the representative of the personal-rights idea of government. Jackson accomplished this result, and

the new organization, reasserting the principles of Thomas Jefferson, and eliminating the abuses which had been engrafted upon it by the treachery of Biddle and his satellites, was in fact a Democratic party, and as such it attracted to its support those who believed in personal-rights principles. There was then no more difference between the principles and policies of the Federalist and Nicholas Biddle factions than there now is between the Republican party and the gold-bug branch of the Democratic party; all are alike in that the former were then, as the latter are now, the champions of the property-rights idea as opposed to the personal-rights idea of government.

Fear of President Jackson's unyielding hostility caused the bank to exert its utmost power to accomplish his defeat. The activity of "Biddle's Bank" was similar in character to the zeal and efforts at the present time of the banks, trusts, and combines to prevent the establishment of a genuine democracy. The principal difference between what was done in Jackson's time and what is done to-day is that Biddle's bank openly endeavored to maintain its power, while the same character of institution at the present time accomplishes its ends by the most secret and treacherous methods. In that day the Federalist party and the Biddle branch combined as the National Republican party, and attempted to secure the election of Henry Clay to the presidency. In this day they remain apart, and have their Clevelands, Hills, Belmonts, Whitneys, and other tools of the money power, professed followers of Jefferson and Jackson, struggling to control Democratic nominating conventions, in the hope and for the purpose of foisting upon the personal-rights party some agent of the property-rights party as president, and committing the Democratic party to the advocacy of the principles of the property-rights faction.

XXII

The Issuance of Bills of Credit by the State of Missouri

THE United States Bank faction, assuming that it would secure a renewal of its charter, did not propose that there should be any infringement of its claimed rights to the exclusive issue of all the credit money, and therefore it caused suit to be instituted, challenging the right of the State of Missouri to exercise said privilege.— *Craig vs. The State of Missouri, 4 Peters, 10.*

It appears that on June 27, 1821, two years after the Supreme Court decided that the act of Congress granting a charter to a bank and giving it the right to issue notes, was constitutional, the Legislature of the State of Missouri presumed from this, and the fact that the States were authorizing the banks chartered by them to issue notes, that it could also authorize the issue of paper money without the aid of a bank.

This was done by an act of the Legislature passed June 27, 1821, to establish "loan offices." By means of these offices, the State issued to its citizens, as a loan, in sums less than $200 to the individual applicant, certificates in denominations from fifty cents to ten dollars. The individual who received the certificates secured the payment of the same by executing his note, bearing two per cent interest, with personal property as collateral security.

One Craig and others, who had borrowed and used the certificates, refused to pay their note, on the ground that it

was a void contract, because unlawful and violative of the provision of the Constitution that no State shall emit a bill of credit.

In 1823 suit was instituted in the State court against Craig and others upon the note. In November, 1824, judgment was rendered in favor of the State for the sum of $237.79. Upon appeal to the Supreme Court of the State, the judgment was affirmed. The defendants prosecuted a writ of error to the Supreme Court of the United States, and in 1830 Chief Justice Marshall delivered the opinion of the court reversing the decision of the State court, and holding that the note was void because of the illegality of the consideration, the certificates having been issued in violation of the Constitution.

The smallness of the amount involved did not escape the notice of Jackson and Benton, who realized that, insignificant as the case appeared in the amount, it involved a serious financial principle. Senator Benton therefore decided to give the weight of his influence to the support of the State of his adoption in its endeavor to free its citizens from dependence on the capitalists of the East. In his argument before the Supreme Court, he said: —

"The act of the Legislature establishing loan offices had no purpose to accomplish by which injury could be sustained by any one. The deficiency of currency in the State, and the expense which attended the new organization, made the arrangement proposed and authorized by the act convenient and beneficial to the citizens of the State. The State, when it directed that the certificates should be issued, made sufficient and certain provision for their redemption and payment. The permanent continuance of the circulation of the certificates was prohibited by an effective regulation in the bill. The twenty-fourth section of the law provided

for the gradual extinction of the certificates as they should come in; and the power was given to the governor by the twenty-ninth section of the law to negotiate a loan of gold and silver for their redemption. Thus the certificates were issued upon ample means for their discharge, and their discharge to their full value must soon take place. These certificates were not made a legal tender. They were not directed to pass as money; *and while there is no obligation imposed by the law that they shall be taken by the citizens of the State,* it declares that the State shall take them, as has heretofore been set forth. When examined, these certificates will be found to be nothing more than evidence of loans made by the State to its citizens and for the payment of which it has received specific and available pledges."

It has heretofore been stated that the Massachusetts financiers acquired a financial supremacy by the use of paper money, and that they determined to retain this advantage by so framing the Constitution that no State would ever have the right to issue paper money when needed to relieve the distress of the people, however severe it might be. To this end they succeeded in having the Constitution so framed that only gold and silver should have legal-tender value, so that whenever the people needed money to develop the country and make a living, they might secure it, or its substitute, only by loans or purchase from Eastern capitalists, on such conditions as they might see fit to exact.

In this view it is evident that Mr. Benton was mistaken when he said that "in the establishment of loan offices there was no purpose to accomplish by which injury could be sustained by any one," for he overlooked the fact that though the State of Missouri was moved to its action by the tenderest consideration for the financial distress of its citizens, it was taking away from the Eastern capitalists,

in the amount of certificates issued, the exclusive right which they claimed was secured by the terms of the Constitution to issue the money of the country.

It was the protection of this claimed right (regardless of the interest of the people), against any infringements by the States, that was demanded of the Supreme Court by the Eastern capitalists. The lawsuit, therefore, resolved itself into the simple question, What is a bill of credit? No one, it appears, knew what the term "bills of credit" meant.

Chief Justice Marshall, in his opinion, stated that "in its enlarged, and perhaps in its literal sense, the term 'bill of credit' may comprehend any instrument by which the State engages to pay money at a future day; thus including a certificate given for money borrowed." This definition, it will be seen, includes interest-bearing bonds, the manna of the capitalists, as well as currency, the bread of the people, and consequently is too general for acceptance.

The chief justice proceeded to ask the question: "What did the Constitution mean to forbid?" He assumed correctly that the Constitution, as framed in this particular, took the hue and complexion of the sinister motives of the Massachusetts financiers who secured the inhibition, and meant to forbid the State of Missouri, or any other State, from, in any manner that infringed their unnatural right, granting relief to its citizens when suffering from a scarcity of money.

He therefore originated and applied a very simple rule to ascertain the definition of the term "a bill of credit" as follows: He was particular to ascertain exactly what the Legislature of the State of Missouri had done to infringe the right claimed by the Eastern financiers, and then so framed the definition as to meet the facts and afford them full and complete protection. He stated that "the certificates,

signed by the auditor and treasurer of the State, are to be issued by those officers, to the amount of $200,000, of denominations not exceeding ten dollars, nor less than fifty cents. The paper *purports* on its face to be receivable at the treasury, or at any loan office in the State of Missouri, in discharge of the taxes or debts due the State. . . .

"It seems impossible," he stated, "to doubt the intention of the Legislature in passing this act, or to mistake the character of these certificates or the office they were to perform. The denominations of the bills, from ten dollars to fifty cents, fitted them for the purpose of ordinary circulation; and their reception in payment of taxes, and debts to the Government and corporations, and of salaries and fees, would give them currency. They were to be put in circulation; that is, emitted by the Government. To emit bills of credit," he finally decides, "conveys to the mind the idea of issuing paper intended to circulate through the community for its ordinary purposes, as money, which paper is redeemable at a future day."

This definition of a bill of credit bears internal evidence that it was so framed more to fit the facts of the case before the court, and protect the Eastern financiers, than from any comprehensive and just examination of the derivation, growth, and use of the term.

According to Mr. Benton's statement and the admitted facts, the act was a temporary, inoffensive, paternal effort upon the part of the State to afford relief to its citizens for the short time the Eastern capitalists were unable to furnish money, or were unwilling to risk it among the people; and it exhibited a high degree of subserviency to that element in the provision that the State would secure enough of their gold and silver to redeem the certificates if they were not taken up in payment of public dues or paid by the borrowers.

Some fear, possibly, that the paper emissions would be so efficient as to lead to permanency, larger issues, and destroy the constitutional scheme of the Massachusetts financiers, demanded the nipping of all such experiments in the bud; and the property-rights members of the court aggravated the distress of the people of the State of Missouri by destroying the value of the $200,000 worth of certificates, and consequently reducing their mediums of payment to that extent.

The court comprised seven judges. Chief Justice Marshall and three others gave the majority opinion; Justice McLean and two others dissented.

The definition of "bills of credit" given above is the definition of the Bank of the United States faction. It will be seen in subsequent pages that the State-bank faction secured a different definition of "bills of credit," made in accordance with the rule established; viz., to fit the facts of the case and subserve the interests of the party in power.

XXIII

The Death of the Second Bank of the United States

President Jackson did not cease his warfare against the bank. On September 18, 1833, following his second inauguration, he read to his cabinet his reasons for authorizing the secretary of the treasury to remove the Government deposits from the Bank of the United States to the State banks, and named the ensuing October 1, 1833, as the day the removals were to commence.

Among other things he said: "Although the charter was approaching its termination, and the bank was aware that it was the intention of the Government to use the public deposit as fast as it accrued in the payment of the public debt, yet did it extend its loans from January, 1831, to May, 1832, from $42,402,304.24 to $70,428,070.72, being an increase of $28,025,766.48 in sixteen months. It is confidently believed that the leading object of this immense extension of its loans was to bring as large a portion of the people as possible under its power and influence, and it has been disclosed that some of the largest sums were granted on very unusual terms to the conductors of the public press. . . . Can it now be said that the question of a re-charter of the bank was not decided at the election which ensued.

"Had the veto been equivocal, or had it not covered the whole ground; if it had merely taken exception to the details of the bill or to the time of its passage; if it had not met

the whole ground of unconstitutionality, then there might have been some plausibility for the allegation that the question was not decided by the people. It was to compel the president to take his stand that the question was brought forward at that particular time. He met the challenge, willingly took the position into which his adversaries sought to force him, and frankly declared his unalterable opposition to the bank as being both unconstitutional and inexpedient. . . .

"It has been alleged by some, as an objection to the removal of deposits, that the bank has the power, and in that event will have the disposition, to destroy the State banks employed by the Government, and bring distress upon the country. . . . If the president believed the bank possessed all the power which has been attributed to it, his determination would only be rendered the more inflexible. If, indeed, this corporation now holds in its hands the happiness and prosperity of the American people, it is high time to take the alarm."

Mr. Duane, the secretary of the treasury, refused to act. He was removed, and Mr. Taney appointed.

The Bank of the United States, and its branches, was forced into liquidation, and by February 4, 1814, Nick Biddle's bank at Philadelphia was closed, as were nearly all the branches of the South and West.

To relieve the distress caused by the change from national to State banks, Congress, in June, 1834, made the silver dollar of Mexico, Peru, Brazil, and Central America current money for the payment of all debts and demands in the United States. In this month the Government paid all its debt.

XXIV

The Change of the Ratio from 15 to 1 to 16 to 1

THE enactment by Congress, in 1792, that the ratio between silver and gold should be 15 to 1 when it should have been 15½ to 1, made the silver coins cheaper than the gold coins. This caused all payments to be made in the cheaper money, silver, and gold was shipped to Europe to secure the higher value given it there.

It is evident that silver, in its practical use, was supplying the demand for a local currency, and would, in the course of time, have furnished a full supply to meet the local demand for mediums of payment, and basic money.

Silver, at 15 to 1, was playing the same role to gold that the issue of paper always plays to gold and silver; viz., furnishes a local legal-tender money to the people, thereby enabling them to get profitable prices for all products. As long as such a condition existed, the people prospered; for with an increasing supply of metallic money, the ability of the many State banks to redeem their notes would not be brought in question.

With the creditors and owners of the interest-bearing securities, however it may have been with the debtors and producers, it was different. They objected, because all debts and interest were paid in the cheap silver coins and the State-bank notes that were issued upon the increasing base of silver. There was no injustice in this to the creditors, for the reason that the sums to be paid called for dollars, and the value of the dollar, as it was used in creating

the obligation, was 371¼ grains of pure silver; and to pay any obligation in the exact value that was meant when it was made, is always fair in business and just in morals.

The injustice of the transaction consists in legislation that forces the debtor to pay in coins that are of a value in excess of the value the "word" dollar meant when the contract was made, or allows him to pay in coins that are of a less value than the "word" dollar implied when it was used in making the contract.

There is a middle ground, it is claimed, upon which both the debtor and the creditor can stand, that is fair and just; and that is to make the silver and the gold in the coins of such proportion that the silver coins and gold coins will be equal in value, and then, so long as that condition exists, it will not matter in which the debtor pays. While this is true in theory and correct in morals, it is impracticable, for the reason that no human power, individual nor governmental, can control the output of the metals, and a ratio correctly established one year may be disturbed in a few years. This disturbance, so often and so radically brought about by the arbitrariness of mother earth in giving up to man's incessant quest the precious metals, is assisted by other causes equally uncontrollable.

And yet it is the *impossible* that the creditors and holders of interest-bearing securities are always striving after, and their influence has been such that statutes abound with the avaricious and futile attempts; and reports of Parliament, Congresses, and International Monetary Conferences are full of jargon, denominated scientific discussions of the causes and remedies for the evils growing out of such legislation.

This country was guilty of an act of just such folly at the instigation of the creditors, and the owners of interest-bearing securities, in the act passed June 28, 1834. This

act changed the ratio between silver and gold from 15 to 1 to 16 to 1, and the standard fineness of gold from 11/12 to 9/10. This made 25.8 grains of gold 9/10 fine, instead of 27 grains 11/12 fine, the equivalent in value of 371¼ grains of pure silver. Another act was passed on the same day changing the value of foreign gold coins to conform to the first act.

The effect of this legislation was to make the gold in the gold coins of less value than the silver in the silver coins, and consequently the gold coins became the money of payment in this country. Silver, therefore, went to Europe, where at the ratio of 15½ to 1 it received a higher value.

At first consideration it would appear that this change was in the interest of the debtor, because the gold coins being now cheaper than the silver coins, he would be enabled to pay his debts with less value than when he contracted to pay in dollars of the value of 371¼ grains of pure silver.

In theory only was this true. In practise it was just the reverse, and to the advantage of the creditors, for the following reasons: when silver at 15 to 1 in this country and 15½ to 1 in Europe, was a legal tender, it is evident that the silver coined in this country gained the value of one-half pound of silver over gold in every pound of gold coined here. Inasmuch as the law of legal tender controls, the silver coins in this country were equal in value to the gold coins, and the only way for the owners of gold to escape this loss was to carry their gold to Europe. Therefore the gold of this country was used solely to pay for foreign goods or to purchase foreign silver to be brought here, and increase the volume of the basic money.

But when the conditions were reversed by the change of the ratio to 16 to 1, and the metal in the gold coins, of less value than the metal in the silver coins, was, by the law

of legal tender, made equal with the silver coins as mediums of payment, the gold coins became the local and basic currency of this country, and the owners of silver did as the owners of gold had done — carried it to Europe, in order that they might secure its full value. Therefore silver was used to pay for foreign goods and to purchase foreign gold, but if not so used there was sufficient inducement to ship it to Europe for coinage at 15½, as against 16 to 1 in this country.

Though silver was fast leaving this country, and eventually all of it would take its departure, the value of silver in Asia was higher than in Europe, and it was being exported to the Orient. The European demand for gold caused a contraction of the volume of metallic money in this country. This scarcity of gold was intensified from the fact that England had been on the gold base since 1816, which it was struggling to maintain. There was not enough available gold to supply both England and this country, and in their struggle one or both had to go under. This country, as will be shown presently, went under; and England would also have succumbed had not France extended a helping hand to the Bank of England, and saved it from the catastrophe that overtook the banks of this country.

This scarcity, and the struggle for the basic money of the country, was premeditatedly brought about, and had the effect that was intended by those who influenced Congress to change the basic money from silver to gold by the change of the ratio. Such legislation has the effect of enhancing the value of metallic money in use, decreasing the price of products and labor, and curtailing the operations of the wholesale business of the country, by jeopardizing or destroying all the credit money that is claimed to be redeemable in specie.

That these results had not occurred was because there were eight hundred State banks that were being unwisely sustained by Congress in the act of June 23, 1836. This act provided that the deposits of the United States should be made in State banks, and that said banks should do and perform for the treasury all that the Bank of the United States had done and performed. The banks obligated themselves to pay coin at all times, and to pay the Government two per cent interest for certain deposits.

President Jackson, in his Eighth Annual Message, Vol. 3, page 241, stated that "the Government had without necessity received from the people a large surplus, which, instead of being employed as heretofore and returned to them by means of public expenditure, was deposited with sundry banks. The banks proceeded to make loans upon this surplus, and thus converted it into banking capital; and in this manner it has tended to multiply bank charters, and has had a great agency in producing a spirit of wild speculation. . . .

"*The banks were extending . . . their issues so largely as to alarm considerate men, and render it doubtful whether those bank credits, if permitted to accumulate, would ultimately be of the least value to the Government.*

"The spirit of expansion and speculation was not confined to the deposit banks, but pervaded the whole multitude of banks throughout the Union, and was giving rise to new institutions to aggravate the evil. The safety of the public funds, and the interest of the people generally, required that these operations should be checked. . . . Under this view of my duty I directed the issuing of the order . . . requiring payment for the public lands sold to be made in specie."

This constituted a most peculiar condition of affairs.

The owners of gold had sufficient influence with Congress to change the dollars of payment and basic money from silver to gold by the change to 16 to 1. The State-bank faction thereupon had sufficient influence with this same Congress to induce it to authorize the deposit of all the public money in the State banks. These deposits encouraged the officials to extend and increase the issues of the banks at a time when the metallic money of the country, in which these bank credits were redeemable, was decreasing.

This suicidal conduct continued until the president felt called upon, as he stated, to check the additional issues by directing that the public lands should be sold for specie only. This action of the president, virtually discrediting and calling public attention to his mistrust of the notes of the banks in which the Government had deposited $40,000,000, hastened the suspension of specie payments by all the banks, jeopardized the Government deposits, and destroyed the efficiency of the circulating currency of the country.

On January 13, 1837, Congress changed the alloy in the silver coins, making the standard silver dollar 412½ instead of 416 grains, and all subdivisions in proportion.

XXV

President Jackson's Farewell Address

In his farewell address, page 305, the president, with an intense appreciation of the danger to the interests of the country from banking institutions, *as banks of issue,* writes as follows: —

"It is one of the serious evils of our present system of banking that it enables one class of society, and that by no means a numerous one, by its control over the currency, to act injuriously upon the interests of all the others, and to exercise more than its just proportion of influence in political affairs. The agricultural, the mechanical, and the laboring classes have little or no share in the direction of the great moneyed corporations, and from their habits and the nature of their pursuits they *are incapable of forming extensive combinations to act with united force.* . . . The planter, the farmer, the mechanic, and the laborer all know that their success depends upon their own industry and economy, and that they must not expect to become suddenly rich by the fruits of their toil. . . .

"But with overwhelming numbers and wealth on their side, they are in constant danger of losing their fair influence in the Government, and with difficulty maintain their just rights against the incessant efforts daily made to encroach upon them. The mischief springs from the power which the moneyed interest derives from a paper currency which they are able to control — from the multitude of corporations with exclusive privileges which they have succeeded

in obtaining in different States, and which are employed altogether for their benefit; and unless you become more watchful in your States, and check this spirit of monopoly and thirst for exclusive privileges, you will in the end find that the most important powers of Government have been given or bartered away, and the control over your dearest interests has passed into the hands of these corporations.

"The paper-money system and its natural associations, *monopoly and exclusive privileges*, have already struck their roots too deep in the soil, and it will require all your effort to check its further growth and to extirpate the evil. The men who profit by the abuses and desire to perpetuate them will continue to besiege the halls of legislation in the General Government as well as in the States, and will seek by every artifice to mislead and deceive the public servants."

And yet unwittingly and unconsciously he approved the act of Congress which changed the ratio to 16 to 1, and which in effect changed the basic money in this country from the plentiful and increasing silver dollars to the scarce and decreasing coins of gold; not only that, but unwittingly and unknowing of its effect, he approved the act authorizing the deposit of Government money in the State banks, which encouraged them to issue additional notes, when steps should have been taken to decrease the bank-issues in the proportion the basic money was being decreased by the change from silver to gold.

XXVI

President Van Buren's Administration, Its Hostility to Treasury Notes and Bank-Notes, and the Suspension of the Banks.

On March 4, 1837, President Jackson was succeeded by Martin Van Buren, who, in May of that year, was called upon to meet the effect of the change of the ratio,— viz., the suspension of specie payments by the banks,— and the consequent contraction of the volume of basic money to gold alone.

As the contraction of the metallic base of the money of the country increased the distrust of the bank-notes, hastened, it is admitted, by the action of President Jackson in refusing anything but specie for the payment of the public lands, the distress became so intense that a meeting was held in New York in March to devise a plan of relief. Mr. Webster addressed the meeting, and ascribed the distress to the interference of the Government with the currency, and to the order that public lands be paid for in specie only.

Mr. Webster must not have explained the matter very fully, for the action of the meeting was to send a committee to Washington, asking only for the rescinding of the order in reference to public lands, when the committee should also have been instructed to demand a repeal of the law that the money of the Government be deposited with State banks, and that the ratio between gold and silver should be changed to 15½ to 1, as it was in Europe.

The president was not responsive to the request of the committee, and on May 10 following all the banks suspended. On the 15th of the month the president called a session of Congress for the first Monday in the following September. In his special message, after reciting the reasons for his call, he stated that "during the early stages of the revulsion through which we have just passed, much acrimonious discussion arose, and great diversity of opinion existed as to the real cause."

He repels and resents the accusation that the suspension was due to the interference of the Government with the currency, and the order that the public lands must be paid for in specie; but claimed that "it was solely due to the unwise issue of too many notes by the State banks and the wild spirit of speculation engendered thereby."

It is immaterial whether the effect of the change of the ratio exaggerated the evils that are ever the attendants of the false system of State-bank issues, or whether the State-bank system of issuing a circulating currency was exaggerated by the Government deposits, but it is evident that the two combined, in their practical operation, produced the panic which afflicted the country.

Though the president desired that provision should be made for the safety of the public revenue, and that all payments due the Government should be made in specie, he evinced no serious concern for providing a safe circulating currency for the people, other than is included in the suggestion that if the Government refuses to receive the notes of any and all the banks, it may tend to make the banks more careful in issuing and taking care of their notes.

The situation was thoroughly discussed by Congress. Senator Benton said that "the Government ought not to delegate this power if it could. It was too great a power

to be trusted to any banking company whatever, or to any authority but the highest and most responsible which was known to our form of Government. *The Government itself ceases to be independent* — it ceases to be safe — when the national currency is at the will of a company. *The Government can undertake no great enterprise, either of war or peace, without the consent or co-operation of that company.* . . . The people are not safe when such a company has such a power. The temptations are too great, the opportunity too easy, to put up and down prices, to make and break fortunes, to bring the whole community on its knees to the Neptunes who preside over the flux and reflux of paper."

Senator Calhoun said that "no one can doubt but that the Government credit is better than any bank,— more reliable, more safe. Why, then, should it mix up with the less perfect credit of these institutions? Why should it not be safe in its own hands, while it shall be considered safe in the hands of eight hundred private institutions, scattered all over the country, and which have no other object but their own private profit, to increase which they extend their business to the most dangerous extremes? And why should the community be compelled to give six per cent discount for *the Government credit, blended with that of the bank, when the superior credit of the Government could be furnished without discount, to the mutual advantage of the Government and the community?*

"But whatever may be the amount that can be circulated, I hold it clear, that to that amount it would be as stable in value as gold and silver itself, provided the Government be bound to receive it extensively with those metals in all its dues, and that it be left perfectly optional with those who have claims on the Government to receive it or not."

The result of the action of Congress was embodied in the act of October 12, 1837. This act provided for the issue of $10,000,000 in treasury notes, in denominations not less than $50, to be paid in one year from date. They were made a legal tender for all payments due the Government, but not for the payment of private debts.

Inasmuch as it was mediums of payment and not investments which were so intensely needed, and inasmuch as Congress did not have the courage to make the notes full legal tenders, the president and secretary placed the interest at the nominal rate of one mill per annum. In this form, though they were not issued in denominations less than $50, they served in part the purposes of money, and freely circulated in all the channels of trade, the banks not having the power to injuriously affect their use.

The fatal defect in the issue of the treasury notes was that they were not issued as currency, but *as a debt of the Government, and to be paid in one year from date.* This was and could only have been due to the unwholesome influence that the owners of gold, silver, and the banks have always exercised over Congress, in the fear that legal-tender treasury notes would infringe their claimed constitutional right to supply the currency of the country. Therefore even a temporary use of treasury notes is never permitted except upon the assumption that they are a debt of the Government, and upon the further understanding that they will be redeemed and retired from circulation as soon as the exigency which demanded their issue has been tided over.

It appears from President Van Buren's second annual message, dated December 3, 1838, page 489, that only about $8,000,000 of the $10,000,000 issued were then outstanding, and that they were being canceled as they were being paid into the treasury.

The relief given to the country by the use of the treasury notes, though efficient and beneficial, was not full and complete; and their cancelation and retirement, as they came into the treasury, made the relief of such a temporary character that it was virtually an aggravation of the evil which caused their issuance. On May 31, 1838, Congress therefore authorized the issue of $10,000,000 additional in treasury notes.

On March 21, 1840, Congress authorized the issue of additional notes "in lieu of others heretofore or hereafter redeemed, not to exceed in the amount of notes outstanding at any time the aggregate of $5,000,000, and to be redeemed sooner than one year if the means of the treasury will permit."

It seemed impossible at that time, in the warfare for supremacy between the two bank factions, to secure for the treasury notes any governmental recognition, except such as one or the other faction, which happened to be in power, would permit as a mere temporary expedient.

XXVII

The Supreme Court Saves the State Banks

The State Banks had barely escaped extermination in the warfare, as is evident from the facts in the case of John Briscoe vs. The President and Directors of the Bank of the Commonwealth of Kentucky, decided at the January term, 1837, of the Supreme Court of the United States. 11 Peters, 257.

It appears that the Legislature of Kentucky chartered the Bank of the Commonwealth of Kentucky, elected the officers and directors, voted the funds of the State into the vault of the bank, and the State, as the bank, and in its name, was carrying on the banking business.

One John Briscoe became indebted to the bank in the sum of $2,048.37 by note, and refused to pay same, because, as alleged in his answer, among other defenses, "The bank was authorized to issue bills of credit on the faith of the State, in violation of the Constitution of the United States."

The suit of the bank was sustained by the State courts, and judgment rendered against Briscoe.

A writ of error was prosecuted to the Supreme Court of the United States, where the sole question was whether the notes issued by the bank are bills of credit emitted by the State, in violation of the Constitution of the United States.

It appears from the dissenting opinion of Mr. Justice Story, that upon the first argument of the case, during the life of Chief Justice Marshall, the court decided that the

issue of notes, or bills of credit, by the Bank of the Commonwealth of Kentucky, was in violation of the constitutional inhibition "that no State shall emit bills of credit."

Mr. Justice Story stated that "when this cause was formerly argued before the court, a majority of the judges who then heard it were decidedly of opinion that the act of Kentucky establishing this bank was unconstitutional and void; as amounting to an authority to emit bill of credit for and on behalf of the State within the prohibition of the Constitution of the United States. In principle it was thought to be decided by the case of Craig vs. The State of Missouri, 4 Peters, 10.

"Among that majority was the late Mr. Chief Justice Marshall. . . . The case has been again argued, and precisely upon the same grounds as at the former argument. A majority of my brethren have now pronounced the act of Kentucky to be constitutional."

From this statement it is evident that the death of Mr. Chief Justice Marshall and the appointment of Roger B. Taney changed the political complexion of the court.

During Mr. Marshall's life the court was composed of four United States Bank, or property-rights, judges and three State-bank judges. Upon the appointment of Mr. Taney, this was reversed, and the court was composed of four State-bank and only three United States bank judges.

Mr. Justice McLean, who dissented from the majority of the court in the case of Craig vs. The State of Missouri, because he saw that the reasoning and principles of that case would prove fatal to the system of State banks in the event their constitutionality should ever be called in question, delivered the opinion of the court. In the opinion, Mr. Justice McLean openly and boldly admits that it is a contest for supremacy between the two bank factions in the following: —

"This cause is approached under a full sense of its magnitude. Important as has been the great questions brought before this tribunal for investigation and decision, none have exceeded, if they have equaled, the importance of that which arises in this case. The amount of property involved in the principle is very large; but this amount, however great, could not give to the case the deep interest which is connected with its *political* aspect."

The only issue presented for the decision of the court was whether the act of the Legislature of Kentucky, authorizing the bank to emit bills of credit, was in violation of the prohibition of the Constitution that "no State shall emit bills of credit."

If the definition of a bill of credit heretofore given by the court in the case of Craig vs. The State of Missouri, and which has been denominated the definition of the United States Bank faction, is accepted, the matter would necessarily have to be resolved against the constitutionality of the act of the Legislature of Kentucky.

Mr. Justice McLean, in this case, following the example of Mr. Chief Justice Marshall in Craig vs. The State of Missouri, and keeping in mind the purpose in view, fitted the definition of the term "bills of credit" to the facts of the case, and came to the conclusion that the issues of the Bank of the Commonwealth of Kentucky were not bills of credit, and therefore the act of the Legislature of Kentucky, giving the bank the authority to emit notes, was not unconstitutional. This decision saved the State banking system to his faction, notwithstanding only a short while before its death knell had been sounded by Mr. Chief Justice Marshall.

The reasoning of the very learned judge, in reaching his definition, like that of Mr. Chief Justice Marshall, in

Craig vs. The State of Missouri, was more interesting than instructive. A sample hereinbelow set forth, justifies the statement that the definition should be denominated that of the State-bank faction: —

"But the main grounds on which the counsel for the plaintiffs rely," the opinion states, "is, that the Bank of the Commonwealth, in emitting the bills in question, acted as the agent of the State; and that, consequently, the bills were issued by the State. That, as a State is prohibited from issuing bills of credit, it can not do indirectly what it is prohibited from doing directly. . . .

"If this argument be correct, and the position that a State can not do indirectly what it is prohibited from doing directly be a sound one, then it must follow, as a necessary consequence, that all banks incorporated by a State are unconstitutional. [He meant all banks of issue, and not banks of deposit, discount, exchange, etc., for there was no inhibition against the States' chartering banks, but only against their emitting bills of credit.] . . . This doctrine is startling, as it strikes a fatal blow against the State banks, which have a capital of nearly $400,000,000, and which supply almost the entire circulating medium of the country."

It seems from this that it was asking too much of the Supreme Court to discharge its duty, under its oath to support the Constitution, if it destroyed $400,000,000 of property, and took away from the owners of those banks the right to loan their credit, in the shape of bank-notes, to the people. It was deemed wiser, better, and more statesmanlike to preserve them for their assistance and support in the management and control of the Government, than to be patriotically and logically loyal to the Constitution and the form of Government.

The result was that the violative abuse of the Constitu-

tion, that was sustained by the Supreme Court, in the fear that $400,000,000 of property would be destroyed, was continued until 1860, when the system fell of its own weight, inflicting a loss and injury greatly in excess of that amount.

This disposition of the judiciary — subserviency to faction, fear of injury to property rights, and servility to the money power — has done more to pervert the purity of the system of our Government than all the corrupt legislation of all the Congresses and Legislatures of the country.

At the date of this decision, 1837, there were some eight hundred of the institutions in the country. The unwise conduct of Congress in supporting these institutions by authorizing the deposit of all public money with them, and their mismanagement, alarmed President Jackson, and caused him to take the precautionary measures that he did, and which proved so fatal to their interests and the welfare of the people.

XXVIII

The First Independent Treasury

THE suspension of the banks in 1837 did not justify the hostile attitude of President Van Buren, which found expression in the act of Congress passed July 4, 1840, establishing the first independent treasury.

In his third annual message, dated December 2, 1839, he recommended the establishment of an independent treasury in the following language: "I have heretofore assigned to Congress my reasons for believing the establishment of an independent national treasury, as contemplated by the Constitution, is necessary to the safe action of the Federal Government. The suspension of specie payments in 1837, by the banks having the custody of the public money, showed in so alarming a degree our dependence on those institutions for the performance of the duties required by the law, that I then recommended the entire dissolution of this connection."

By the terms of this act the money of the Government was not to be deposited in State banks, but was to be kept in the mints, custom-houses, post-offices, and the treasury building; and after January 3, 1843, the Government would not receive anything but gold and silver.

This law announcing that after January 3, 1843, only gold and silver would be received by the treasury, notwithstanding it had notes outstanding that were receivable for all debts and dues of the Government, was intended to force their surrender, so that they could be canceled and taken

out of competition with gold and silver. Such drastic efforts upon the part of the Government to force its own paper out of circulation could only be caused by some sinister motive, for there could have been no sense of insecurity in the treasury notes so long as they were receivable by the Government in payment of all public dues.

This attack upon State-bank issues and the treasury notes, endeavoring to force the circulating medium of the country to a pure metallic money, was made an issue in the presidential campaign of 1840. The result was that General Harrison was elected president.

After the election, and before the inauguration of General Harrison, the distress was such that Congress, on February 15, 1841, authorized the issue of treasury notes "in such sums as the exigency of the Government may require, but not to exceed five million dollars of this issue; provided that the treasury notes heretofore issued, unredeemed, and added to the notes issued under this act, shall not exceed five million dollars, and that they be redeemed in the last quarter of the year, if the condition of the treasury will permit."

This was strange conduct on the part of a retiring administration which had within the year endeavored to force the surrender of treasury notes by the enactment of a law that after January 3, 1843, they would not be received by the Government. It was evidently done to forestall the necessity for the change in the finances that the Whigs would claim should be made, and was an acknowledgment of the efficiency of treasury notes, and of the sinister motives that had caused the passage of the act of July 4, 1840, notwithstanding "the danger of inconvenience to the public and unreasonable pressure upon sound banks," that the president stated in his message had been urged as objections.

XXIX

The Property-Rights Faction Again in Control of the Government

The bitterness of the money factions, as expressed in party action, became so intense and so unmindful of the public weal that President Harrison, in his inaugural, rebuked it in the following language: —

"Before concluding, fellow citizens, I must say something to you on the subject of the parties at this time existing in our country. To me it appears perfectly clear that the interest of the country requires that the violence of the spirit by which those parties are at this time governed must be greatly mitigated, if not entirely extinguished, or consequences will ensue which are appalling to be thought of.

"If parties in a republic are necessary to secure a degree of vigilance sufficient to keep the public functionaries within the bounds of law and duty, at that point their usefulness ends. Beyond that they become destructive of public virtue, the parent of a spirit antagonistic to that of liberty, and eventually its inevitable conqueror. We have examples of republics where the love of country and liberty at one time were the dominant passions of the whole mass of citizens, and yet, with the continuance of the name and form of free government, not a vestige of these qualities remaining in the bosom of any one of the citizens. . . .

"The spirit of liberty had fled, . . . and so under the operation of the same causes and influences, it will fly from our capitol and our forums. . . . Such a tendency has ex-

isted — does exist. . . . It becomes my duty to say to you that there exists in the land a spirit hostile to liberty itself. It is a spirit contracted in its views, selfish in its objects. It looks to the aggrandizement of a few even to the destruction of the interests of the whole."

These were alarming ideas for the president of the property-rights faction to announce, and it was unfortunate that the plain-speaking old warrior did not live to put them into practise.

The condition of the finances, as he stated in his proclamation of March 17, 1841, was such that he thought it advisable to call an extra session of Congress for the 3d day of May following; but unfortunately he died on April 4, 1841, and the discharge of the duties of the presidential office devolved upon the vice-president, John Tyler, of Virginia.

XXX

The Warfare of the Bank of the United States Against President Tyler

Mr. Tyler seemed to have a premonition of the warfare that would be waged against him, for in his inaugural he says, "For the first time in our history the vice-president of the United States, by the happening of a contingency provided for in the Constitution, has had devolved upon him the presidential office. *The spirit of faction,* which is directly opposed to a spirit of lofty patriotism, may find in this occasion for assaults upon my administration."

In his special message, dated June 1, 1841, he stated, "Within a few years past, three different schemes have been before the country. The charter of the Bank of the United States expired by its own limitations in 1836. An effort was made to renew it, which received the sanction of the two houses of Congress; but the president of the United States exercised his veto power, and the measure was defeated. A regard to truth requires me to say that the president was fully sustained in the course he had taken by the popular voice.

"His successor to the chair of state unqualifiedly pronounced his opposition to any new charter of a similar institution, and not only the popular election which brought him into power, but the elections through much of his term, seemed clearly to indicate a concurrence with him in sentiment on the part of the people. After the public moneys were withdrawn from the United States bank, they were

placed on deposit with the State banks, and the result of that policy has been before the country. To say nothing as to the question whether that experiment was made under propitious or adverse circumstances, it may be safely asserted that it did receive the unqualified condemnation of most of its early advocates, and, it is believed, was also condemned by the popular sentiment. The existing sub-treasury system does not seem to stand in high favor with the people, but has recently been condemned in a manner too plainly indicated to admit of a doubt. Thus in the short period of eight years the popular voice may be regarded as having successively condemned each of three schemes of finance to which I have adverted. . . . The late contest, which terminated in the election of General Harrison to the presidency, was decided on principles well known and openly declared; and while the sub-treasury received in the result the most decided condemnation, yet no other scheme of finance seemed to have been concurred in."

This Congress, fresh from the people,— who had just condemned the attempt to force the treasury notes out of circulation,— appears to have surrendered to the influence of the Bank of the United States faction, for on July 21, 1841, it authorized the issue, during the year, of twelve millions of six-per-cent bonds. The proceeds of the sale were to be used first to pay and retire from circulation the treasury notes previously issued, and the balance to be used in defraying the expenses of the Government.

Though the use of the treasury notes was relieving the distress occasioned by the scarcity of money, it had no influence upon a Congress that was controlled by a faction which hoped to make the currency so scarce that it would create a condition of affairs that would demand the chartering of another United States bank. Therefore Congress,

having provided for the retirement of the treasury notes, passed "An Act to incorporate the subscribers to the Fiscal Bank of the United States."

This act was vetoed by President Tyler on August 16, 1841. In his veto message, President Tyler stated that "the power of Congress to create a national bank to operate *per se* over the Union has been a question of dispute from the origin of the Government. Men most justly and deservedly esteemed for their high intellectual endowments, their virtue, and their patriotism, have, in regard to it, entertained different and conflicting opinions; Congresses have differed; the approval of one president has been followed by the disapproval of another; the people at different time have acquiesced in decisions both for and against it. . . . It will suffice for me to say that my opinion has been uniformly proclaimed to be against the exercise of any such power by this Government."

Let the reader understand that this was the language of a president long after Chief Justice Marshall and his three property-rights associate justices decided that Congress had the constitutional right to grant a charter to a bank; let him recall that President Jackson entertained similar views, and was elected president the second time upon this single issue; that President Van Buren entertained the same views, and he will have a pretty accurate idea of the respect in which said opinion of the Supreme Court was held at that time. And yet, all these condemnations of the unsound and unconstitutional opinion are ignored, and this country is afflicted to-day by national banks chartered by Congress. This is because under our form of Government the acts of presidents, Congresses, and the people are regarded as ephemeral, while an opinion of the Supreme Court, however unsound and unwise, remains the law until it is reversed,

which is seldom done, on account of life tenure and fealty to faction.

This same Congress, on August 13, 1841, passed an act repealing the Democratic act of June, 1836, and provided that the Government deposits should be made in the State bank. This act also repealed the Sub-treasury Act of President Van Buren's administration, and provided for the reception of all bank-notes by the treasury.

XXXI

The Whig, or Property-Rights, Party Forced to Issue Treasury Notes

In President Tyler's first annual message, dated December 7, 1841, he says, "Of the loan of $12,000,000, which was authorized by Congress at its last session, only $5,432,726.88 has been negotiated." In the message he also recommended a financial system.

These recommendations had no special merit, but only show the futile attempt of an honest and patriotic president to devise some plan, which, while escaping the evils of the State-bank and national-bank systems, would yet preserve the constitutional limitation of the money of the country to gold and silver, unconscious that it was impracticable and impossible.

President Tyler understood clearly, as did Presidents Jackson and Van Buren, that the action of Congress in chartering a bank, and the action of the State Legislatures in authorizing banks chartered by them to issue notes, was violative of the Constitution, notwithstanding the factional decisions of the Supreme Court, and that their operations were highly inimical to the welfare of both the country and the people; but he had no conception that the cause of the necessity for their inception and existence was in the abuse that had been incorporated in the Constitution limiting the money to gold and silver, and withholding from the Government the exercise of the sovereign right to emit bills of credit as a pure currency.

Therefore in their efforts to eliminate and destroy the evil, of which they did not entertain a doubt, they were unsuccessful, and failed completely to devise a remedy that would remove the necessity for the reappearance of the evils. On the contrary, in their intense regard for the Constitution and in their efforts to drive the circulation to a pure metallic currency, they were unconsciously forcing the country into a condition where the distress was such that the people distractedly and blindly followed the leadership of the property-rights faction back into the very evils from which they had been rescued.

It is strange that Mr. Jefferson and Mr. Calhoun could see the cause of the trouble so plainly, and know that the only remedy lay in the right of the Government to exercise the sovereign power of issuing treasury notes "bottomed on taxes," and yet never agitated an amendment of the Constitution to give Congress that power and right, but were content to contend for the right of Congress to exercise such power, knowing that if they were successful, a succeeding Congress would have the right to repeal it.

The experience of the country, in the course of time, under the stress of the direst necessity, forced a condition of affairs where the Supreme Court was obliged to assert and maintain the right of Congress to issue treasury notes, as full legal tenders, and to decide further that the treasury notes were no more to be redeemed in gold and silver than the gold and silver dollars were to be redeemed with treasury notes; and yet this principle that was forced upon the acceptance of the country as the law, finds no observance among the powers in control of the Government.

Congress seems to have paid no attention to the recommendations of the president, and not having the time to so shape the loan as to raise the necessary revenue for the Gov-

ernment, it was compelled, on January 31, 1842, to authorize the issue of not more than five millions of treasury notes to tide over the year.

By April 15, 1842, Congress, in its fight against the president, became bolder and more determined, and it passed an act enlarging the loan of $12,000,000 by an additional $5,000,000, to run twenty years, and also made all the treasury notes bear six per cent interest until redeemed.

It appears that the president was mistaken in assuming that the reason the $12,000,000 loan could not be placed was because of the short time it was to run, as he stated in his message; for after the time was extended twenty years, and the taxes and duties were pledged for their payment, it was impossible to place the loan, and Congress on August 31, 1842, passed an act that if the balance of the loan could not be sold for par, treasury notes not exceeding six million should be issued in lieu, and that all notes redeemed should be reissued up to April 15, 1843.

On March 3, 1843, Congress passed an act fixing the value of certain foreign coins, and making them legal tender at that value. On this same date Congress passed an act that all treasury notes redeemed before July 1, 1844, should be reissued, if the wants of the public service required it; that after maturity they should cease to bear interest, and, if they could not be redeemed, the president was authorized to take them up by bonds issued under the terms of the act providing for the issue of the twelve millions.

In his fourth annual message, dated December 3, 1844, the president stated that "the greatly improved condition of the treasury affords a subject for general congratulation. The paralysis which fell on trade and commerce, and which subjected the Government to the necessity of resorting to loans and the issue of treasury notes to a large amount, has

passed away; and after the payment of upwards of $1,000,000 on account of the interest, and in redemption of more than five millions of the public debt which falls due on the first of January next, and the setting part of $2,000,000 for the payment of outstanding treasury notes, an estimated surplus of upwards of $7,000,000, over and above the existing appropriations, will remain in the treasury. . . . Should the treasury notes continue outstanding as heretofore, that surplus will be considerably augmented.

"Although all interest has ceased upon them, and the Government has invited their return to the treasury, yet they remain outstanding, affording great facilities for commerce, *and establishing the fact that under a well-regulated system of finance the Government has resources within itself which render it independent in time of need, not only of private loans, but also of bank facilities;*" and he might have added of gold and silver.

A Whig, or property-rights, Congress, in its desire to get these efficient treasury notes out of circulation, so that they would not compete with gold and silver, stopped the interest upon them, and, as the president stated, invited the people to exchange them for six-per-cent bonds. It is strange that this tempting invitation has never succeeded in getting the people to surrender the treasury notes. That the Government has never taken advantage of the fact that their legal tender has to be taken away before the people can be induced to surrender them, is still more remarkable.

That treasury notes, when issued, must be a debt of the Government, is disproved by the consideration that when they are legal tenders, and do not bear interest, their efficiency, as mediums of payment, is so valuable to trade and commerce that the Government is not only not asked, but

not permitted, to redeem them. The people never treat them as a debt, and the Government is not allowed to pay them until, in its idiotic or criminal determination to do so, it deprives them of legal tender, and makes them worthless as mediums of payment.

This was so evident to President Tyler, in the practical application the people were making of them, and their refusal to surrender them for bonds upon the invitation of the property-rights Congress, that he unconsciously uttered the greatest financial truism that has emanated from any American statesman, when he said that their remaining outstanding "established the fact that under a well-regulated system of finance, the Government has resources within itself which render it independent in time of need, not only of private loans, but also of bank facilities."

XXXII

President Polk's Administration, the Second Independent Treasury, and the Panic of 1847

The principles of the Whig party were made so unpopular by President Jackson after the defeat of their idol, Henry Clay, that they became thoroughly disheartened. Van Buren's ignorant endeavor to pursue Jackson's policy was made the more disastrous by the New York influences that controlled his actions. The consequence was that when he had so completely ignored the State banks, repudiated the treasury notes, and forced the money of the country to a metallic base, he had so weakened himself that it was possible to influence the people to defeat him, if men, who were not the tools of the property-rights faction, should be nominated by that party. Therefore all the old leaders were set aside, and General Harrison and Mr. Tyler were nominated for president and vice-president, in the hope that, if elected, they could be cajoled or intimidated into putting the principles of the property-rights faction into the policies and practises of the Government.

What General Harrison might have done had he lived, it is not necessary to surmise; but a close reading of his inaugural inclines one to believe that they would have been as much disappointed in him as they were in Mr. Tyler. In Mr. Tyler, as his administration showed, they found a Jacksonian Democrat, truer to his (Jackson's) policy, and far more intelligently so, than Van Buren.

Another presidential contest was now at hand, and the

Whig faction organized for the fight upon a more honest program. They had suffered so severely from their duplicity in selecting two candidates for president and vice-president who were popular because they were known not to be committed to their most vicious principles, that they appeared in their true colors, and nominated their idol, Henry Clay. The result of the election was the selection of James K. Polk as president and the return of the Democrats to power.

In his first annual message, page 406, President Polk said: —

"By the Constitution of the United States it is provided that no money shall be drawn from the treasury but in consequence of appropriations made by law. A public treasury was undoubtedly contemplated and intended to be created in which the public money should be kept from the period of collections until needed for public use. . . . It is not to be imagined that the framers of the Constitution could have intended that a treasury should be created as a place of deposit and safe-keeping of the public money, which was irresponsible to the Government. . . .

"That banks, national or State, could not have been intended to be used as a substitute for the treasury spoken of in the Constitution as keepers of the public money, is manifest from the fact that at that time there was no national bank, and but three or four State banks, of limited capital, existed in the country. . . . Our experience has shown that when banking corporations have been the keepers of the public money, and been thereby made, in effect, the treasury, the Government could have no guarantee that it could command the use of its own money for public purposes. The Bank of the United States proved to be faithless. . . . The State banks, which were afterward employed, were faithless. . . .

"The public money should not be mingled with the private funds of banks or individuals or used for private purposes. . . . Where it is placed in the banks for safe-keeping, *it is in effect loaned to them without interest, and is loaned by them upon interest to the borrowers from them.* The public money is converted into banking capital, and is used and loaned out for private profit of the bank stockholders. . . . If the public money be not permitted to be thus used, but be kept in the treasury and paid out to the public creditors in gold and silver, the *temptation afforded by its deposit with banks to an undue expansion of their business, would be checked,* while the amount of the constitutional currency left in circulation would be enlarged by its employment in the public collections and disbursements. . . .

"Entertaining the opinion that the separation of the money of the Government from banking institutions is indispensable for the safety of the funds of the Government and the rights of the people, I recommend to Congress that provision be made by law for such separation, and that a constitutional treasury be created for the safe-keeping of the public money. . . . To say that the people or their Government are incompetent, or not to be trusted with the custody of their own money in their own treasury, provided by themselves, but must rely on the presidents, cashiers, and stockholders of banking corporations, not appointed by them nor responsible to them, would be to concede that they are incompetent for self-government."

On July 22, 1846, the exigencies of the Government were such that Congress authorized the issue of six-per-cent treasury notes not to exceed the sum of ten million dollars, or, if the president should think best, issue six-per-cent bonds instead. The treasury notes were to be redeemed in one year from date of issue and the bonds in ten years.

Treasury notes were issued to the amount of $7,687,800, bearing interest from one mill to five and two-fifths per cent.

On August 6, 1846, Congress established the independent treasury. It provided that all treasury notes, as well as gold and silver coins, should be received equally in payment of all debts of the Government, but *excluded all bank-notes.* It further provided that all Government money should be kept by all officers of the Government under bond, until it could be deposited in the treasury. It completely separated the affairs of the Government from any connection with or dependence on the banks.

On May 13, 1846, war was declared with Mexico, and to prevent a threatened deficiency by July 1, 1847, if the war continued until that time, the act of July 22 was passed.

The imperative expenditures growing out of the war forced Congress to resort to the issue of treasury notes, and on January 28, 1847, twenty-three millions were authorized to be issued; and, in addition, authority was given to reissue, in lieu of the notes of this act that might be redeemed, such an amount of notes as, with the notes of previous issues outstanding, would not exceed five million dollars. The twenty-three millions issued to be in denominations not less than $50; to bear interest at six per cent or less, which was to cease after maturity; to be redeemed in one and two years from date, with interest-bearing bonds; and to be legal tenders for all debts and dues of the Government, but not for the payment of private debts.

It is evident that they were not issued as currency, for they were in denominations not less than $50, were only transferable by delivery and indorsement, and the act provided that they should, in the discretion of the president, be used to borrow money.

Notwithstanding the past experience in issuing treasury

notes, the teachings of Mr. Jefferson, the observation of Mr. Tyler, the proved inefficiency of the banks, and the necessity for and utility of treasury notes in all dire contingencies, a Democratic Congress could not attain to the financial wisdom of issuing them as money, but continued to issue them as a debt of the Government, and made provision to force their surrender for cancelation and retirement as soon as it could be done.

President Jackson, by his rebuke of the State banks for their mismanagement and speculative expansion of their credits, and President Van Buren, by his active hostility toward them, destroyed all confidence in those institutions, and they were forced to suspend specie payments.

The practical operation of the law, which required all payments to the Government to be made in gold and silver, made it impossible for the banks to secure and hold enough to make a semblance of ability to resume specie payments, and the period was most disastrous to them.

Silver and gold only circulated in such channels as they could with safety, and not run the risk of getting into the banks, where they would be exchanged for bank-issues. There was no chance for the banks, under such circumstances, ever to get in a condition to resume specie payments; but after the Whigs, under President Tyler, got control of the Government, and treasury notes and bank-issues were not discriminated against, confidence in the banks was renewed. They were able to secure specie in sufficient quantity to announce that they had resumed specie payments, and by the end of 1846 were able to pay specie when demanded.

They were not able to pay all demands, if a run should be made on the banks (nor are the banks ever able to do that); but under the Whig administration they secured

enough specie to justify their announcement that they had resumed, which only means, "Have confidence in our institutions, and don't all ask to be paid at once, and we will be able to furnish specie to those who need it for specific purposes."

When, however, President Polk's administration discriminated against bank-issues, and it was incumbent on specie to circulate in channels where it would not get mixed with and be exchanged for bank-notes, confidence in the banks was destroyed, and they were soon drained of what specie they had, and forced to suspend specie payments.

This precipitated and caused the panic of 1847. This panic, and the resultant loss to the people, was caused by the Democratic administration's forcing the appropriation of all the basic money of the country to the support of the Government, and the refusal to accept State-bank notes. Such management, with its attendant loss of property and distress of the people who constitute and support the Government, is not pardonable on the ground that it was unintentional and unconscious.

If the policy adopted had to be pursued, and the experience with banks, State and national, demanded and justified their condemnation and destruction, the Government should not have been satisfied with discriminating against them, and leave their worthless issues to be forced upon an innocent people, but it should have passed the necessary legislation to have wound up the institutions, and made provision that, as their notes were retired, treasury notes should be issued in their stead, and thus protected the people.

Instead, however, it appears that the Democratic Congress adopted the policies of the Whig party, and passed, on March 31, 1848, an act to authorize a loan not to exceed the sum of sixteen million dollars. The bonds issued to

secure this loan were to run twenty years, and were to bear an annual interest not to exceed six per cent. This money was borrowed to meet the expenses that arose out of the continuation of the Mexican war, and was so welcome to the money faction that they paid a premium of $487,191.16 on the sixteen millions. Though a Democratic Congress was raising funds to fight the Mexican war in a manner that furnished the money faction with good interest-paying investments, it made no provision to supply a circulating currency to the people, but relegated them and the success of their business to the State-bank issues, which the Government refused to receive.

In his third annual message, dated December 7, 1847, page 556, the president says: —

"The constitutional treasury, created by a former act, went into operation on the first of January last. . . . While the fiscal operations of the Government have been conducted with regularity and ease under this system, it has had a salutary effect in checking and preventing an undue inflation of the paper currency issued by the banks which exist under State charters. Requiring, as it does, all dues to the Government to be paid in gold and silver, its effect is to restrain excessive issues of the bank paper by the banks disproportional to the specie in their vaults, for the reason that they are at all times liable to be called on by the holders of their notes for their redemption in order to obtain specie for the payment of duties and other public dues. The banks, therefore, must keep their business within prudent limits, and be always in a condition to meet such calls, or run the hazard of being compelled to suspend specie payments, and be thereby discredited."

With this financial sword suspended over the State banks, while they were endeavoring to supply the currency

necessary to conduct business, and to pay the additional taxes to carry on the war, the people must have been sorely oppressed, and it should not be strange that the country suffered a panic in 1848. That this panic was due to the issue of bonds instead of treasury notes, is evidenced by the following from the president's message: —

"The amount of specie imported into the United States during the last fiscal year was $24,121,289, of which there was retained in the country $22,270,170. Had the former financial system prevailed, and the public moneys been placed on deposit in the banks, nearly the whole of this amount would have gone into their vaults, not to be thrown into circulation by them, but to be withheld from the hands of the people as a currency, and made the basis of new and enormous issues of bank paper. A large proportion of the specie imported has been paid into the treasury for public dues, and having been to a great extent recoined at the mint, has been paid out to the public creditors, and gone into circulation as a currency among the people. The amount of gold and silver coin now in circulation in the country is larger than at any former period.

"The financial system established by the constitutional treasury has been thus far eminently successful in its operation, and I recommend an adherence to its essential provisions, and especially to that vital provision which wholly separates the Government from all connection with the banks, and excludes all bank paper from all revenue receipts."

The above exposition of the financial policies that have been inflicted upon the country is so monstrous that it is difficult to believe that it is true, and that a Democratic president dispassionately recommended an adherence to it. An analysis of the propositions discloses that a paternal Govern-

ment, because of its incapacity to devise a pure financial system, and because the system of national and State banks had been imposed upon it by a subservient Congress and a still more subservient judiciary, virtually stated that it proposed to fight the war with Mexico, and run the Government while so doing with gold and silver. To that end it would separate its affairs from the affairs of the banks, and consequently of the people; though the people must furnish the soldiers, must furnish gold and silver to clothe, support, and arm the soldiers, whether there was enough in the country or not.

The Government, it appears, decided it had nothing to do with supplying the people with a circulating currency; but, on the contrary, after discrediting the money which it had permitted the State banks to issue, it demanded the payment of all taxes and dues in gold and silver coin. This forced the people to make importations from Europe to protect their property from the Government tax-collector regardless of the sacrifice imposed.

In the light of such Democratic legislation,— forcing into the practise of the Government the unholy and inhuman principles that the Massachusetts financiers incorporated into the Constitution,— it should not be cause for wonder that the branch of the property-rights party known as Gold Democrats should claim that they are Simon pure, and Bryanism is spurious and false.

The following from the president's fourth annual message, dated December 5, 1848, speaks volumes for the thrift, economy, and energy of the people: —

"During the present year nearly the whole continent of Europe has been convulsed by civil war and revolutions, attended by numerous bankruptcies, by an unprecedented fall in their public securities, and an almost universal par-

alysis of commerce and industry; and yet, although our trade and the prices of our products must have been somewhat unfavorably affected by these causes, we have escaped a revulsion, our money market is comparatively easy, and public and private credits have advanced and improved.

"It is confidently believed that we have been saved from their effect by the salutary operations of the constitutional treasury. It is certain that if twenty-four millions of specie, imported in the fiscal year ending on the 30th of June, 1847, had gone into the banks, as to a great extent it must have done, it would in the absence of this system have been made the basis of augmented bank paper issues, probably to an amount not less than $60,000,000 or $70,000,000, producing as an inevitable consequence of an inflated currency, extravagant prices for a time and wild speculation, which must have been followed, on the reflux to Europe the succeeding year of so much of that specie, by the prostration of the business of the country, the suspension of the bank, and most extensive bankruptcies."

Properly analyzed, this Democratic president virtually said: A Democratic Congress, with my approval and assistance, has made the gold and silver of the money faction so valuable in its use in this country, that none of it leaves; but, on the contrary, the constitutional treasury and the war with Mexico has made such a demand for it that the people have been forced to purchase twenty-four millions from Europe. The use that was made of it over here was so much more profitable than could be made of it in Europe, notwithstanding it was "convulsed by civil war," that it all remained here. Of course the profit that the owners of the gold and silver makes, comes out of the people in the decreased price they received for their product, whether sold here or in Europe, but that is no concern of the Government.

Whether the people sent forty-eight millions or more of products to Europe to get twenty-four millions of specie to pay taxes and expenses, was not considered by the administration; nor whether they had to send forty-eight millions of products each year to retain that twenty-four millions of specie, did not seem to concern the president. He seems to have only been interested in providing for the collection of enough revenue to defray the expenses of the Government, regardless of the distress and suffering visited upon the people by the method adopted.

These must have been the halcyon days of the hard-money faction; for they were reaping a full crop from the seed sown when they framed the Constitution so as to read that no State should make anything a legal tender but gold and silver, nor emit bills of credit, and withheld from Congress the power to emit bills on the credit of the United States, as full legal tenders.

XXXIII

The Beginning of the Change of the Government from a Republic to an Empire

THE cause that is tending to change this Government from a republic to an empire is the construction of the Constitution that bestows legal-tender value exclusively upon gold and silver; and the agencies through which it is being so successfully carried forward are the manipulation of the legal-tender value, a high protective tariff, corporate agencies, and the avarice that is now expressed in the cry of Christian Commercialism.

It is strange that a Democratic president could comprehend and express so lucidly, as did Mr. Polk, the trend of the purposes of the property-rights party subsequent to 1815, and yet fail to appreciate that the success of the movement was due to the exploitation encouraged by the heresy engrafted upon the Constitution and the manipulation of the value of legal tender in the practical application of the heresy to the finances of the country.

The failure of the Democratic party to detect this fallacy, its failure to detect that its enforcement was necessary to insure the success of the abuses that tend so strongly to change the republic to an empire, has caused it to waste its energies in preserving the source of the evils while vainly resisting their onward flow.

This is evidenced in the administration of President Polk, which issued bonds instead of treasury notes; demanded that all money paid into the treasury should be gold

and silver, and thereby forced the people to purchase from the owners of specie a sufficient sum for the Government to wage the war with Mexico.

This preservation of the source of all our governmental evils has been one of the cardinal principles of the party in all the battles of the past, and though in late years the force of the motives that for so long a time caused gold and silver to be regarded as sacred has, in the demonetization of silver, set aside and derided the Constitution, the Democratic party still clings to the old fallacy in its war-cry for silver at 16 to 1.

Appreciating intensely the condition of the country, but unconscious of the provoking cause therefor, President Polk set forth the situation, as he understood it, as a justification for his financial policy. In his message of December 5, 1848, Vol. 4, page 654, he said: —

"The present condition of the country is similar in some respects to that which existed immediately after the close of the war with Great Britain in 1815, and the occasion is deemed to be a proper one to take a retrospect of the measures of the public policy which followed that war.

"There was at that period of our history a departure from our earlier policy. The enlargement of the powers of the Federal Government by *construction* which obtained, was not warranted by any just interpretation of the Constitution. A few years after the close of the war, a series of measures was adopted which, united and combined, constituted what was termed by their authors and advocates the American System. . . .

"The authors of the system drew their ideas of political economy from what they had witnessed in Europe, and particularly in Great Britain. They had viewed the enormous wealth concentrated in few hands, and had seen the splen-

dor of the overgrown establishments of an aristocracy which was upheld by the restrictive policy. . . . They failed to perceive that the scantily fed and half-clothed operatives were not only in abject poverty but were bound in chains of oppressive servitude for the benefit of favored classes who were exclusive objects of the care of the Government. . . .

"A system of measures was therefore devised, calculated, if not intended, to withdraw power gradually and silently from the States and the mass of the people, and by *construction* to approximate our Government to the European models, substituting an aristocracy of wealth for that of orders and titles. . . . They conceived the vain idea of building up in the United States a system similar to that which they admired abroad.

"Great Britain had a national bank of large capital, in whose hands was concentrated the controlling monetary and financial power of the nation,— an institution wielding almost kingly power, and exerting vast influences upon all the operations of trade and upon the policy of the Government itself. Great Britain had an enormous public debt, and it had become a part of her public policy to regard this as a public blessing. . . . Great Britain had also a restrictive policy, which placed fetters and burdens on trade and trammeled the productive industry of the mass of the nation. . . .

"Imitating this foreign policy, the first step in establishing the new system in the United States was the creation of a national bank. . . . But the bank was but one branch of the new system. A public debt of more than $120,000,000 existed; and it is not to be disguised that many of the authors of the new system did not regard its speedy payment as essential to the public prosperity, but looked upon its continuance as no national evil. . . . While the debt ex-

isted, it furnished aliment to the national bank, and rendered increased taxation necessary. . . . This operated in harmony with the next branch of the new system, which was a high protective tariff. This was to afford bounties to favored classes and to particular pursuits at the expense of all others.

"A proposition to tax the whole people for the purpose of enriching a few was too monstrous to be openly made. The scheme was therefore veiled under the plausible but delusive pretext of a measure to protect home industry; and many of our people were for a time led to believe that a tax which in the main fell upon labor, was for the benefit of the laborer who paid it. . . .

"The effect of this policy was to interpose artificial restrictions upon the natural course of the business and trade of the country, and to advance the interests of large capitalists and monopolists at the expense of the great mass of the people who were taxed to increase their wealth.

"Another branch of this system was a comprehensive scheme of internal improvements, capable of infinite enlargements, and sufficient to swallow up as many millions annually as could be exacted from the foreign commerce of the country. . . . This was convenient, and a necessary adjunct of the protective tariff. . . .

"These several measures were sustained by popular names and plausible arguments by which thousands were deluded. The bank was represented to be an indispensable fiscal agent for the Government; was to equalize exchanges, and to regulate and furnish a sound currency always and everywhere of uniform value. The protective tariff was to give employment to American labor at advanced prices; was to protect home industry, and furnish a steady market for the farmer. Internal improvements were to bring trade into

every neighborhood, and enhance the value of every man's property. . . . But the fact that for every dollar taken out of the treasury for these objects, a much larger sum was transferred from the pockets of the people to the favored classes, was carefully concealed, as was also the tendency, if not the ultimate design, of the system to build up an aristocracy of wealth, to control the masses of society, and monopolize the political power of the country. . . .

"In this manner the whole form and character of the Government would be changed; not by an amendment of the Constitution, but by resorting to an unwarrantable and unauthorized construction of that instrument."

The foregoing is such an able exposition of the tendency of the property-right principles, that it is not easy to comprehend why the president could not understand Mr. Jefferson's theory of issuing treasury notes "bottomed on taxes," and that the value of legal tender was a property right held in trust by the Government for the benefit of the people.

The ignoring of this Democratic method, the approval of the sale of bonds, and the restriction of the money of the country to gold and silver, can only be accounted for upon the ground of an undue regard for the fallacy which the Massachusetts financiers engrafted upon the Constitution, and which the property-right members of the Democratic party in the East have always advocated.

The adoption and practise of Whig policies by a Democratic administration worked such hardship upon the people in forcing them to buy European specie to keep out of the hands of the tax-collectors, that in the canvass of 1848 they elected Gen. Zachary Taylor and Millard Fillmore president and vice-president, and the Whigs were again placed in power.

XXXIV

The Administrations of Presidents Taylor and Fillmore

The financial policy of the administration is shown in the first annual message of President Taylor, dated December 4, 1849, page 17, in the following: —

"The receipts into the treasury for the fiscal year ending on the 30th of June last were, in cash, $48,830,097.50, and in treasury notes funded, $10,833,000."

The policy inaugurated by the Democratic administration of retiring the treasury notes as fast as they were received into the treasury, was most willingly followed by the Whig administration, for the reason that it took the treasury notes out of competition with gold and silver, reduced the volume of money, decreased the price of all products, and forced the issue of interest-bearing bonds.

On the same page, the message, after stating that there would probably be a deficit of $16,375,314.30 on the first of July, 1851, recommended that a sufficient sum be borrowed to cover that deficit. If a Democratic administration, ignoring the teachings of Mr. Jefferson, the experience of the country in the issuance of treasury notes, and the suggestions of President Jackson, put into practise a policy that created a deficit, it should not be cause of surprise that a Whig president took advantage of it, and recommended the borrowing of money.

The loan was not made, however, for the reason that in 1849, 1850, and 1851 the volume of the currency was so

largely increased by the gold from California, and the enlarged business and increased prosperity of the people was such, that the collection of revenue disproved the estimates, and there was no deficit.

The death of President Taylor on July 9, 1850, made the vice-president, Millard Fillmore, president; and in his first annual message, dated December 2, 1850, page 83, he states that "the total receipts in the treasury for the year ending the 30th of June last were $47,421,748.90. The total expenditures during the same period were $43,002,168.90. The public debt has been reduced since the last annual report from the treasury department $495,276.79. Aside from the permanent annual expenditures, which have necessarily largely increased, a portion of the public debt, amounting to $8,075,986.50, must be provided for within the next two fiscal years. It is most desirable that these accruing demands should be met without resorting to new loans."

The effect upon the prosperity of the people of an enlarged and increasing volume of basic money is still more apparent from the second annual message of President Fillmore, dated Dec. 2, 1851, page 122: —

"By reference to the report of the secretary of the treasury, it will be seen that the aggregate receipts for the last fiscal year amounted to $52,312,970.87, which, with the balance in the treasury on the first of July, 1850, gave as the available means for the year the sum of $58,917,324.36. The total expenditures for the same period were $48,005,878.68. The public debt on the 20th ultimo, exclusive of the stock authorized to be issued to Texas by the act of the 9th of September, 1850, was $62,560,395.26."

The estimated amount of cash at the disposal of the Government during the next fiscal year was $63,258,734.09, and the estimated expenditures, $42,892,299.19, leaving

a net balance of $20,366,443.90 to be used in payment of the debt. From this it is evident that the increase of the volume of money enabled the people, by large importations and enlarged business, to pay into the treasury sufficient revenue to defray the expenses of the Government, and leave a surplus which would soon pay the national debt; and yet the president, in his message, page 124, makes this startling statement: —

"The production of gold in California for the past year seems to promise a large supply of that metal from that quarter for some time to come. This large annual increase of the currency of the world must be attended with its usual results. These have been already partially disclosed in the enhancement of prices and rising spirit of speculation and adventure, tending to overtrading as well at home as abroad. Unless some salutary check shall be given to these tendencies, it is to be feared that importations of foreign goods beyond a healthy demand in this country will lead to a sudden drain of the precious metals from us, bringing with it, as it has done in former times, the most disastrous consequences to the business and capital of the American people.

"The exports of specie to liquidate our foreign debt during the past fiscal year have been $24,263,970 over the amount of specie imported. The exports of specie during the first quarter of the present fiscal year have been $14,651,827. Should the specie continue to be exported at this rate for the remaining three quarters of this year, it will drain from our metallic currency during the year ending June 30, 1852, the enormous amount of $58,607,308."

What is this financial condition of which the president has such forebodings?

It will be recalled that Mr. Crawford stated that, until a metallic currency was reached, there could and would be

no safety nor certainty in the financial system; and in reaching this desired condition, admitted that, "until the engagements existing at the moment of such a change are discharged, and the price of labor and of commodities is reduced to the proportion which it must bear to the quantity of currency employed as the medium of their exchange, enterprise of every kind will be repressed, and misery and distress universally prevail."

The policy of the Government had been in accord with this teaching: treasury notes had been retired; State-bank notes were not accepted by the Government; all banks were forced to resume specie payments; the Government refused to receive the payment of its taxes and dues in anything but gold and silver. This had been carried to such an extremity that the people were forced to import large sums of specie to keep their property out of the hands of the tax collectors. They had sold their products at reduced prices in Europe, first to get the specie, and then continued to sell their products at still lower prices in order to keep the specie here, and in many instances went into debt in order to secure the necessary amount.

In the language of Mr. Crawford, "Enterprise of every kind had been repressed, and misery and distress had universally prevailed; the price of labor and of commodities had been reduced;" and he might have added, debts had been contracted by the people in adjusting their business to the reduced volume of a metallic money.

It would be natural to suppose that since the policy of the Government had forced the people to undergo the distress and loss of property which is ever attendant on the destruction of all credit currency and the adoption of a pure metallic money, any increase in the volume of this metallic money would rightfully and justly inure to the benefit of the people and the debtors.

It is evident that the increase of the volume of metallic money cheapened the value of legal-tender money; this necessarily enhanced the value of products, and enlarged the ability of the debtor to pay his debts. As this supply of gold from California enlarged the volume of metallic money, the banks were encouraged to issue notes, and the people were enabled to expand their business. They, therefore, paid more taxes to the Government, liquidated their debts, and were then enabled to improve their homes, import luxuries, and enjoy the fruits of a prosperity which ever accompanies an increased supply of money.

But according to the views of the property-rights president, these evidences of healthful prosperity were only "indications of a rising spirit of speculation and adventure, tending to overtrading, as well at home as abroad; and unless some salutary checks be given to these tendencies, it is to be feared that the importations of foreign goods beyond a healthy demand in this country will lead to a sudden drain of the precious metals from us, bringing with it, as it has done in former times, the most disastrous consequences to the business and capital of the American people."

This was the veriest presidential nonsense. Heretofore it had been claimed that specie left and panics came because of the expansion of credits through the issue of bank-notes and treasury notes; and it had been claimed that there was no cure for this evil except the entire finances of the country be placed on a metallic base.

Though the destruction of all this credit currency in going to a metallic base would cause great loss of values, it had been further claimed that it was in accord with the highest wisdom and purest principles of finance; because when once accomplished, and society was adjusted to the change, "the new basis will be equitable and just, and tend to promote and secure the general prosperity."

That the people would be forced to sell their products at reduced prices, and borrow specie from Europe in order to keep their property out of the hands of the tax collectors, did not concern the hard-money faction, for that was the condition of affairs they intended to create when they established the metallic base, knowing full well this would increase their fortunes.

The pitiless conduct of the Government, at the instance of that faction, had made life so unbearable and desperate that *it produced an effect which had not been contemplated.* When it was realized by the people that the ownership of their property, and in many instances the very existence of themselves and families, depended upon securing the precious metals, many a man abandoned wife, child, and home to seek for the "money" metals in the wilds of the far West. Their quest was so tense and deadly that, though they whitened a pathway across the great Western prairie with their bleaching bones, they never ceased the search until they found what they sought in the hills and valleys of California. In the vast amount found there, they secured the only means of relief left to them by the policy of the Government.

Notwithstanding it was well understood that this great influx of the precious metals would so cheapen money that the debtors could pay all taxes and debts, and thus save their property; and notwithstanding it was well understood that the increase in the volume of metallic money protected the debtors from a contemplated robbery by the creditors, yet, inasmuch as the people had accepted the situation forced upon them, and at great sacrifice turned it to their profit, they had the right to enjoy the fruits of their toil and sacrifice won under the changed conditions.

This they were doing by improving their farms, paying

the foreign debt of gold, and indulging some foreign luxuries, when the shipments of gold to Europe were deemed sufficient to justify a president in stating that a spirit of speculation and adventure had been produced by the influx of gold, and "unless some salutary check should be given to these tendencies, it was to be feared that importations of foreign goods beyond a healthy demand would lead to a sudden drain of the precious metals from the country, bringing with it the most disastrous consequences."

It seems evident that the president was influenced to make this observation because he was the tool of the capitalists and creditors. If he was correct in his fears, it demonstrated the inefficiency of the system which had been foisted upon the country; for if enough specie could not be retained to conduct the volume of business, no higher proof could be had of the falsity of the theory which adopted it.

This large addition of gold to the volume cheapened the gold coin to such an extent that all the silver was carried to Europe, where it secured its full value when coined into legal-tender money.

Notwithstanding the use which was made of the subsidiary silver coins, they were fast leaving also. Some action had to be taken to secure to the people the use of the small silver coins, and on February 21, 1853, Congress passed an act reducing the weight of silver in the half-dollar, quarter-dollar, dime, and half-dime to 192 grains for the half-dollar, and the others proportionately, and also providing that said coins should be legal tender for only five dollars.

Congress intended to make the subsidiary silver coins equal to or less in value than the cheaper gold coins, thereby removing the inducement to export them, it having, in the act of March 8, 1849, authorized the coinage of gold

dollars to take the place of the disappearing silver dollars. It is apparent, then, that though the "word" dollar, when used in the United States, meant 371¼ grains of silver, yet the dollar in which payments were made was the cheaper gold dollar, and in the settlement of contracts the payer was getting the advantage.

This condition of the finances, always of advantage to debtors, and encouraging to the people, is most galling to capitalists and creditors, even when, as in this instance, it was the result of their greedy legislation, and they never rest until they have reversed it and secured the advantage.

The increase of the volume had the effect of stimulating the business of the country; and as it expanded, it generated a necessity for enlarged credits to carry it forward. This growing prosperity resulted from an increasing volume of the currency; but, as heretofore explained, the antagonism between the methods of conducting business by the "credit system" (whereby the larger transactions are promoted), and by cash and credit (whereby the retail trades are conducted), is always fatal to both when they are carried on by the same credit money that has a dual reliance on gold and silver. Therefore when President Fillmore realized that the exports of gold exceeded the imports, knowing that all these credits were redeemable in gold on demand, he had forebodings as to the ability of the country to redeem the credits, and suggested that there should be a check against what he was pleased to term the tendency toward speculation on the part of the people.

It is a queer financial system that causes the surest evidences of progress among the people to be regarded as something to be checked in its tendency. It is strange he could not understand that it was an increasing volume of

basic money which was bringing all these blessings to the people, and that the dangers which he feared were caused by the governmental abuse of making all these credits redeemable in specie.

Notwithstanding this fear that there would not be enough specie retained to redeem these credits, Congress, on February 21, 1857, during the administration of Mr. Buchanan, passed an act "that all former acts authorizing the currency of foreign gold or silver coins, and declaring the same a legal tender in payment for debts, are hereby repealed."

This foreign gold and silver coin was chiefly used as bank reserves. So soon, however, as it was demonetized, it was no longer available for that purpose, but was shipped to Europe, and specie was drawn out of the channels of trade to take its place. The act of 1853 depriving subsidiary silver coins, in sums over five dollars, of the quality of legal tender, caused the banks to cease the use of this coinage as reserves. In addition, the distress of the Bank of England forced it to sell about $7,000,000 of American securities in the United States for gold. These things were deemed sufficient excuse for the designing (i. e., those who induced the conditions) seemingly to take the alarm, and demand payment of their debts in specie. This precipitated the panic of 1857, which occasioned the loss of from $500,000,000 to $1,000,000,000, reduced hundreds of thousands to a state of dependence, and forced the suspension of all the banks.

A Democratic administration, under the leadership of a Pennsylvania president, was influenced to pass legislation which took from the people all the advantage they had gained by their sacrifices and loss of life in securing gold from California. It had not only done this, but it had

accomplished it in a way, and so effectually, that the gold from California which should have been a blessing was turned into the most frightful curse of the century.

Under the legislative manipulation of the issue of money by that administration, the capitalists and creditors were made so wealthy that they took the control of the Government from the South, as will hereafter be shown; and the people were so impoverished that chattel slavery was destroyed, and there was substituted in its stead industrial slavery. The distress was so general that some relief had to be given; therefore an act of Congress, December 26, 1857, authorized the issue of $20,000,000 in treasury notes, not to bear over six per cent interest, but to be redeemed in one year from the date of the notes, *if the distress of the country would permit;* if not, authority was given to reissue such notes as were redeemed until the first of January, 1859.

The reissue of these notes seems to have continued beyond the time authorized; for on June 22, 1860, Congress authorized a loan providing for the redemption of treasury notes by the sale of bonds not exceeding $20,000,000. On December 17, 1860, Congress authorized the issue of $10,000,000 in treasury notes to be redeemed one year from date of issue, with power to reissue any of said notes until January 1, 1863.

This issue followed the panic of 1860, during which there were six thousand business failures. The issues of banks that were based upon the bonds of the Southern States became jeopardized and uncertain in value, and in this contraction of the currency the failures were inevitable.

The circulation at this time consisted of a limited number of gold and silver coins (which were being fast withdrawn), the outstanding treasury notes, and the issues of some fifteen hundred State banks.

XXXV

President Lincoln's Administration, and the Financial Method Attempted

NOTWITHSTANDING the imminence of war, and the great need there would be for currency if war should be declared, Congress, on February 8, 1861, authorized the issue and sale of $25,000,000 in six-per-cent bonds, to run not less than ten nor more than twenty years. The proceeds of this sale were to be used to pay the current demands on the treasury and to redeem the treasury notes outstanding.

It appears that of this issue only $18,415,000 could be disposed of, and that at an average discount of 10.97 per cent; therefore, on March 2, 1861, Congress authorized the sale of $10,000,000 in six-per-cent bonds, if the bonds could be sold at par; and if not, the president was authorized to issue in their stead treasury notes, in denominations of not less than fifty dollars, bearing six per cent interest.

The president was further authorized, "under like conditions, to issue treasury notes for the whole or any of the loans for which he is now by law authorized to contract and issue bonds." The proceeds arising from these bonds were to be used to pay appropriations and redeem outstanding treasury notes. The bonds could not be placed, and treasury notes had to be issued. The amount issued was $35,364,450, which was sold at rates ranging from par to $1.27.

It is noticeable that at this time a six-per-cent bond which could not be sold at par, when offered as a six-per-

cent circulating currency, sold, as these notes did, for a premium. It only illustrates the contention heretofore made that the trading and commercial people, in their intense need for mediums of payment, will pay more for interest- or non-interest-bearing treasury notes, when they can be used as currency, than the capitalists and bankers will pay for interest-bearing bonds.

Though these treasury notes were not legal tender for the payment of private debts, they were for the payment of all debts due the Government; and it was due to this, and not to the fact they were payable in specie, that they sold for a premium.

The issue was far in excess of the amount contemplated, because of the commencement of the Civil war within a few weeks after the passage of the bill. It is in such periods that the capitalists and investors refuse to exchange their gold and silver for bonds, and the Government is only able to secure such quantities of specie as are in the hands of the trading and commercial people, who are ever willing to exchange all they have for legal-tender treasury notes that can be used as mediums of payment.

The financial truth — demonstrated in the issuance and sale of these notes — that they were more valuable because far more serviceable, both to the people and to the Government, than bonds, has always escaped the observation of, and has never been appreciated by, the wisdom of the officials of the Government.

President Lincoln was inaugurated March 4, 1861, and the exigencies occasioned by the war were such that he called an extra session of Congress to meet July 4, 1861.

On July 17, 1861, Congress passed an act which in its first section reads as follows: "That the secretary of the treasury be, and hereby is, authorized to borrow on the credit

of the United States, within twelve months from the passage of this act, a sum not exceeding $250,000,000, . . . for which he is authorized to issue coupon bonds, or registered bonds, or treasury notes in such proportions of each as he may deem advisable; the bonds to bear interest not exceeding seven per cent per annum, payable semi-annually, irredeemable for twenty years; . . . and the treasury notes to be of any denomination fixed by the secretary of the treasury not less than fifty dollars, and to be payable in three years from date, with interest at the rate of seven and three-tenths per cent per annum, payable semi-annually. And the secretary of the treasury may also issue in exchange for coin, and as part of the above loan, or may pay for salaries or other dues from the United States treasury, notes of a less denomination than fifty dollars, not bearing interest, but payable on demand, . . . or treasury notes bearing interest at the rate of 3.65 per cent per annum, payable in one year from date, and exchangeable at any time for treasury notes for fifty dollars and upwards; . . . provided that no treasury note shall be issued of a less denomination than ten dollars, and that the whole amount of treasury notes, not bearing interest, . . . shall not exceed $50,000,000."

Under this act $50,000,000 of the seven-per-cent bonds were sold at a discount of 10.97 per cent. The $50,000,000 demand notes were sold for par. The patriotism of the banks was shown in the fact that only the associated banks of Boston, Philadelphia, and New York rendered any assistance whatever to the Government, and they only made a temporary loan for five months of $50,000,000, taking the treasury notes, bearing seven and three-tenths per cent interest, at par, as collateral.

An effort was made to remedy these defects, and enable the Government to raise the necessary money, in the act

passed August 5, 1861. By its terms the secretary of the treasury was authorized to issue six-per-cent bonds, payable at the pleasure of the Government after twenty years, in exchange for the treasury notes bearing seven and three-tenths per cent interest, issued under the act of July 17, 1861.

It further provided that the demand notes should be receivable in payment of all public dues, thereby making them legal tenders for all debts due the Government; and that they should be issued in denominations of five dollars and upwards to fifty dollars.

It further provided that six-per-cent bonds might be sold for not less than par, to the amount authorized of seven-per-cent bonds in the act of July 17, 1861. It also suspended the provisions of the act of August 6, 1846, so as to enable "the secretary of the treasury to deposit any of the moneys obtained or any of the loans now authorized by law, in *such solvent specie-paying banks as he might select*, said money to be checked out at will to defray the expenses of the Government or in redemption of treasury notes."

It appears that of the $250,000,000 in bonds authorized to be issued under these two acts, $50,000,000 of the seven-per-cents was issued, as heretofore stated, at a discount of 10.97 per cent, and $139,321,350 of the six-per-cents at par in the years following in taking up the seven and three-tenths per cent treasury notes.

It will be recalled that under the influence of Mr. Jefferson, Congress, on February 24, 1815, authorized the issue of non-interest-bearing, legal-tender notes in small denominations, redeemable only in six- and seven-per-cent stock, and that they proved so efficient and serviceable, as currency, that they could not be secured by the bankers to be surrendered and canceled.

It will be further recalled that their circulation, in com-

petition with the notes of the Bank of the United States, aroused the open antagonism of that bank, and it refused to receive them because they were not a legal tender for private, as well as public, debts.

It will be further recalled that the Bank of the United States paid $1,500,000 for the monopoly of issuing its notes for twenty years, on the condition that the Government should retire its notes from circulation, which it attempted to do by refusing to receive them in payment of import dues.

It will also be recalled that Judge Mason stopped this iniquitous ruling of the treasury, and the Government thereupon repealed the law which authorized their reissue, and thus gradually withdrew them from circulation.

These notes were different from the demand notes in only one particular; both were non-interest-bearing, both were issued in the smaller denominations, both were receivable in the payment of all public dues, both were issued to circulate as currency, and were to be reissued as often as received into the treasury, until they were presented for redemption, when, and not before, they were to be canceled, and retired from circulation.

The notes of 1815 were not to be canceled until they were exchanged for six- and seven-per-cent stock; the demand notes were not to be canceled until they were presented and exchanged for coin. The provision for their redemption was the only difference in the issues. Their experience was very similar,— both were so efficient and serviceable to the trading and commercial people, and were regarded as so much safer than bank-notes, and were so much more convenient to handle than coin, that it was impossible for the bankers to secure them to be surrendered; and if the Government, at the instigation of the bankers (who surrendered them as they happened to get possession of them), had not

forced their retirement, they would be in circulation to this hour. They were worth so much more as mediums of payment than as six- or seven-per-cent stock, or as coin, that it never would have occurred to the people to commit the suicidal act of surrendering them for cancelation. On the contrary, those engaged in trade and commerce have always been willing to purchase and use them, if they are made full legal tenders. The bankers always endeavor to keep the Government from issuing them, and have controlled its action, except in the few instances of war, when the crisis was such that Congress acted without separately considering the bankers and their alleged constitutional claims.

In 1815 the bankers were as willing to pay the Government to take its treasury notes out of circulation as the people were to purchase them for use as mediums of payment; hence by an offer of $1,500,000, the bank of the United States bought the monopoly of issuing notes for twenty years, upon the agreement that the Government would withdraw its notes from circulation.

In the excitement of the summer of 1861, and the first months of 1862, Congress acted without consulting the coin owners and bankers, and sold $50,000,000 in non-interest-bearing demand notes to the soldiers and contractors for services in the field, supplies, and armaments. The efficiency in use and the ready acceptance of these demand notes at and over their par value, constrasted with the slowness and difficulty of selling the bonds, caused the act of February 12, 1862, authorizing the additional $10,000,000 in demand notes to be issued. It was evident, as the necessity for more money would appear as the war progressed, that the same ready acceptance at par and efficiency in use would cause their exclusive issue to an amount which might be needed to conduct the war to a successful termination.

The necessity for the issue of legal-tender treasury notes was imperative. A hostile army was about to invade the portion of the Union that was still intact. The State banks had suspended specie payment; at least the Government could secure no more coin from them. The loyalty and patriotism of the people, in their effort to assist the Government with money, had been exhausted in the $139,321,350 advanced in specie. The balance of the specie had deserted the fortunes of the Government, and did not care to exercise its claimed constitutional right, in the emergency.

Luther Martin's prediction that if the power to emit bills of credit was withheld from Congress, the time would come when the Constitution would have to be violated and the treasury notes issued to buy the means of defense, was again verified. If it is admitted that the Government, as a sovereignty, was under the necessity of issuing treasury notes to preserve its existence, then it follows that it undoubtedly had that right; and if it had the right, born of the necessity, then it logically follows that it had the power, notwithstanding it had been attempted in the Constitutional Convention to withhold the exercise of that power from Congress.

If the United States, as a sovereign nation, had the power and right, and was under the necessity of issuing its notes, then the notes should have been issued in accordance with this sovereign power, and in a manner that would most efficiently serve the purpose for which they were needed, and be of the greatest benefit to the people and the country; and not in accordance with the contention of the coin owners and bankers that they must be so issued as to cause the least temporary interference with their alleged claim of the constitutional right to supply the money of the country.

The act of July 17 was an amendatory act, intended to

remedy the defects in the previous acts. The demand notes were accepted so readily that the Government decided to make them receivable for all payments due it. Endowed with the quality of legal tender to this extent, they were so generally received and so acceptable in use to all classes except the bankers that the hostility of the bankers could not affect the value or use of the notes: on February 25, 1862, the additional $10,000,000 consequently was issued.

This action of Congress alarmed the gold and silver owners and the bankers. They realized that the practical experiments of President Lincoln had thus early taught that the success of the war was dependent upon the assistance and proper use of the value of legal tender.

XXXVI

The Conspiracy of the Bankers

The bankers realized with intense dread that President Lincoln appreciated the efficiency and "value in use" of the non-interest-bearing legal-tender demand notes, that there would be no inclination on the part of the people to present them for redemption so long as they could be used for currency, and that the president intended in great measure to issue them to bear the expenses of the war.

It was realized that if they should be used during the period of the war, their efficiency, as mediums of payment, and the fact that they were better than bank-notes and more convenient to handle than gold and silver coins, would commend them so highly that they would never be presented for redemption, but would continue indefinitely in circulation.

It was realized that this war, and the manner in which the practical wisdom of President Lincoln was managing the finances, was fast demonstrating to the intelligence of the people generally that the constitutional guarantee that the money of the country should be limited to gold and silver, and that Congress had no power or right to issue treasury notes, was unscientific, and a governmental error.

The bankers realized that they were in danger of losing their claimed constitutional right to the monopoly of legal-tender value in the exclusive use of their gold and silver, enlarged as it had been by the two unconstitutional decisions of the Supreme Court in favor of the Bank of the

United States and the State banks. Under the influence of these fears, they conspired to assemble at Washington, and so impede legislation — notwithstanding its urgency on account of the war — that they would force a change from the financial method adopted by President Lincoln to one of their own, solely in their interest.

They succeeded in their conspiracy, and corruptly induced Congress to adopt their plan in the act of February 26, 1862. The first section of this act provided for the issue of $150,000,000 of non-interest-bearing treasury notes in denominations not less than five dollars. $50,000,000 of the above was set aside to take up as rapidly as practicable the demand notes.

This issue of notes was made receivable only in payment of all taxes, internal duties, excises, debts, and demands of every kind due the United States, *except* duties on imports, and of all claims and demands against the United States, *except* for interest upon bonds and notes which shall be paid in coin, and shall also be *lawful money* and a *legal tender* in *payment of all debts public and private, except* duties on imports and interest on bonds and notes.

Inasmuch as the demand notes could be used to pay dues on imports, it was important that they should be retired from circulation. Knowing that the people would not present them for redemption, and that they would be so incessantly used that the bankers could not secure them to be presented, the act provided that the secretary of the treasury must cancel the notes as fast as they were paid into the treasury.

Under the provisions of the act, after the demand notes should be retired from circulation, import dues could be paid in coin only, and this coin was to be used to pay the interest on the Government bonds. It is evident that the coins never

passed from under the control of the capitalists, for though they were sold to the importers to pay import duties, it was with the knowledge that they would be paid back to them as interest on Government bonds which they owned.

This arrangement made the Government notes the money of the people, limited in legal tender as they were, and the full legal-tender coins, the money of the capitalists. The people could use the treasury notes in payment of all demands due the Government except dues on imports, and the Government could use them in all payments except interest on the bonds. But whenever the people needed coins to pay dues on imports, they were forced to buy them. This necessity imposed upon the people by act of Congress, disparaging its own issues, gave the coin owners an undue advantage, and they availed themselves of it, and forced the coins to a premium. The extent of the premium was limited to, and determined only by, the ability of the coin owners to combine and control the coins. The result was that the gold coins, the cheaper of the two metals, and therefore the standards of payment at that time, commanded a premium over the United States notes of $1.50 to $2.85 through a number of years.

The act further provided that the treasury notes should have the right to be exchanged at par for 5–20 bonds, payable in lawful money, bearing six per cent interest, payable semi-annually in coin; and it was further provided that the notes should be reissued as often as exchanged.

Section 2 provided for the issue of $500,000,000 of the six-per-cent 5–20 bonds for the purpose above set forth and to fund the floating debt. These bonds were also exempt from State taxation.

Section 4 provided that any person may deposit with the secretary of the treasury, for not less than thirty days, United

States notes in sums not less than $100, the total not to exceed $25,000,000, and receive therefor from said secretary a certificate of deposit, bearing interest at the rate of five per cent per annum, with the right to withdraw said notes upon ten days' notice. The secretary was authorized to stop the interest on said certificate at any time.

Section 5 provided "that all duties on imported goods shall be paid in coin, or in notes payable on demand heretofore authorized to be issued, and by law receivable in payment of all public dues."

The legal-tender quality given the demand notes in the act of August 5, 1861, this act, and the act of March 17, 1862, gave them the right to be used in payment of private as well as public debts, and put them in every respect on an equal footing with coins; and it is not surprising that they remained of equal value, and commanded the same premium over the "exception clause" notes that the gold coins did.

No higher evidence of the value of legal tender, when bestowed on paper or metals, can be shown than was demonstrated in the experience of the demand notes, and that was the reason why the act provided that they should be canceled as fast as received into the treasury. Once out of the way, and the "exception clause" notes issued in their stead, the coin owners would have no rival in the sale of their coins to those who had to pay dues on imported goods.

It will not do to contend that the demand notes kept of equal value with the coins solely because they could be exchanged for them at the treasury, and that they owed no part of their value to the legal-tender quality. If that had been so, it would not have been so imperative to provide for their retirement in the act of February 25, 1862. This could have been done by the coin owners and bankers gathering and presenting them to the treasury. That is the one thing

the coin owners and bankers can not do with that kind of Government notes, for they are used by the people in preference to bank-notes and coins, and are kept in circulation while the bank-notes and coins are deposited in the banks. It is well known and appreciated, by none more than the bankers, that if the Government does not deprive such notes of legal tender, they defy all effort of the coin owners and bankers to get hold of them and surrender them for cancelation.

Under the influence of this band of bank conspirators, Congress was induced, in spite of the resistance of President Lincoln and other patriots, to abandon the scheme of finance that was best for the interests of the country, and which was in accordance with its sovereign power and right, as taught by Jefferson, advocated by Jackson, approved by Lincoln, and since upheld by the Supreme Court, and was forced instead to adopt the method drawn up by the bankers and coin owners solely in their interest and to the peril of the existence of the country as a republic.

That this could be done over the resistance of President Lincoln, Senator Thad. Stevens, and others, who, amid the terrible excitement then existing, rendered able assistance, was not so much due to the bribery of Congressmen and Senators — though many succumbed to that influence — as to the moral effect of the undetected fallacy in the construction given the Constitution, that only gold and silver could be legal-tender money, and the generally accepted idea, under the two bank decisions of the Supreme Court, that it was an infringement upon the bank's rights for the Government to issue its notes, except by permission of the bankers and coin owners, and then only temporarily and in such manner as they should prescribe.

The iniquities incorporated into the Constitution by the

Massachusetts school of finance, and fastened upon the policies of the Government by the Supreme Court, have borne their deadly fruit in every crisis. The moral effect and influence of the construction given the Constitution, and the deference paid the decision of the Supreme Court in the bank cases, greatly strengthened the contention of the conspirators, and accounts in great part for their victory over President Lincoln. Strengthened by these considerations, the iniquities, aided as they have been by the growing and formidable capacity to bribe, corrupt, and destroy — due to their observance, enforcement, and practise — have become almost irresistible, and impossible of correction.

The resistance to the passage of the act was desperate on the part of those who realized what was being done, as is evidenced in the conduct and remarks of Senator Thad. Stevens at the time, and afterwards. He said, "I have a melancholy foreboding that we are about to consummate a cunningly devised scheme which will carry great injury and great loss to all classes of people throughout this Union. . . . There was a doleful sound came up from the caverns of the bullion brokers, and from the saloons of the associated banks. . . . It [Congress] now creates money, and by its very terms declares it a depreciated currency. It makes two classes of money; one for the banks and brokers, and another for the people."

Speaking afterward, he said, "Yes, we had to yield. The Senate was stubborn. *We did not yield, however, until we found that the country must be lost or the bankers gratified; and we sought to save the country, in spite of the cupidity of its wealthier citizens.* When, a few years hence, the people shall have been brought to general bankruptcy, I shall have the satisfaction of knowing that I attempted to prevent it."

XXXVII

The Negro in Finance

It is an anomaly that in the history of the war between the States, no intelligent reason for the necessity of that fratricidal contest has been given general acceptance. The South claimed, and its writers still contend, it resisted because it realized that the abolition element in the East had determined upon the freedom of the slaves. The East and the North answered that President Lincoln's administration was not committed to such a policy, and that the institution of slavery would be respected and protected.

They have further contended that if it had become necessary to abolish slavery to preserve the republic, it could have been done peaceably and with due regard for the property rights of the South in the slaves. In substantiation they establish,—

First, that they offered terms of peace at the beginning of the war upon condition that slavery should continue, as an institution of the country, in those States where it already existed, but should not be extended to other or the new States.

Second, that in the midst of the struggle, President Lincoln assumed the responsibility of offering peace upon the condition that the slaves should be paid for.

This second offer was made after he ascertained that the motives dominating the capitalists of the East would undermine the foundations of the republic; and, in his fear for its future, he deemed it wiser and better to end the war

by paying for the slaves than to permit it to continue at the fearful cost of the immense debt that was being incurred.

He realized only too keenly the abuses that were, in the name of patriotism, being committed, and fastened upon the country in the financial conduct of the war, and had forebodings for its future under the further abuses that this same vampire spirit of financial hypocrisy could and would perpetrate in the manipulation and payment of the debt. He therefore thought it better and wiser to offer said terms of peace, in the hope that he would stop, not only the unnecessary sacrifice of life, but what was still far more important to his far-seeing vision, put an end to the probability of the destruction of the republic by the knavish capitalists who had assumed charge of its finances over his opposition.

Neither of the foregoing propositions were acceptable to the leaders of the Southern people; for while they had only the conviction of moral certainty that it was a contest to the death, they did not have a correct conception of the underlying and controlling cause that was firing the Eastern soul and sustaining its energies.

Though there has been no intelligent exposition, so far as the writer has observed, of the controlling cause of the war, the South was correct and true to its interests in its conclusion that it was to free the negro, but not from the motives ascribed to the abolitionists.

So convincingly did the South entertain the conviction, and so well assured were its leaders that the freedom of the slaves would cause their overthrow in the control of the Government, that they turned a deaf ear to all overtures of peace, and elected to struggle until manhood was exhausted before it would surrender, if surrender it must. The desperation of the Southern leaders confounded President Lincoln. He was helpless in the management of the finances,

with Congress in the hands of, and completely dominated by, the financiers and capitalists of the North and East. He could not reach the reason of the leaders of the South, and was consequently compelled to remain at the helm and see the country drift to plutocracy, praying that his fears might not be realized.

The unconscious cerebration of the Southern leaders controlled the action of that section. They realized that a postponement was only a palliative, and decided that the issue must be finally settled then and forever. They were sub-consciously conscious that there was no escape from the issue, but it was the irony of fate that they precipitated the conflict in such profound unconsciousness of the true source of the motives of the East that they adopted in the management of their finances the identical fallacy which the East had forced upon the country, the resultant effects of which they were making such formidable preparation to resist.

The peace party of the North was in the same woful condition, and it is doubtful if any, except a few of the capitalists, were aware of the true motives that were dominating the movement which was to work such a change in so short a time in the warp and woof of the entire structure of the Government. It is certain that the abolitionists, who were not recognized as a factor in the policies of the Government at the beginning of the war, had no appreciation of what was being carried forward, though their insane fanaticism was the resultant of the agencies employed, their agitation the expression of the only sentiment that could be openly advocated, while their motives were blessed and sanctified as from God himself, by the designing.

In elucidation of the foregoing, it is only necessary to state that it is the accepted history of the country that the

same vicious greed of the East which has dominated our finances, originally introduced chattel slaves into this country. That sublime and overmastering Christian love of humanity that the East is ever so ready to put forward as a cloak to cover its avarice, induced its inhabitants at the earliest period of our history, to traffic in human flesh, and despoil humanity of its birthright.

While they were preparing the souls of the heathen for heaven, they hoped to make out of the toil of their bodies sufficient wealth for their descendants to carry forward the humane work with fire, sword, and bottle, under the guise of Christian commercialism, to all the heathen of the earth. The motive was pure and honest enough in its active expression for the morality of the East; and the plan, as originated, would have been carried on and maintained until to-day, if the profit had turned up on the right side of the balance sheet.

The East soon realized that there was no profit in chattel slavery, and it thereupon induced the South to try the experiment, with the purpose, if it should prove profitable, to dispose of its slaves to the Southern people, and to have them assume the obligations of their humane work. It took some time for the East to make the experiment, ascertain that there was no profit in chattel slavery, and dispose of their slaves to the South for a fair consideration.

While this was taking place nothing was said of the inhumanity of slavery, and their preachers were appointed to the sacred task of proving that slavery was a divine institution. It was during this interval that the Constitution of the country was framed, and the institution was recognized in that instrument, though the words "slave or slavery" were kept out of it by the Eastern capitalists, with the intention, should it ever become necessary to subserve their

interest, to abolish it. The East did not give up chattel slavery until it had demonstrated that there was no profit in it, and had satisfied itself that industrial slavery could be exploited to much greater advantage.

The substitution of industrial for chattel slavery was made easy and profitable for the East, for the reason that chattel slavery proved so profitable in the South. Under such circumstances the change in the East, and the transfer of the slaves to the South, was so welcome to both sections, that no one saw the inhumanity of slavery, and it is noticeable that the immorality of slavery did not make its appearance in the sentiment of any portion of the country until the labor of the slaves began to affect injuriously the pocketbooks of the East. And it is equally noticeable that the growth of the sentiment in the sympathies of the Eastern people kept pace with the growth of the advantage that the Southern people acquired from the use of slave labor.

The East had no appreciation of the effect that the transfer of the slaves would have upon the sections in making money and in the control of the Government. If it had, it is reasonable to suppose that the intensity of the sentiment that would cause the death of so many people to abolish slavery, would have made some less objectionable disposition of the slaves in the first instance. It is certain that the slaves would never have become the property of the South and recognized as such by the Constitution, if a correct idea had been entertained of the detriment it would prove to the interests of Eastern capital.

The transfer of the slaves and their recognition by the Constitution as property, operated so advantageously to the interest of the South, and so detrimentally to the interest of the East, that, as it became more active, it became too grievous to the money-making propensity of the East to be tol-

erated. Hence the East decided to abolish the institution. The adaptability of the slaves to the South, and their fruitful increase, made their ownership so profitable that it caused the creation of that degree of wealthy intelligence which generated the masterful element that was known throughout the world of civilization as the Southern planter.

The intelligence in all the affairs of life, and especially in theoretical and practical statesmanship, that is ever the attendant upon an appreciated and wisely spent leisure, easily made the men of the South the leaders in public thought, and they naturally assumed control of and managed in great part the affairs of the Government for years. They were enabled by the genius of Mr. Jefferson to substitute the unconstitutional State banking system for the equally unconstitutional national banking system which the East had foisted upon the country, and through the prowess of President Jackson they destroyed the national bank system and turned the finances over to the State banks.

The calculations of the Eastern financiers (when they induced the Constitutional Convention to deny the States the right to emit bills of credit) that they would have the sole right to loan the money needed to open up, settle, and carry on business in the new States as they came into existence, had been in great part defeated by the issue of State bank-notes, and by the labor of the slaves in the Southern States.

In the Western States, where slavery did not obtain, their calculations were being carried out. As money was needed in those States, the East loaned it to the people, and for a time they found full use for all they had. But as the growth of this vast territory into new States expanded, profits increased, and the surplus capital of the East accumulated until it was enlarged beyond the demand.

In the Southern States it was different. The profit accruing to the Southern planters from slave labor enabled them to supply all the capital that might be needed to clear up and settle the country, assisted as it was by the incessant and increasing labor of the slaves. It is evident, therefore, that the system of slavery was enabling the South to fulfil its mission without having to call upon the East for money, as the Northwest, where slavery did not obtain, was forced to do. This was not so objectionable because not so noticeable, so long as the demand for money from the Northwest was in excess of the surplus capital of the East.

It was during this period that Mr. Jefferson made the Louisiana purchase with no more serious opposition than was manifested. It was not so apparent at the date of the purchase, as it became afterward, that the acquisition of this territory, where slavery would be profitable, was what saved the supremacy of the South as long as it did.

When it was realized that the Louisiana Purchase brought into the Union territory which, when occupied by the slave-holding population of the South, would enable it to retain its supremacy, and deprive the East of the right to loan its surplus capital in the new States, the sentiment of abolitionism first found serious expression. The money interest of the East realized that if the slave owner was allowed to take possession of this new territory with his slave labor, it would so strengthen the power of the South that it would remain in charge of the Government, and they would be deprived of the right of ever loaning their surplus capital in said territory.

It is evident that the contest was for supremacy in the control of the Government, and the right of the East to loan its accumulating surplus capital in the new States, if not in the South. The fight was made at first to secure the con-

trol of the Government, but this could not be done if slavery was permitted in those States. It was necessary, therefore, that slavery should be excluded.

The South was as conscious of the advantage of adding slave-holding States to the Union as the East was of excluding the slaves from the new States. At first, before Eastern capital had become plethoric, the warfare was waged by the ambitious men of the East, who desired to exercise control over the Government, and they received much encouragement but little money assistance from Eastern capital.

The warfare at this time was waged on the hustings, the floor of Congress, and was finally settled in such measures as the Lecompte, the Kansas and Nebraskan, and the Missouri Compromises. These compromises were agreements wherein it was arranged that in all territory north of a certain line, slaves could be excluded, and in all territory south of that line, slaves might be owned. The compromises were made because the issue was more party policy than aught else at that time. The chief actors were the men of ambition who desired to rule over the destiny of the nation, and the compromises were made because each faction hoped and thought that the future settlement of their respective territory, under encouragement to immigration, would give them the advantage.

It appears that the South, with its rapidly increasing slaves, was the more active of the two, and secured the advantage; for it was easier to move and utilize the labor of the chattel slave than it was to induce the industrial slave to quit his Eastern home and take up his residence in the new territory. Industrial slavery at that time was more a theory and name than a practical condition.

Under our pioneer civilization the seed when first sown, in its primal growth, was most promising and most inviting.

It took time, increase of population, tariff laws, manipulation of legal-tender value, and a congested citizenship to ripen the harvest, and the capital of the East did not have that control over it to which it has since attained. Therefore, in the contest to add new States to the Union to retain or to gain supremacy in the control of the affairs of the Government, the South was the more successful. So soon as this became evident, the hydra of abolitionism was unchained, and warfare was again waged upon the hustings and the floor of Congress, until another compromise was made to avert the war that was inevitable unless the East was permitted to exploit the entire country as it was exploiting the great Northwest.

Eastern capital had not as yet become vitally interested. The Southern statesmen had been shrewd enough to postpone the day when the surplus capital of the East would become an active and deadly factor in the contest by the passage of the Walker Tariff, and other legislation which had checked to some extent the rapid accumulation of fortunes in the East and North. But notwithstanding these evidences of superior ability and statesmanship upon the part of the Southern leaders, they brought their destruction upon themselves by the failure to detect the fallacy in the construction of the Constitution that only gold and silver should be the money of the country.

The failure on the part of Democratic administrations to detect this fallacy; their failure to appreciate and put in practise Mr. Jefferson's theory of issuing treasury notes; their refusal to issue treasury notes except as a debt to be paid and the notes retired in a few years; their issuance of bonds to retire the notes; their taking away the quality of legal tender from the subsidiary silver and foreign coins at a crucial period, and their persistence in forcing the money

of the country to a metallic base at the most inopportune times, precipitated so many panics — especially the one of 1857 — that the people became so impoverished and the capitalists made so wealthy by 1860 that the capitalists had a surplus on hand above the amount that could be loaned in the free States.

The capitalists now, for the first time, became an active and aggressive factor in the movement to free the slaves, and abolitionism, under the impetus of their encouragement and support, assumed such intensity of purpose that it openly and boldly denounced the Constitution as "a league with death and a covenant with hell." The South felt, in its unconsciousness of the controlling motive, the deadliness of the purpose, though it was masked behind the sentiment of abolitionism which was so rabid at that time, encouraged and driven forward as it was by the unseen hand of Eastern capital.

The preparation for war was not at first thought to be serious, because of the declaration of the South that it was preparing to resist the evident intention of the abolitionists to free their slaves.

It was at once announced by President Lincoln that slavery was constitutional, as had just been decided by the Supreme Court of the United States, and that he would enforce the law in the protection of the slaveholders' rights; that it was ridiculous for the Southern States to be taking such action because of the insane utterances and actions of a small body of lunatic abolitionists that would prove as amenable to the power of the Government as other rabid disturbers in the East had proved in the past.

The unconsciousness of the South that it had by its financial policies and practises, when in control of the Government, made the capitalists of the East rich, powerful, and

dominant, prevented it from expressing intelligently the issue which it realized had to be met, and it brought on the war, as it said, because the abolition sentiment was all-powerful, and would override the policy of President Lincoln, even if he was sincere and honest in his declaration. The statesmen of the South paid an undeserved compliment to the East in the fear, accentuated by their declaration of war, that the East was going to wage war against them for a pure sentiment unmixed with profit.

It is strange that those Southern statesmen did not see the absurdity contained in the contention, and look for the source of gain that the merest acquaintanceship with the dominant characteristics of the East should have informed them is the cause of all its actions. In doing so the motives of the East would have been discovered as well as the false policies of finance it had inserted in the Constitution for its profit, and which was made ineffective in the South and wherever chattel slavery obtained. If they had made this discovery, it is certain that in preparing for war they would not have inserted the same financial fallacy in their constitution, and issued their treasury notes as a debt of the new Government to be paid in coin, when they had no coin, and could not secure any. The knowledge that the South had no coin, and could not secure any with which to redeem its treasury notes, made them the more worthless as they were issued, until they became valueless; for they were not made legal tender even to pay dues to the Government.

The struggle of the South soon degenerated into a futile attempt to wage a great war without the assistance of any legal-tender money whatever, with the inevitable result that will always attend such a want, however patriotic and self-sacrificing the people may prove. The Southern people lost the fight in the preparation for the conflict solely

on account of the financial policy adopted; and though they used the treasury notes long after they were valueless, and struggled against the internal financial enemy more patriotically and more self-sacrificingly than they did against their physical foe, if such a thing could be possible, they did but demonstrate to the extremest verge of human effort and endurance that successful war can not be waged without the aid and use of the value of legal tender.

The South failed to profit by the experience of Napoleon, who, relying upon the assistance of gold and silver to support his lust for universal empire, was defeated and rendered harmless by the less powerful prime minister of England. To accomplish his overthrow, it was necessary that the legal tender value of England should be issued in such quantities that the armies of the allied powers could be supported while they were engaged in the struggle; but after the termination of the war, the abuse that was practised upon the English people in the interest of the money power,— in turning all that legal-tender money into a debt of the empire,— was more destructive than the success of Napoleon would have proved. Napoleon failed in his attempt, but he was the cause of the necessity for the inauguration of a pure and scientific financial system to compass his overthrow.

It is strange that intelligent statesmanship should fail to appreciate that his dream of universal empire was not successful solely because of the aid and use of legal-tender value, but should lend their efforts to its manipulative abuse in changing it into an interest-bearing debt, and conferring that value on gold alone, by which means, as it is extended, the money power is fast acquiring the universal empire that the legions of Napoleon could not secure and hold for him.

XXXVIII

The Political Duty of the Negro

In the foregoing the negro may ascertain the true cause of his freedom; and if he deems the result, when coupled with the motive, demands or justifies the abandon of devotion he has given to the Republican party, he is invited to examine the present condition of affairs to ascertain where his true interest in the future lies.

The substitution of industrial for chattel slavery was only mock freedom for the negro under the financial policy of the Republican party. It very naturally has been more agreeable and more bearable so far, both in sentiment and in practise, and will always be so in sentiment; but whether it will always be so in practise is exceedingly problematical. This should be the only thing for the negro, as a citizen, to consider, and he should lay aside his prejudice after all these years, and rationally, dispassionately, and intelligently decide what is best for his future interest. That he is one of the great body of prospective industrial slaves that will in the early future infest this country, must now be evident to the more intelligent of the race. That he is in the company of, and upon terms of political equality with, those who are supposed to be the free white men of this country, should be most pleasing to him, but it should not cause him to relax or dull his rationalism as to what should be done to better the condition of both.

The future of the industrial slave in this country is uninviting enough for the white element under present con-

ditions and their future trend, but it is portentous for the negro. The white industrial slaves who were induced forty years ago to shoot the Southern slave owners that the negro might be free, now shoot the colored industrial slave whom the greed of capital would induce to deprive the white industrial slave of his only chance to make a living for himself and family.

The white industrial slave of the North and the East is the product of his own imbecility in fighting to free the negro that the Eastern financier might have the right to loan his capital in the South and further enrich himself at the expense of the labor of both.

When the colored industrial slaves leave the South to go North or East at the instigation of the financier, and for less wages than the white industrial slave can work for, and by such action throw his children, and possibly the man himself in his old age, out of employment and upon the charity of an unfeeling world, it is uncertain and hard to decide as an ethical question whether he ought not to be shot. The only justifiable excuse the negro, as an industrial slave, could have for being willing to take the position of an Eastern, Northern, or Western workman at less wages, would be that he too is in sore need, and must have the wages to enable him to live. The plea of self-preservation is his only justifiable excuse for such conduct. Under that same plea the white industrial slave shot him, and when two distinct races are forced to act against each other under such a plea, the issue has always been solved by the stronger race driving out the weaker.

The higher duty for the negro is to ascertain who is responsible for the conditions that make it necessary for him, under such a plea, to exhibit such ingratitude to the white industrial slaves who fought four years to secure his free-

dom. If in the examination it should occur to him that the party in power, by the aid of his vote, allows, if it does not encourage and create, the present conditions by its policies, would it not be the part of wisdom to help turn the party out of power, and see if a change would not be beneficial to all persons?

If the present trend of affairs continues many years, under the policies that the Republican administration has lately put in force, it is certain that the class of white men who shoot each other for taking their jobs at less wages will break into ungovernable fury towards the negro, if he should be induced to attempt the same thing.

As the poverty of the industrial slave becomes more general and more desperate under the present system of exploiting labor,— made the more inevitable under the iniquitous single gold standard,— the efforts of capital to substitute one laborer for another at less wages will produce class antagonism; and when it becomes as distinctly racial as it will be between the blacks and the whites, the blacks will disappear to such fields of labor as the whites do not care to enter.

This racial antagonism has grown so rapidly, and is growing so bitter that it will not be many more years before the unsafest places in the Union for large bodies of negro laborers will be north of Mason and Dixon's line, and the safest places will be the cotton fields, sugar plantations, and rice swamps of the South. The negro is destined to find out only too soon that when the abolition sentiment is attended with loss instead of profit, results in injury instead of benefits, its active expression will be something that he will not enjoy.

The highest duty of the negro is to assist those industrial slaves, whoever they may be, to institute such changes

in the policies of the Government as will be best for them, and put a stop to the financial iniquities foisted upon the country by the Republican party solely in the interest of the money power.

The exploitation of labor under the financial system and tariff policies of the Government for the past twenty-five years has been severe enough, and produced the necessity for the many strikes, and caused the distress that has afflicted the country. The money that can be made out of industrial slavery under and by virtue of certain class legislation, has been most forcibly demonstrated in the fabulous wealth of the few and the degradation of the laborers.

Under the financial legislation of the Fifty-sixth Congress, the possibility of money-making by the manipulation of legal-tender value and trusts, has been carried to the extremest limit, and it is now only a question of time, and the depths of degradation the laborers will endure, before they move in desperation to throw off the burden.

It is readily seen that the most certain provocation to first action would be the attempt of capital to force the substitution of negro laborers for the industrial white slaves. As this attempt is supported and enforced by capital in its blind greed, race antagonism will be excited to uncontrollable fury, and before it can be checked, even by the strong arm of the Government, if it is not made powerless, the extermination of the negroes will have commenced.

The only safety of the negro lies in the betterment of the conditions of industrial slavery. The betterment of the conditions of industrial slavery can only be accomplished by the destruction of the system that generates and encourages combines and trusts.

The destruction of combines and trusts can only be accomplished by the revision of the tariff and the overthrow

of the present financial system that is proceeding to the single gold standard and a permanent debt for the benefit of the national bankers. The tariff, the gold standard, and the system of national banks, can be rendered ineffective to make the rich richer and the poor poorer only by turning the Republican party out of power. This can be accomplished by the negro vote, and if the negroes will show only a modicum of that gratitude to the industrial slaves who fought four years to free them that they have shown for the capitalists who induced them to fight, and who now dominate the Republican administration, they may yet be enabled to live and prosper in this country at peace with the other industrial slaves, when all are prospering and making a living.

But if the negroes persist in allowing the capitalists to use them to keep the Republican party in power, and pit them against the industrial white slaves at lower wages, that the fortunes of the financiers may be increased, then they may expect the warfare they have called down upon themselves. It is strange if they will not read the signs of the times aright! The issue is bound to be made. The contest of the industrial slave for freedom will surely come, and in the maelstrom of the revolution the negroes will be the greatest sufferers, and but few of them will be present when the end comes, whatever the result.

END OF VOLUME I.

INDEX