

THE
PRESBYTERIAN QUARTERLY
AND
PRINCETON REVIEW.

NEW SERIES, No. 16.—OCTOBER, 1875.

**Art. I.—PRESBYTERIAN ELEMENTS OF OUR
NATIONALITY.**

By E. H. GILLETT, D.D., Professor in the University of the City of New York.

THE vital and permanent elements which are assimilated in our nationality were derived from various sources. While, as a general rule, they had originally much in common, they were by no means homogeneous. There were marked diversities and peculiarities in New England Puritans, Dutch, Swedish, and Welsh colonists, Huguenot exiles, Scotch-Irish emigrants, and the Episcopalians of Virginia and the Carolinas. In what now constitute the Middle States, there was a preponderance of Presbyterians, and yet along with these were to be found many Quakers and Episcopalians. President Stiles, a few years before the Revolution, made an estimate of the relative strength of the Congregational Churches of New England and of the Presbyterian Churches outside of it, and, according to his calculation, the latter were but about one-fourth of the aggregate of both, or, in other words, the Congregationalists outnumbered the Presbyterians by three to one. If we concede to non-Presbyterians, who heartily co-operated in the region south of New England, a strength equal to that of the Presbyterians, we shall conclude that the latter were numerically one-fifth of the active Revolutionary force of the time.

And we do especially beg of the ministers of Jesus Christ, that they diligently exhibit and impress the fundamental and vital import of this command, and amid these days of lax public observance, so vindicate and enforce the sanctity of the Lord's day, that vain excuses for work, travel, or unholy rest, be set aside; that the public conscience be aroused, and that secular business and secular recreation be alike discouraged. With faith and a zeal according to their knowledge, let all Christians and all friends of good order stand by the Divine Law of the Christian Sabbath. *Rest for the sake of Worship.*

Art. X.—THE CURRENCY QUESTION.

By LYMAN H. ATWATER.

THE great question, which bids fair to overshadow all others before the American people in the near future, is this: Shall the nation redeem its promises, and bring its currency to the coin standard, or shall it further inflate and debase it? It is, indeed, a disgrace to American intelligence, morality, and statesmanship, that such a question should arise, except for a temporary period, under the overbearing necessities of civil war and convulsion; as the question of conscription, confiscation, suspension of habeas corpus, or of blockade, might then force themselves upon us. We may be astounded at the fatuity which would repudiate the nation's solemn promises; repeal the law which now requires and provides for their redemption in 1879, a time so remote as to preclude, if prudent, and gradual provisions be made for it, all possibility of any violent shock to industrial or mercantile interests—and would then so increase this issue of inconvertible paper as to destroy the ability, and disown the intent and purpose ever to redeem it! It is scarcely possible to conceive a greater national catastrophe; yet the imminence of it is, beyond doubt, one of the portents of the time. Why this is so is not hard to see. In general, we may say in a word, there is no subject on which the multitude, and especially the degraded, ignorant multitude, is so profoundly mystified and easily led astray, as the nature of money, and the various credit and paper substitutes for it. The other is, that as our present currency is en-

graved paper, with a legal tender government stamp, those who crave it and cannot get it, see not why government may not set its presses going, and turn out enough of the article to furnish every body what he wants of it; or, as the current phrase which disguises this stolid sophism has it: "proportion the volume of currency to the business wants of the country;" and this, when millions of currency are lying idle, or at nominal rates of interest, because no employment for it, at once safe and profitable, can be found. Some savings banks are now beginning to refuse deposits, because they cannot profitably use them. National banks have surrendered \$8,000,000 of notes the past year for the same reason.

In special, it may be worth while to note and expose some of the influences which give this movement a formidable power, also the more specious fallacies with which the demagogues and shallow doctrinaires of the country are striving to deceive others—often themselves—on this subject, before we summarize the consequences of the measure, which, in the interest of morals, religion, and every element of the general welfare, ought to array every good and conscientious citizen against it. A great difficulty in our way, moreover, is that a generation has grown up, unlike its predecessors, untrained by those fundamental discussions on money, and its substitutes and counterfeits, which settled a coin standard as the only safe one in the minds of our fathers.

The first and fundamental fallacy lies in the conception formed by multitudes of the very nature of money itself. It is supposed to be a mere arbitrary creation of government, both as to its use and its *exchangeable value as money*, which government can make or unmake at pleasure. It may thus create illimitable amounts of money and quantities of value out of the most worthless materials, by its own sovereign fiat. It is held that the use of the precious metals for this purpose does not arise from any intrinsic superior fitness for it, but from the arbitrary agreement of the potentates of the earth, to endow them with this exclusive and somewhat aristocratic or royal prerogative.

Suppose, then, that our government should abolish every other kind of money, and ordain that bits of copper of the size of pennies should be stamped with the figure of an eagle, and

should be legal tenders for all debts, either without signifying the amount of commodities having value for which they should be such tender, or by making each of them a legal tender for ten dollars; that is, equivalent to a real gold eagle. In the former case, they would be simply so much copper, and exchange for whatever had the same value, estimated by comparative desirableness and the labor involved in production. In the latter case, this copper has indeed a debt-paying power, and so far has the value of ten dollars. But this is simply by the arbitrary and tyrannical act of the government, exercising its omnipotence to wrench from the creditor and give to the debtor 999 out of every 10,000 cents due from the latter to the former. It is only by sheer might, compelling the creditor to accept one penny in lieu of the ten thousand which are righteously his. But when such a currency has fulfilled its mission of extinguishing debts without paying them, it will sink to the level of its intrinsic value, and not all the legislation on earth can raise it higher. All contracts will certainly be made with reference to its true value. In the long run men will not give, or promise to give for it more than its worth. This is the verdict of reason, confirmed by all history.

Legal-tender *paper* differs from the foregoing, in being the *promises* of the nation, through the government, to pay real dollars to the bearer, by which are meant coin dollars. In consequence of the necessities of the late war, and purely as a war measure, they were made legal-tender, with the intent of making them convertible into coin as soon as the resources of the country would permit, upon the return of peace—a result that should have been effected, and which wise and competent statesmanship would have effected, long before this. Every day that it has been delayed for the last six years, has multiplied and strengthened the evils of an inflated and irredeemable currency, as well as the aversion of vast multitudes to any measures looking to the restoration of sound money and the keeping of the national faith, because they fear this will bear with severity upon themselves. Of course, while intrinsically of less value than the copper eagles, before spoken of, because useless for any purpose but to serve as substitutes for money, they are on the same footing with them as legal-tenders, with this immense advantage over stamped bits of other worthless

things, however, that they PROMISE TO PAY DOLLARS, meaning thereby coin dollars. They pledge the whole faith and resources of the government to the fulfillment of this promise. We are aware that some schemers and speculatists now dispute this. They might as well dispute that they were made legal-tenders for gold dollars, just as a suspended merchant sometimes compels creditors to take promises of future payment, instead of present payment, of his debts. But these promises are none the less promises to pay them in real money some time hence. The same was the meaning of the legal-tender act. It was a compulsion of the creditor to accept a promise of payment, instead of present payment. But it was a promise of payment none the less—payment of coin dollars. So it was understood on all hands—alike by the nation and its creditors. So the government and the nation, acting through its government, believed the people and its creditors to understand it. Otherwise, the act never could have gone through Congress. A conclusive evidence of this is, that these legal-tenders rose or declined in value with the varying fortunes of the war. They were raised in value by victories, and depreciated by defeats and reverses, as was shown by the changes in the gold premium, thus proving that the people estimated their value according to their chances of being paid or unpaid. So now. If a political convention, of any importance, adopts a platform adverse to resumption, other things being equal, up goes the price of gold. If it go for a return to a hard-money standard, the reverse effect is produced.

This shows that the permanent value of these notes lies more in their being the nation's promise to pay their face in coin, than in their legal-tender power, important as that surely is.

Hence, it is fallacy to suppose, as some maintain, that the return to specie payments can be indefinitely postponed, or rendered vastly more difficult and virtually impracticable, by an increased emission of inconvertible legal-tender, without a flagrant breach of the national faith, and weakening of the national credit. The meaning of every present backward, or less than forward, movement toward coin payments, is the utter refusal of such payments, and repudiation of the obligation and promise expressed on their face. It is said that this

is only temporary, a palliative of our present distress, to be abandoned for the coin standard as soon as prosperity again crowns the industries of the country. How vain, not to say dishonest, is such a pretext. It can be demonstrated as conclusively as any proposition in Euclid, that such a process as greatly multiplies and aggravates the difficulties of future resumption, as a year's longer indulgence in drunkenness will increase obstacles to reformation, and that the former will as surely end in unparalleled prostration of business as the latter in hopeless lassitude or delirium. The only rational interpretation and inevitable tendency of the inflation movement, or raid on the coin-standard, or of a repeal of the law requiring resumption in 1879, without substituting an earlier date, is toward national repudiation, which is national death. For how long can a nation preserve its integrity, command its resources, or withstand the assaults of other nations in war, which has lost its credit by violating its faith?

Already we hear of fierce tirades against the bonds, and holders of the bonds, of the nation, emanating from the same oracles of ignorance and dishonesty that are propagating this new gospel of rapacity, which urges the indefinite multiplication, debasement, and lasting irredeemability of the government's promises to pay, while they would have it never pay them, but compel the people to accept them in payment of dues to themselves.

These deceitful workers and talkers begin to insist that these same dishonored promises to pay should be used to pay interest and principal of the funded debt of the nation, which, by express stipulation, or the unquestioned understanding of all parties at the time, were made payable in gold. Is not a currency good enough for the people, good enough also for the bloated bondholders? brays the prince of charlatans and demagogues. The more's the pity that there should be any considerable constituency that could even tempt the most desperate demagogue to make such inflammatory appeals. They mean repudiation and the destruction of national honor, credit, and power, "pure and simple."

It seems to be forgotten by all this class of pseudo-economists, that the great function of money is to serve as a *medium of exchange*; that in order to this it must have *exchangeable*

value; and this of a kind which gives it pre-eminent fitness to be a measure of the value of all other exchangeable things. This is the reason why all contracts are made in dollars, that a dollar is the measure of the value of what is thus exchanged for it. But in order to its being a measure of value, it must be that which has intrinsic value; *i. e.*, it must be that which can only be obtained by a given amount of labor, and which men desire eagerly enough to be willing to expend a certain quantity of labor to obtain it. It is as absurd to think of measuring value by that which has no value, as to make anything without length a measure of length. Whatever, therefore, has not of itself value, irrespective of its use as money, can never, by any force of legislation, be made to discharge some of the most essential functions of money. And it must have high value within small bulk and weight, be portable, evenly divisible into given equal units and their multiples, durable, and free from liability to sudden and violent fluctuations in value; *i. e.*, in the relative amount of labor requisite to produce it, as compared with that required to produce the average of articles exchangeable for it. Now, these qualities centre in the precious metals as in no other articles whatsoever. Hence it is, and not by any arbitrary act of sovereignty, that they have been adopted for use as money; *i. e.*, as the *medium of exchange and measure of value*, by the common consent of the civilized world. The government stamp does not create, it merely certifies their value, and makes them legal tender for the value *intrinsic* in them and expressed on their face. Paper promises to pay them, if good for what they promise, become thus of equivalent value.

The notion that government can impart value to any article by its own arbitrary enactment, when broadly stated without qualification, is its own refutation. If this be so, what remains to be done but for government to endow every bit of paper and every grain of sand, and every piece of wood or metal, with such value, by its own simple ordinance, that it shall be worth and pass for so much? If this were practicable, a royal road to wealth would be open to all our people, collectively and individually, thus leading us to an affluence in comparison with which the riches of the most opulent countries are insignificant. But we know that it is not true, and that any such en-

actments would not add a penny to the national wealth. This governmental "creation of values," of which we hear so much, is, in the sense intended, the merest illusion. A bit of paper is a bit of paper only, whether stamped by government or not, and is in itself valueless. Its value is not intrinsic, but relative to the really valuable thing to which it gives a title: *i. e.*, the gold coin of whatever denomination which it promises us, or so much thereof as the chances of its payment, considered with reference to time and other circumstances, may make it worth in public estimation. Any value except this is the debt-extinguishing power arbitrarily given to it, and which might as well be given to the marbles which are playthings for boys. But this is not value imparted to these things as such; it is simply imparting to them the character of tokens, or instruments for wrenching the property of the creditor out of his hands and giving it to the debtor. It creates no values. It simply transfers them, by an act of compulsion, from those to whom they rightfully belong, to those who have no right to them. A simple stay or stop law, or an act ordering an agrarian and communistic distribution of the property of the people, would accomplish a similar result, and just as largely create values—otherwise, legalize robbery. We repeat, real money, a real measure of value, must have value, and that as nearly uniform and measurable as possible. All talk of creating, by merely engraving paper promising what is valuable, but never to be paid or payable, is the merest nonsense, though sometimes uttered by very sensible people. So far from creating value, it will simply destroy the value still left to our present greenbacks through the prospect yet remaining, somewhat clouded, indeed, of their being sometime paid. If mere engraved promises create value, what wealth ought to be found in the immense stacks of defaulted railroad bonds?

And this brings us to the strong plea of inflationists and anti-resumptionists—viz.: that we "need more curreney," to revive the languishing industries of the country. Can any pretence be more futile or fatuous, in the face of the fact, that piles of our existing currency lie idle, or are loaned at merely nominal interest, because no employment for them, at once safe and profitable, can be found; and that for this reason some national banks are now surrendering large portions of their

circulation, while the privilege of creating new banks, with their own independent new circulation, is not availed of for a like reason? But, aside of this, is it not clear that every addition to our present inconvertible greenbacks must depreciate them, and thus lessen their purchasing power and exchangeable value? so that these will decrease more rapidly than the notes themselves can increase. If the nominal price of wheat doubles because the volume of irredeemable greenbacks has been increased fifty per cent., then will it not require a relative proportion of these greater than their rate of increase, to buy, sell, or effect the exchange of the same amount of these and other commodities? If our present amount of currency is inadequate to our wants, then all increase of it must make it more so, by causing a depreciation in its value, which rapidly outruns all increase in its quantity. This has been the case with an increasing inconvertible currency in all ages and countries. Let him who doubts study Prof. Sumner's *History of American Currency*, particularly the continental and confederate. In a recent speech at De Soto, Mo., Mr. Jefferson Davis is reported to have said, that "in the present condition of our country more currency is needed." It may be needed to put our country and government in that position of hopeless impotence into which he led and organized such herculean efforts to reduce it. No one better, or by more bitter experience than he, knows the steadily ruinous tendency of such issues of "more currency," which went on under his eye and rule, until eminent ministers of the Gospel were compelled to pay hundreds of dollars for a small keg of molasses, and it required a hundred dollars of it to purchase a pie at a restaurant. "The Confederate currency in November, 1861, was worth eighty-five cents in gold. Six months later, when there was a good deal more of it, it had sunk to sixty. In November, 1862, it had reached forty-five cents, and a year later, 'more currency' being constantly added, it had touched eight cents, and then gradually went out of sight, though it continued to circulate a little at three cents to five cents until Richmond was invested." It then soon became waste paper.

It is like the remedies of opium and alcohol for a prostration they have already induced. The more the victims have of it the more they need. It is remarkable that the ex-confederate

chief should be in accord with General B. F. Butler, seeing that both are largely so eccentric to each other, and to sound statesmanship as well. John Randolph, of Roanoke, once hurled back the taunt, that he had warmly espoused and then deserted Jefferson's administration, by saying that "he was quite ready to acknowledge that he left it, when —— and —— joined it." We confess that it is a strong presumption against any measure, that defies all the recognized maxims of statesmanship and finance, that Jefferson Davis, Wendell Phillips, and Benjamin F. Butler unite in espousing it, against such men as Reverdy Johnson, John A. Dix, and Samuel J. Tilden.

But it is said that the present proposal for inflation cannot be invalidated by any past experience, because the whole faith and resources of the nation are pledged to sustain its issues of paper currency, and our present wealth incalculably exceeds that of the revolutionary era and of the late confederate states. Be it so. But we ask, what does a pledge of the nation's faith amount to which is violated in the very pledge itself interpreted in its obvious intent? For the very proposal is *not to redeem* the promises already made by the nation to pay dollars, for which this very faith and these resources of the nation are already expressly pledged, but to make them indefinitely, if not permanently, irredeemable. But the whole faith and resources of the nation are pledged, it is said, to make these notes good. Is it? Good for what? For the dollars pledged on their face? No. This is the very thing it is attempted to stave off. Good for what, then? we ask again. And echo answers, what? Well, if any better than good for nothing, it must be simply by the compulsory process of making them legal tender for debt. A similar arbitrary enactment might make the paper promises of any bankrupt equally good for him by making them equally bad in robbing his creditors. What does the pledge of the faith and resources of a nation amount to if they be pledged to secure the payment of nothing but that of one paper promise by another paper promise? Not all the most stringent legislative despotism could invent could keep the assignats of France from falling to one-thirtieth of their face, although secured by the pledge of vast confiscated properties.

But one favorite scheme is to redeem these paper emissions

with an inter-convertible government bond, at their face value. Now, if this bond be payable, interest and principal, in coin, then this is virtually redeeming the greenbacks at the market rate of the bonds. If they are such as sell for par, it is a redemption of the legal tenders at par, and so a fulfillment of the nation's obligations. If they be redeemed by bonds whose market value is below par, this is scaling the debt by government to that extent. If it be done by the favorite bond of most of those with whom this is a pet scheme, then it scales them to them to the extent to which this bond is below par in gold in the market. The extent of this depression will depend very much on whether it is payable in coin, principal and interest, or in the greenbacks inter-convertible with it. The latter is the plan of inflationists. What does it amount to, and what will it come to? Why, simply to paying one irredeemable paper promise with another, greenbacks with bonds and bonds with greenbacks, holding up bubble upon bubble, kite upon kite. All is baseless till we reach a specie standard somewhere. Besides, this scheme, if successful, would turn our government into a banking house, compelled to take money when it is a glut in the market and pay interest upon it, and to let out this money, without increase of this rate of interest, when it is scarce and valuable.

We are indeed of opinion, that if our people should evince a determination, beyond a peradventure, to keep faith by a speedy return to specie payments, that the nation's credit would be so strengthened as to enable it to fund all the greenbacks it wishes, and all the other public debt, now or soon redeemable at its pleasure, in a four per cent. non-taxable gold bond, and that it would thus save in annual interest much more than the whole cost of funding the greenbacks. We are sure that much of the money now lying idle would find its way into such bonds, as far safer than most of the mortgages, and the municipal and railway bonds, whose security is so precarious, and whose income is so often cut away or devoured by taxes approaching confiscation.

One of the most plausible and dangerous propositions, in its bearing on resumption of the specie standard and the national credit, is that which proposes to abolish the present national bank notes, and substitute for them an equal issue of legal-tender

inconvertibles. It is alleged that the nation might as well save the interest on this amount of notes, as to surrender it to the banks. We do not stop to consider the breach of faith with the banks, and the general financial disorganization, arising from the contraction of loans and discounts, and the probable extinction of many of these banks, which such a measure would involve. We simply direct attention to one result. It would double the quantity of inconvertible legal tenders, and more than double the difficulties in the way of their redemption. This would be equivalent to the declaration of a purpose never to redeem them, the consequences of which have already been set forth. Hence the free-banking part of the present resumption law, even if it seem to increase the currency, will facilitate rather than impede resumption. For as the bank notes increase, legal tenders must decrease. There is abroad a singular overlooking of the difference between the bearing of an increase of notes which are, and a like increase of those which are not, at once the nation's promises and legal tender, on the resumption of specie payments.

So long as the legal tenders are diminished, or not increased, the difficulties in the way of their redemption in coin are in like manner diminished or not increased. But if they are lifted to the specie standard, they lift all other forms of credit, or promises to pay dollars, whether bills of exchange, checks, or bank notes, to their own standard. That is, they establish that standard for everything. And in proportion as they fall below this they drag all else down to their own level. The increase or diminution of bank-notes, so long as they are redeemable in legal tender, whether coin or paper, has very little to do with our ability to resume or maintain specie payments. Let government fulfill its own promises, and redeem its own issues, and all else will take care of itself, no matter how free the privilege of issuing convertible bank-notes, duly secured on pledge of government gold-stocks, by institutions organized and guarded substantially like our present national banks.

This is so, first, because no possible increase of these bills, if kept redeemable, can ever perform one-tenth part of the exchanges, or cause one-tenth part of the credit expansion, wrought by bank checks irrespective of bank-notes; and, secondly, because, by no possibility, can these notes, *thus*

secured and issued, be circulated much beyond their present volume, *i. e.*, beyond the readiness and ability of the public to procure, and pay for them at rates profitable to themselves and the banks issuing them. They will practically be used by the great mass of the people in payments in which, for some reason, checks are inconvenient or unsuitable. Beyond this the public do not want them, and will not pay enough for them to yield a fair profit above the taxes and other expenses now laid on the banks issuing them. This has already been abundantly proved.

It is impossible to keep afloat a *redeemable* paper currency much in excess of the coin that would circulate without it. The simple reason is, that the people prefer for safety, as well as other reasons, to keep their bills and coin in bank vaults. Bonamy Price has demonstrated this in his work on currency beyond all reasonable question, as indeed it is demonstrable, from all experience. We do not deem any considerable increase of currency from the free banking allowed by the bill, therefore in the least degree probable; *i. e.*, so long as these issues are to be kept redeemable in greenbacks; and these greenbacks must be proportionally reduced in quantity, while an increased portion of what greenbacks remain must be locked up as legal reserves, to protect the increase of bank notes and their accompanying deposits in new banks. This provision of the bill practically involves no expansion of the currency, or, if any, none in the least degree unfavorable to the restoration of a coin standard, which is the final object in view. On the other hand, by slightly contracting the legal tender issues, it facilitates their redemption.

The silver change part of the present resumption law bill is, to our view, the most objectionable, because it will embarrass instead of helping the main result desired. First, if the gold premium should, meanwhile, rise beyond the difference between the market value of the silver in a dollar of this change and the gold in a gold dollar, this silver change would be gathered up by money-changers, Jews and others, and sold for use in the arts, or in the bullion markets of the world, thus embarrassing the people and government in business and in the attempt to resume the coin standard. Secondly, because it involves an expense of thirty or forty millions, for the present wholly un-

necessary, and which were far better applied to procure the gold requisite to redeem the legal tenders, into which the fractional currency is always convertible, dollar for dollar, so being always of equivalent value with it. Thirdly, because the one thing we first of all need is, the restoration of the specie standard for the legal-tender notes of one dollar and upward. This, as already stated, will lift all other obligations to its own level, including, also, fractional currency. All our resources should be concentrated on this at first. This attained, other things can follow in the order of their urgency.

We are of opinion, however, that while, for many purposes, silver fractional coins are most convenient, still, if people have their choice between them and fractional paper currency, directly or indirectly convertible into coin, they would use three times as much of the paper as of the coin, for the same reasons which lead them almost always to prefer redeemable paper money to coin in the higher denominations. Indeed, we think, if government should abandon all issues of paper money, except fractional currency and small bills under five dollars; if it should monopolize this part of the paper currency, supplying it plentifully, but not making it legal tender, in all denominations up to and including three-dollar notes, as desired by the people, it might, under all circumstances, keep in circulation at least \$150,000,000, which never would, nor could, be thrown back upon it for redemption. It might easily enjoy a gratuitous loan from the people, to their great accommodation, for the mere cost of the engraved paper, and without the slightest debasement of the currency. The supply of small bills is now notoriously insufficient for the convenience of the people in small transactions. But we would bring to an end forever, except as a desperate measure of war in the last extremity, the issue of other paper money, and of all legal-tender paper money of any denomination, as not only of doubtful constitutionality, but more than doubtful expediency. Congress, in our judgment, is poorly qualified to wield such a power.

The simple question in regard to any proposed amendments to this bill is, do they tend to hinder and retard, or to expedite and promote, the resumption which it orders. If the former they should be withstood. If the latter, they should be supported. We want only a simple measure, ordering the payment

in coin of the government legal-tender notes, at a definite time, and a loan adequate to procure sufficient gold in the markets of the world to accomplish it. Our opinion is that from fifty to one hundred millions of gold, added to that now in the national treasury, would suffice—perhaps more than suffice—for the purpose. For, as soon as it is understood that the government makes its notes equal to gold, who will not prefer keeping them to exchanging them for coin, unless he needs it for transmission to foreign countries? Very few of them will be presented for conversion into gold, when once they are seen to be as good as gold, unless to settle foreign adverse balances. Nearly one-third of them are now locked up as national bank reserves, either in their own vaults or those of the treasury at Washington. Not more than two hundred and twenty-five to fifty millions are in active circulation. It is incredible, judging from all past experience, that a quarter of these should be presented for redemption, when once it is established that they are certainly redeemable.

Very vague and confused ideas are current as to the supposed enormous quantity of gold that would be requisite to sustain specie payments. It is said that the coin would all be drawn out of the treasury, or the banks, and exported. Do persons saying this consider that an equal, if not greater, amount of gold, though by a more circuitous process, goes out of the country now, and is drawn from the New York banks, or government vaults? How? The government collects it for customs dues, pays it out in interest, or sells it in the market, in either of which cases the importer buys it with greenbacks, at the market premium, and pays it back into the U. S. treasury for customs, or sends it abroad to pay adverse balances. What would be the difference if legal-tender notes were brought to the specie standard, except that government would cease to trade in the discount on its own dishonored promises and their capricious fluctuations of value? Would any materially greater quantity of gold be required to conduct its operations than now? Sir John Lubbock's bank, in London, has ascertained that its payments in gold amount to only three-quarters of one per cent. of all its transactions; and only three per cent. of its payments are made, even in paper money—the residue are all in checks (see Prof. Bonamy

Price's work on currency). The principal uses of gold under specie payments would be the same as now. The effect would not be materially to increase the quantity of gold used, but simply to bring all that passes as dollars to the coin standard of value. It would give us a certain measure of value, and of the obligation of contracts, instead of the present vacillating and treacherous standard, which so greatly aggravates the risk and cost of business, while it stimulates speculative and gambling demoralization. But it is doubtful whether the movement of gold would be essentially greater than now occurs, or whether, with an additional hundred millions, at the outside, in the U. S. treasury, to make sure of the redemption of legal-tender notes, the banks having a due reserve of these would require much more gold than now. The New York banks now hold some millions of it, as they were the principal reservoirs of it in the country in the days of specie payments. The one thing wanted is the restoration of the coin standard. Once accomplished, this will require the actual use of little more coin than now, and none more for export.

We next ask attention, very briefly, to a few of the consequences of the fearful raid on the public faith now so widely meditated. We can only summarize them, and must refrain from minute detail. One very obvious effect must be to destroy, or reduce to a minimum, the value of all fixed money incomes, salaries, the interest on investments in stocks, bonds, and loans, which constitute the support of widows, orphans, the aged, infirm, and helpless; the invested interest-paying funds of all the public institutions of charity, education, and religion; the savings of the poor in savings banks, life insurance companies, and other provident institutions. It will do this simply by the indefinite depreciation of the dollar, and by a simple act of legalized plunder. By one fell swoop it puts out of existence the provision for the hour of need made by the exertions and prudence of a life-time. Who can conceive the lamentations and wailings, with which such a catastrophe would fill the land! The salaries of ministers, so generally inadequate now, would become hardly worth collecting. The treasuries of our religious and benevolent societies, if replete with worthless engraved paper, would be depleted of all means of real sustenance for our missions, Home and Foreign,

and other evangelistic schemes. In short, the cause of religion in all its departments would suffer a hopeless prostration of its means of support.

Public morality and religion, as well as national prestige and power, would suffer a terrible shock in such an open breach of the national faith, and destruction of public credit. Speculation, always stimulated by rising prices, would be awakened to its rankest forms of gambling, by the prospects of the unlimited increase in the dollars every piece of actual property, real or personal, will exchange for it—an increase proportioned to their growing debasement. As the money grows valueless, the greater quantities of it will men be ready to exchange for things of real value. On the other hand, the hazards of legitimate business will be increased a thousand-fold. He who sells goods, for money, or on credit, has reason to fear that he will not be able to purchase equivalent goods with the money he gets for them. If he buys them he does not know how soon the only money in the market for which he can sell them, will be worth little more than the cost of engraving it. Legitimate business and productive industry will be paralyzed by the absence of all stability in values, and certainty in contracts. Gambling, speculation, and shoddy will usurp its place, and hold high carnival as they lord it over business and society, life and manners.

As one of the striking instances of business demoralization, resulting from the proposed policy, may be mentioned the whole department of periodical literature. If the dollar is reduced to half its present value, or less, all periodicals must be put at double, or more than double, their present prices, in order to keep afloat. How many of their present subscribers could afford to pay it? Certainly, the vast numbers in the classes already specified, whose means of sustenance would thus be lessened, could not. What would become of all but the very richest of them? It may be said, on the other hand, that, as the value of the dollar is made to approach the coin standard, the profits of these journals will be immensely increased, if kept at their present prices. But to this the sufficient and conclusive answer is, that, "competition, the life of trade," will take care of all that, and be sure to bring their prices down to the level of reasonable profit, or their real excellence and value up to the measure of their prices.

But, in truth, the destruction and devastation that must rapidly come in the wake of such a measure, or even the certain prospect of it, defy all description and baffle all forecast. The foresight of the rapid depreciation of the value of money, and the proportionate increase of money prices, coupled with the staggering of the national credit, must make every shrewd and prudent man in our own country eager to convert his paper money, and paper-money credits, into real property, whose value will thus remain unchanged, while its money price will increase in proportion to the decline in the value of money. Nay, more, the depreciation of the one, and the appreciation of the other, will act as a mutual stimulus beyond the changed ratio of intrinsic values. They will be much enhanced by the growing eagerness of men to get rid of the one, because deemed to be of unsubstantial and fleeting value, and to obtain the other, because deemed to be of solid and enduring value. Creditors, everywhere, will press the collection of their dues, in order to put them in something substantial before further depreciation. For this purpose, probably the deposits of savings banks would be largely drawn down, thus compelling the collection of their mortgages. The same process would, in due proportion, be going forward in the loans of other provident institutions. Of course, speculation would be rife from this course, as well as others already explained. The first and most tangible object for purchase would be gold coin, which would carry to the highest point gold gambling, and the terrors of the gold exchange for all legitimate business. All this would induce a panic among our foreign creditors and holders of government, railroad, and other securities, which would be poured, by foreign holders, in floods upon our markets, to drain our country of its gold, and still further lift its price, till it is cast out of sight, so that the Nimrods of the stock exchange will have everything in their own way, and can at will spread the pall of renewed Black Fridays over all the occupations and business of men. But we will not further trace the dismal prospect.

This limitless efflux of gold, which the inflation policy must force and precipitate, of course, will render resumption impossible till the worthless paper currency which makes it so, is swept out of existence, when no longer endurable, by a

financial, very probably accompanied by a political, revolution. So much for the policy voiced by the ex-confederate chieftain, which would postpone resumption, and swell our issues of inconvertible paper till, as he says, "our exports exceed our imports." They will reach this consummation at a bound on this policy. We shall be compelled to export every possible commodity, including gold, to discharge the millions upon millions of foreign debt, whose payment will then be exacted to the utmost farthing, while we can import little or nothing but the securities thus thrown back upon us. This talk of waiting till exports exceed imports before resuming the coin standard, is in the last degree groundless. Suppose, as is often the case, that our exports fully pay for our imports, while our imports, owing to the profits of the trade and transportation, are worth to us vastly more than the exports. Or, suppose otherwise. Suppose a balance remains against us which is to be paid in gold. Is it any the less to be paid in gold, whether our currency is at the coin standard, or ever so far below it? And will not a coin standard in our currency sooner check excessive importations than an irredeemable paper currency? And under any standard of currency, is not gold one of our leading products for export and payment of foreign debts?

We regret to be obliged to add, that this policy of desperation and desolation is likely to have a portentous support, partly from popular ignorance, and partly from less creditable causes. If it does not prevail, it will only be averted by the most earnest and persistent efforts of the friends of the national honor, of private integrity, and of the public weal, in all quarters, among all parties, by means of line upon line, precept upon precept, here a little and there a little.

The hosts who favor the inflation admit of various classifications, according to the stand-point from which they are made. It is likely to enlist all those who, as leaders or followers, are under the power of the gross delusions we have exposed, which the wisdom and experience of ages condemn. It has its attractions for the unscrupulous portion of the debtor class, whose name has become legion during the long reign of irredeemable paper currency, which it is now proposed to protract and aggravate. They think that they will be able to extinguish their

debts by paying a half or a tithe of their value. But, as we have shown, this is a two-edged sword that cuts both ways. We repeat, that if this is what creditors are to expect as the reward of forbearing the immediate collection of their debts, they will be apt to press such collection of them forthwith, on the broadest scale, after the experience of depreciated money in the late war. The most of creditors did not then become aware of this consequence of inflation in season to anticipate and prevent it. Now they have had the lessons of experience, and forewarned, will be forearmed. Doubtless, however, some would reap a harvest from this legalized plunder of creditors, while a much larger number would be the losers, and production and exchange generally would be wrecked in financial chaos.*

Closely allied to these is the vast body of men holding unsalable land or commodities, for which there is little or no present demand, but which will be of quick sale for that worthless money which its holder will be eager to exchange for anything substantial. While, as a whole, mere money inflation or contraction which reaches the prices of all things does not affect the permanent relative exchangeable value of

* Says Carl Schurz: "If we had statistics of the private indebtedness in the United States before us, they would unquestionably show that more than seventy-five per cent. of it is owing by men commanding comparatively large means, and that the laborers for wages are the least indebted class of society, even in proportion to their earnings and savings, and next to them the farmer and the small business men. But laboring people are, to a very heavy amount, creditors of the country. I venture to say, that there is neither a manufacturer, nor a merchant, nor a professional man of means in this assembly, who is not a debtor, and among his creditors are, in ninety-nine cases of a hundred, his workmen, or his servants, to whom he owes wages for part of a week or a month. It has been calculated, by good authority, that the wages thus constantly owing, for a half-month's service or work, amount, in the whole country, to \$120,000,000. And who is it that owns the deposits in the savings banks, amounting to about \$760,000,000? Not the rich, but the laboring people and persons of small means, who put their surplus earnings there for safe keeping.

"It is estimated that the same class has, in national and private banks and in trust companies, another \$200,000,000, and that nearly \$130,000,000 is owing them in other kinds of debts. There is, then, the sum of about \$1,200,000,000 owing to the laboring people and men of small means, constituting their savings to that amount. That class are creditors, and you pretend that for their benefit you will expand the currency. Gold being at fifteen per cent. premium, those savings have a value of \$1,020,000,000 in gold. Expand the currency until gold is thirty per cent. premium, and you have robbed those people of \$180,000,000."

commodities (since a pair of shoes and a hat at \$10 each will now precisely exchange for and purchase each other; and if, by depreciation of currency, each becomes worth \$100, they will then also just pay for each other), yet it cannot be denied that the owner of a stock of hats or shoes purchased on credit at \$10 each, would, if they reached the price of \$100, be enabled to pay for them, and have \$90 a piece left for himself. Thus, in some such instances, inflation might enrich the dealer without his rendering any real service to the community in return, by levies, under the forms of law, laid partly upon those of whom he borrows, or buys on credit, his goods, and partly on the buyers of them. This accounts for many individual fortunes made during the late war, at the expense of people generally. It is the effect of all great public calamities—war, fire, flood, famine, pestilence. A blight which ruins the grain crops of a country enriches all who happen to possess stocks of grain. A fire which burns up half a city enriches those who own the remaining buildings, and some others whose insurance is worth more than the shells consumed. A tempest which destroys half the shipping of the country, renders what is left a prize to its owners. What then? Are we to set a going destructive wars, fires, floods, etc., because the impoverishment of the many is the enrichment of a few?

And this brings us to the class of—we do not mean desperadoes, but desperationists, who seek almost any upturning, they care little what, feeling that any change may be for the better, and cannot be for the worse, so far as their fortunes are concerned. It is to be feared that the various causes, political, social, and economic, which, in addition to a succession of poor crops, have so largely prevented the recuperation of the South from the tremendous exhaustion of the civil war, strengthened by a not unnatural feeling in reference to the decline of that national credit which accomplished their defeat, may place a large body of the Southern people in the attitude relative to this subject, so explicitly avowed by their late chief, Jefferson Davis. We trust their integrity and intelligence will lift them above it.

But more formidable than all, we fear, is that vast proletarian element among us, which, really, if not avowedly, is very much inspired by agrarian or communistic ideas. Conspicuous

among these, of course, are those who, under the title of Labor-Reformers, or by the agency of trades-unions and strikes, are constantly invading the rights of capital, and claiming a redistribution of the latter, in some form, among those now destitute of it. Some of these openly and loudly clamor for the indefinite increase of paper currency, on the avowed ground that they can thus extinguish the mortgages due from them to capitalists, with pictured paper, which costs them next to nothing.

This general idea, that the government, by turning out paper tokens as fast as its presses can run them off, will scatter money plentifully among all classes, and serve thus far to divide the resources of property owners among the poor, fostered as it is by the appeals of reckless demagogues, is spreading like wild-fire among an immense multitude of vicious, idle, and impoverished people, of every color and nationality, in our land. And since it carries an immense vote, it will be cherished and propagated by those who seek the offices, but not the welfare, of the people. So Romanism, the liquor interest, and the like, have been thus directly or indirectly appealed to and upheld. The demagogues, however, in trying to inflame this communistic feeling and antagonism to property on the part of the thriftless and destitute multitudes in our cities and towns, are raising a spirit which they cannot lay, and kindling a torch quite as likely to fire their own houses over their heads as to desolate society. They are handling a dangerous play-thing.

It is our impression that here we have a giant among us, which accidental circumstances have heretofore kept slumbering, except as he has now and then been half roused in the outbursts and howlings of labor against capital, but whose prodigious growth and strength we shall yet learn when it is thoroughly aroused by demagogic strategy. The attempt to gain votes, by exasperating the poor against the rich, was under full headway forty years ago. And we were much impressed, as we then heard one of the most eminent of statesmen-jurists say to us in view of this: "I confess, sir, I think we have reason to be alarmed for the safety of our tenures of property." It so happened, however, that "property in men of color" soon became a cardinal principle in national politics, and that this principle chimed in with the prejudices, and for a long time commanded the

votes, of our white proletariat. Of course, if "property in man" was to be vindicated and maintained, much more all other property must be treated as inviolable. Hence, until after the war, this spirit was smothered, but not killed, by the accidental prevalence of a counter extreme. But the class constituting the proper material, or "protoplasm," for agrarianism and communism, had been constantly increasing by the incessant importation of the dregs of old-world populations. It was at length reinforced by an immense accession from our own emancipated millions of ignorant and improvident blacks. No one can estimate the power of this communistic spirit in the country till it has been thoroughly aroused by the incendiary experiments which demagogues have now begun to practise upon it. It yet remains to be seen who will conquer in a struggle thus incited. We are strong in the belief, however, that when our people come to be tested on a clear and unmistakable issue, they will maintain the right and the true. The financial heresy must be no longer humored, but manfully assailed. The issue must be squarely met, and in no manner evaded by temporizing make-shifts.

Note to page 733.—To preclude misconception, we think it proper to say, that we doubt the constitutional power of Congress to issue paper money at all, and much more to make it legal tender, except as a war measure in the last extremity. We deem it foreign to the normal powers conferred on Congress in times of peace. We deem Congress too an unfit body to exercise such a prerogative, for want of the requisite financial insight, as well as other qualifications. All we mean to say is, that, supposing it possessed of the requisite constitutional power, the real and only beneficent exercise of it would be in supplying the people with small notes and fractional currency, convertible always into specie, but never made legal tender.