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Art. I.—OUR INDIAN AFFAIRS.*

By Rev. John C. Lowrie, D. D., New York City.

We give this paper a title taken from the official phrase in use at Washington. Each house of Congress has its Committee of Indian Affairs, and one of the Bureaus is so called in the Department of the Interior. The publications referred to below will serve to bring several Indian matters of moment to our consideration; a brief notice of these Reports may be of interest to our readers. The first two of them have probably seldom fallen under their notice. The Report of the Commissioner of Indian Affairs, and its accompanying papers, furnish a great amount and variety of information concerning Indian matters. Its index, a new and valuable feature in these Reports, contains the names of one hundred and twenty-nine tribes of Indians, some of them so divided into separate bands as to make fifty-eight more; in all, nearly two hundred tribes or independent bands are treated of in this volume. This is done on no uniform plan, with details often not well arranged, and far from being complete, yet sometimes full and clear. The Report of the Commissioner himself, Gen. F. A. Walker, must be excepted from this remark; it is one of the ablest of these Indian Commissioner Reports, occupying the first hundred pages of the

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* Annual Report of the Commissioner of Indian Affairs to the Secretary of the Interior, for the year 1872. Washington. 8 vo., pp. 471.

Fourth Annual Report of the Board of Indian Commissioners to the President of the United States, 1872. Washington. 8 vo., pp. 202.

Thirty-sixth Annual Report of the Board of Foreign Missions of the Presbyterian Church in the United States of America. Presented to the General Assembly, May 1873.

a guide out of the labyrinth of sin, and finally a terrible judgment to those that persist in sin. A book that has no like on earth, whose contents like the very eye of God should pierce so deep into every soul, that should be so thoroughly true, wiser than all books of law, richer than all books of instruction, more beautiful than all poems of the world, touching the heart more than a mother's speech, and yet of such spiritual depth that even the wisest does not exhaust it, accessible to the simplest, and at the same time elevating, refining to the loftiest and most cultivated, a light more than earthly, pervaded by a glow above that of the sun, a breathing of the eternal, that awakens in the prosperous in the midst of earth's sweet joy a deep homesickness, and fills the sufferer in the bitterest need of earth with unutterable rapture, the word from beyond, before which Belshazzar quaked, and before which Paul himself became speechless and blind, the word that looses and binds, kills and makes alive." (*u. s.*, p. 114).

Art. VI.—THE LATE COMMERCIAL CRISIS.

By Lyman H. Atwater, D.D., LL.D., Princeton.

The late financial panic, with the consequences of which we are now struggling, is so variously and obviously implicated with morality and religion, that the consideration of its causes, effects and remedies, has a just claim on our pages. It is generally acknowledged to be immediately due to the great diversion of capital from its legitimate objects to premature and unproductive railways; to unprecedented stock speculation and gambling; to unexampled defalcations and breaches of trust; to overworked credit, involving the perilous and immoral risking of the property of others; to unreasonable extravagance of living, begetting undue haste to be rich; all intensified by an inconvertible paper currency, and the capricious speculative fluctuations of price and value thence resulting. All other breaches of faith and morality, which have been so pregnant with public and private disaster, receive stimulus and nutriment from this fundamental breach of faith and morality by the nation itself, in not taking steps to redeem with dollars its own promises to pay dollars. We shall discuss these subjects in such aspcets as the emergency seems to require.

1. In order to fully understand the connection of undue railway construction with our present troubles, it is necessary to trace briefly the history of our railway system since the last great commercial crisis of 1857, which was likewise due largely to excessive outlays in unproductive railroads, and the consequent pressure from this source upon the floating capital and loan market of the country. The outlays on these roads far outran the capital they could command for permanent investment in them. They were consequently driven to bid against the mercantile community for temporary loans, at constantly augmenting rates of interest,—a process which is in its nature self-exhausting, and, unless arrested, inevitably ends in collapse. The collapse came as considerable amounts of this railroad paper, especially of corporations that had been deemed strong, because yielding heavy dividends, went to protest. And with it came that general distrust, and destruction of commercial credit, which culminated in monetary panic, and a brief suspension of specie payments by the banks. The consequence was, that, while other interests rapidly recovered their normal activity and prosperity, most of the railroads staggered for years under the weight of their floating debts. Few new lines could be undertaken, because capital was shy of such investments. Those unfinished, or loaded with unmanagable debts, made slow progress towards either completion or the extinguishment of these debts, whether by payment, or funding into permanent loans. Most of them could pay no dividends, even if their earnings warranted them, owing to their constant absorption for the completion of construction, or to discharge maturing short paper. Even of many roads substantially on a sound basis as to prospective business and revenue, the stocks, if not other securities, were among the fancies, or were hawked about the markets at mere nominal rates. This state of things lasted till the war was fairly inaugurated, and business recovered from the shocks attendant on its inception. Then new elements came into play. The immense transportation of men and military supplies furnished to these

roads by the war, immediately enlarged their revenues and profits, so that nearly all paid interest on their bonds, and the most of them, when honestly managed, yielded handsome dividends on their share capital, often with a surplus for new construction and equipments. Their various securities rose rapidly in the market. Their floating debts were readily funded into long mortgage loans. Not only was there a great legitimate advance in railroad values from undue previous depression growing out of the panic of 1857, but some accidental contingencies of the war created an exceptional demand for the bonds and other securities of railroads. The large issue of inconvertible legal tenders of full debt-paying, but greatly depreciated purchasing, power, rendered money at once plentiful for investment, but difficult to invest. Mortgages made to secure debts contracted in coin were largely paid in this depreciated currency. In seeking opportunities for re-investment, the choice lay at one time almost exclusively between railroad and government securities, to which were afterwards added the immense bounty and war loans of states, counties, and other municipalities. The uncertainty as to the continuance and issue of the national struggle, caused a reluctance among most investors to stake everything on the issue of the contest. For this reason railroad securities, especially good bonds, came into special demand. From ruling very low before the war, they passed into a favorite form of investment at stiff prices, maintaining a strong and successful competition with U. S. bonds.

Out of all this several consequences arose: 1. Fortunes, some of them colossal, were made in a few months, nay in a few weeks, by the rapid rise of railroad securities. For a clerk in New York to order a hundred or a thousand shares of Cleveland and Pittsburgh, or Hudson River, or the like, on a margin made from his own or his employer's money, and make a few hundred or thousand dollars in a few days or weeks, was a constant occurrence. Numbers of men who had long been bankrupt in character and property suddenly rose to fortunes, which have since generally been lost by the same reckless throws of the dice which then lifted them to sudden wealth. Hence railroad enterprises came to be regarded by multitudes, as they have largely proved, the high road to fortune. Thus the prodigious impulse was given to that railroad building of the last decade which has been brought to a sudden and disastrous pause. They have generally been constructed on a system which has enriched their projectors, managers and builders, however those whom they have unwarrantably induced to furnish the capital have too often come to grief.

It is needless to say this course of things has stimulated much of the frantic speculation and stock gambling which has come to so inglorious an issue. The rapid depreciation of irredeemable legal tenders, too, during the war, involving a proportionate rise in gold, and in all commodities and property, conspired with the railways to widen the area of profitable speculation, and extend the speculative furor throughout the entire range of all objects of purchase and sale which experienced this inflation of prices. Probably speculators, adventurers, and imprudent traders never had such a harvest before; reaped, not by the production of wealth, but by their scooping up that produced by others from the creditors and consumers in the nation. Whatever stocks, commodities, or property one bought or held, could scarcely fail to rise in price on his hands. Men hopelessly involved in debt for imprudent purchases which were urging them into bankruptcy, found themselves suddenly made rich by the doubling of the prices of the commodities, which otherwise would not have sold for enough to pay their debts. *Instar omnium*, a bankrupt nominal owner of numerous steamboats, whose checks were worth scarcely more than the paper on which they were written, found himself thus suddenly turned into a millionaire.

The real profits of railroads from the causes indicated, stimulated the construction of them on a scale before unexampled. For a long time it was easy to attract capital for the purpose from the Old World and the New by the offer of tempting rates of interest on bonds, or giving assurance of generous dividends on stock, till at length they began to be built to almost every hamlet, and projected or undertaken through nearly every primeval forest in the country, either where there was no remunerative business for a single railroad, or where they could only come into ruinous and suicidal competition with others already running and often poorly remunerative. That there should seldom be any immediate dividends on stock was a matter of course. That more and more of them should come to default the interest on their bonds was inevitable. That this should rapidly check, until it stopped, the sale of bonds for new and unfinished enterprises was no less inevitable. That this should lead to short loans from, or endorsed by, the great bankers who had undertaken to provide funds for their construction by negotiating their securities, was a necessary effect. That it was only a question of time how soon these advances would outrun their resources, and reach their logical result in suspension and failure, is equally plain.

All this was the more inevitable for additional reasons. The cost of railway construction and maintenance has doubled since the early stages of the war. Proportionate net profits of business must therefore be realized and charges made for it, in order to earn interest on the capital employed. The problem of cheap transportation by railroad is simply one of cheap construction and maintenance. It is undoubtedly true that the high prices of iron and other railroad supplies, induced by the immense construction of new roads to facilitate and cheapen transportation, has greatly increased the cost of maintaining finished lines, and so of transportation upon them. It is actually true that the prices of transporting grain over the lakes were greatly increased, by the high rates offered the vessels usually employed in this service, to take the Lake Superior iron ore to the various furnaces for manufacture to meet the vast demand for railroads. Out of this in part has emerged one great branch of the transportation problem. Then, again, many of these enterprises have been carried forward entirely by the proceeds of bonds, without any stock capital of any amount underlying them to secure principal or interest. The proceeds of new bonds are thus more and more consumed in paying the interest of old ones, before any interest on the outlay can be earned. This is unlike the former and sounder way of railroad construction. Some of the most distant have relied on their large land-grants to secure their bonds in lieu of stock. In due time, after the roads are completed, they will doubtless add greatly to the value of the road and all its securities. But meanwhile they attract no settlers with ready money, and provide no interest on loans, which requires constantly to be met by the proceeds of new loans, until obtained from earnings,— a self-devouring process, if too long continued.

The crash came, with premonitory rumblings in the downfall of some smaller railroad houses, in the sudden and nearly simultaneous suspension of the two leading railroad banking houses of the country.

Then the Union Trust, one of a class of institutions whose very name implies that they should be the type and exemplar of all that is trustworthy, and which had been generally trusted as such, fell, and proved it could no longer be trusted. Immediately a bank stopped payment, the victim of its own imprudence and the tricks of a dishonest speculator. The failure of the Trust Company, too, was found to be due to the large embezzlements of its secretary, and vast loans to a Western railroad, whose directors controlled it, and criminally appropriated the property of both institutions to sustain their own colossal speculations. Is it wonderful that the confidence and credit which are the stay of all ordinary business, staggered and gave way to the most wild and infuriated panic?

In consequence, and in aid of which, came the frantic contortions of the speculators and gamblers of the stock exchange, until a shrinkage of five or ten per cent. in an hour ruined multitudes of them and their brokers. This stung the bulls to such madness that the closing of that arena of demented bull and bear fights became indispensable to the public welfare, because necessary to the restoration of anything like self-control and sanity in the public mind. But when so restored, and the stock-board was again opened, it was found that stocks remained as much below, as they had before been blown up above, their real value. Thus came distrust of stocks, especially railroad and other speculative stocks and of those who depended upon them, and before this not in vain, as a means of raising money. So the distrust and the panic spread like a prairie fire.

If anything were wanting to fan the flame to the last degree of fury, it was the evidence, growing more and more cumulative for years, of widespread demoralization, fraud and theft among those holding the highest fiduciary positions, involving the custody and handling of moneys belonging to the nation, states, counties, and other municipalities, in our great banking and railway corporations, and in more private trusts. Some of the most portentous and nefarious of these, which we have no room to specify, came to light at the beginning and during the course of the panic, with very much the same effect as tornadoes rising upon a Chicago fire.

Interlocked with the foregoing, partly as cause and partly as effect,—at all events intensifying them,—are the land speculations, stimulated by new railroad lines and centres, and the immense recent growth of cities, consequent upon this, as compared with the rural population.

We have thus set forth the causes which urged and precipitated a panic of unmatched severity. We will now consider for a moment, 1, The calamities proceeding from these causes as they must have operated, had they produced no panic; 2, The superadded destruction and misery induced solely by the effects of this superadded panic.

1. It was an inevitable result that many railroads, partly built, should remain so for a long time to come; that the enlargements and improvements, even of the oldest and most lucrative, should be checked, if not stopped for a time; that repairs and outlays of every kind upon them should for the time be reduced to the lowest practicable point; that the business and income of the best should for the time suffer whatever diminution might be caused by the general decline of business and travel in the country; that there should be a serious falling off in the revenues of the multitudes of persons dependent on income from railway securities and debentures, or from moneys and credits rendered unavailable by the suspension of so many houses whose debts counted by millions and tens of millions; that the immense manufactures of locomotive engines, cars, iron rails, and supplies of every kind for railways, should for the time suffer enormous shrinkage or complete suspension; that the vast iron, coal, and other mining business requisite for this and other great industries now depressed, should suffer a sudden and disastrous check.

Thus we have already a formidable array of persons thrown out of their wonted employments and revenues, and so disabled from procuring their customary supplies of the products of other branches of industry. This in turn cripples these other employments, and lessens the demand for the labor, and thus the earnings of other operatives and laborers. So the depressing influence of the prostration of one great interest is endlessly ramified. The sudden collapse in the fortunes of hosts of speculators is no less so. It is idle to say that this panic concerned Wall Street only, and should not in reason have extended beyond. This could not be. Wall Street is the financial centre of the country, and its pulsations are simply those of the whole monetary circulation and business condition of the country. The special cause of the late disturbances in the stocks and banking houses of Wall Street, has been the condition of, and speculations in, the great railway interest of our country. This comprises the veins and arteries through which the life-blood of our national industry and wealth circulates. All labor consists in moving things, so that they may reach conditions or positions which make them useful to man. Railways are the great motors of the country. They vastly increase the efficiency of every kind of labor, and there is no material interest of the country which is not very largely dependent upon them. Any paralysis in these is paralysis in everything. The failure of the great and honorable firms, which inaugurated the wild tempest in the stock exchange, was upon railroads stretching from our vast interior to either ocean. It was inevitable, therefore, that as part of the severe process of arresting imprudent railroad undertakings and vicious speculation, vast losses should be suffered and serious dislocation and prostration should overtake many branches of commerce and manufactures. All this and more—panic or no panic.

2. But much more distress arose from the panic thus induced than could possibly have arisen from all these causes had they not precipitated it. The fear first seized some depositors in banks, or with bankers, that they would be unable to get their money, as they should want it, to meet their obligations or necessities. This led them to draw out their deposits in money. This, once begun, excited the not unreasonable fear in others, that, inasmuch as those who come first are first served, the only way to secure their own funds deposited would be to draw them out before the money reserve was exhausted. A "run" on banks and bankers was thus started by those who had perfect confidence in their solvency, but who nevertheless feared that others would "run" if they themselves did not, and thus compel the stoppage of payment and the locking up of their funds. And although this is, as an aggregate movement of the whole community,

insane and destructive, yet, when panic begins to show itself, it is, for each individual, a perfectly rational view of the case so long as there is no effective concert to arrest the panic, or save him harmless, if he delays his demand for his deposits. The effect of all this is to spread consternation among solvent traders, who begin to fear they may be unable to raise money to meet their obligations. They thus press for double their wonted or needed accommodations, in order to make sure of being able to maintain their credit. Thus the pressure for loans increases while the ability to make them is undergoing exhaustion. The result is a complete dead lock. Persons who need money and can offer the best of security for it, cannot get it, for it gets locked up in private hoards out of reach. With the disappearance of money from bank vaults, checks on them which, in normal conditions, do the work of exchange in large amounts, ninety-nine times in a hundred, become unavailable. Unless some substitute, which, though inferior to real money, can for the time serve in its place be found, universal bankruptcy must ensue for all that owe money. Under a specie standard, such a substitute used to be found in bank notes thus made irredeemable, but yet current, during the period of suspension. Under our present system of currency, irredeemable but legal tender, the only substitute for it, when locked away in the panic, was certified checks, or certificates of deposit, issued by the banks in concert. These proved a powerful sedative to the panic, saved many sound dealers from bankruptcy, and tided the mercantile community over the panicky crisis till the money withdrawn from them came back again to the banks for use as before, these being regarded as the safest place of deposit, as soon as it became evident that it could be had again when wanted.

While this inferior substitute for money sufficed to stay and quell the panic in commercial centres and among commercial men, in really sound circumstances, it was unavailable to supply the place of treasury or bank notes in general circulation, for small payments to laborers, and for many forms of retail trade, as well as other purposes. In this respect, as a means of tiding over or working out of a panic, they are inferior to bank bills under a specie standard, during a virtual or avowed suspension of specie payments. These will circulate freely, and for the smallest payments during such suspension. There is no possible escape from a panic which has the effect of sequestering the legal tender currency, whether metallic or paper, but by substituting for it something more or less inferior to it, for purchases and payments, till the former comes out of the hoards in which it proves useless and profitless, in order to earn something for its owner, by resuming its normal functions as a solid medium of exchange. Thus it will displace the baser currency which, for the time, its sequestration has permitted and compelled to push in to fill the vacuum thus caused.

But to stop the payment of laborers for lack of a currency suitable for the purpose, means very largely to stop labor and production of commodities by means of it. It means their enforced idlenesss and—worse than unproductiveness—the deterioration of much of the capital in the form of machinery which labor renders productive, while it in turn makes labor productive. It means the inability of these laborers and capitalists to make the purchases, or create the demand for the products of the labor and capital of others, which they otherwise would. The check too upon retail business is a proportionate check upon the wholesale trade, and upon production itself, which supplies them both. And this tends to propagate and intensify itself, by action and reaction, through all the mutually-related branches of human occupation. It is moreover no fancy-sketch, but the precise reality we have just experienced. To withdraw the medium of exchange is to put an end to exchange, and so far forth to diminish exchangeable products and values. It is like taking the blood out of the body, or stopping the veins and arteries through which it circulates. It stops everything.

This brings us to the subject of money, and of credit and panic as related to it and to the phenomena through which we have been passing. Money is the great medium of exchange and measure of value. It cannot be the former unless it is the latter. Unless it be in some proper sense a measure of value, it cannot be, as it is, and must be, in order to be money, the common standard by which all other values, or the values of all other things, are computed in exchange. And without this it cannot be a medium of exchange. This is the precise function performed by money in every instance of bargain and sale beyond simple barter. The value is computed in dollars. But then, in order to be a measure of value, it must itself have value, otherwise it can no more measure the value of other things than a yard-stick can be a measure of length, without having length itself. It must have value then. What now is value? Simply that in any human services, or enduring product of the same, which will command such services or the products thereof in return. And the amount of value is the amount of such services or products it is able, *valet*, to command in return. *i. e.* the value of anything is what it will exchange for. This is true of money as well as other things, so that if it measures the value of the things it will exchange for, they measure or determine its value. But it is *the* measure of value *eminenter* none the less, universally treated and recognized as such, and why? Because it is the standard by which, by common consent, and in universal usage and law, the values of all things are measured, and thus compared together. In this particular it differs from all other valuable things. Pieces of it are of the nature of tickets entitling the holder to their equivalent in all purchasable articles seeking sale or exchange, and to the discharge of all debts due by him so far as he tenders it for this purpose. It has this prerogative beyond all other property. So far and no further, "money answereth all things." And hence, because it thus measures and is exchangeable for all things, it is sometimes widened in its use to stand for all property, so that we say of a man, who perhaps has not a hundred dollars of money on hand, but has its equivalent in other wealth, he is worth, or he possesses, a hundred thousand dollars.

In order to fulfil all these conditions, a material must be found which possesses 1, intrinsic value; 2, portability, or this value in a small compass; 3, perfect divisibility into equal parts, and multiples and fractions of the same, and also, by fixed degrees of purity or alloy, capable of being defined and certified by a government stamp; 4, durability; 5, comparative uniformity of value during the ordinary life of contracts. These requisites, so obviously indispensable, concur in the precious metals as in no other substances. Hence the civilized and commercial nations have fixed upon them for this purpose with an unanimity displayed on scarcely any other subject. It has thus greatly facilitated international commerce, and only requires to be carried out in a uniform international coinage, to reach the very consummation of its usefulness. It is futile to say that government can impart value to substances intrinsically valueless, by merely stamping them as worth so much, and making them legal tender therefor. It may doubtless, by arbitrary enactment, make bits of marble or bits of paper stamped, "dollars," legal tender in payment of debts of a like number of actual dollars, just as it can by stop-laws do it away altogether. It may thus impart a certain debt-extinguishing power to worthless things. But by no necromancy or arbitrary tyranny of legislation, can they be made to be worth as much as silver and gold, unless convertible into them. Let government now issue a thousand million of greenbacks, or marbles, and stamp them "dollars," and make them legal-tender, will they have a value equal, or not immeasurably inferior, to the same number of gold or silver dollars, or bills actually redeemable for their face in coin? The question is self-answering. If it were not intuitively evident that no laws of man can thus subvert the laws of God and nature, the history of the French assignats, of our Continental, Confederate, and greenback issues, varying in value inversely as their amount, would prove it.

It is next to be observed, that all paper substitutes for money consisting of promises to pay it, have value in exact proportion to their convertibility into money, *i. e.* the ability and good faith of the promisor in keeping his promises. They are worth the gold they will command, and as much of other things as this gold will exchange for, just this and no more. If they are redeemable in gold, they are equal to gold in purchasing power. If they are not thus redeemable, their value varies with the nearness or remoteness of their expected redemption in gold, their greater or less quantity in comparison with the coin, or notes convertible into coin, that would circulate without them, the extent to which they are locked up in hoards or set free in circulation, and other causes. But they cannot be worth their face in specie till they are convertible into it on demand.

Let it be noted still further, that, whatever be the legal tender money standard, whether coin or government treasury notes, no human laws or devices can prevent credit in its different forms from being employed as a substitute for money in the vast majority of all exchanges. This credit, or a portion of it, may or may not be in the form of bank bills, convertible into legal tender, and authorized by law to circulate as currency, in which the receiver simply trusts their promises to pay, and is seldom disappointed. But whether there be bank bills or not, the great mass of actual exchanges will, in intelligent communities and in normal conditions, be accomplished through checks, drafts, time or demand notes, and bills of exchange. Whatever be the legal money, it will be used only for small payments, retail transactions, wages, travel, payments to parties not conversant with these instruments or the credit of the drawers of them, and for the payment of inter-bank or clearing house balances. The great bulk of payments, loans, etc., are made without handling a cent of money, or passing anything but these orders for it, or promises to pay it, which are freely taken because believed or *credited* to be convertible into it, if the holder demands it. Therefore, in ninety-nine cases out of a hundred, he does not desire it, and no money is handled. It has recently been proved at the London Clearing House that checks discharge nearly 150 times the payments made by money, metallic or paper. The case cannot be far different in New York or our other chief commercial centres. Nothing can prevent this, so long as men prefer putting their money in bank vaults to the trouble and risk of privately handling and keeping it, and it is more convenient and safe for payör and payee to handle it by check drawn to order or bearer than in any other way.

This being so, it follows that banks require to keep on hand but a small proportion of the money, be it coin, or legal tender, or other bills deposited with them, to meet all the demands made upon them in ordinary times or normal conditions. They can, and will, indeed must, loan out most of it, in order to meet the expenses of keeping it, and reap a profit in addition. Without this profit they would have no motive to keep it, unless otherwise paid for the service—an office much better discharged by the safe-deposit companies. Besides, it is for the interest of the community that this capital thus collected for safety and convenience, should not lie idle, but be loaned to those solvent persons who need it. It follows, therefore, under any system, whether paper or metallic, that banks and bankers must owe more immediate obligations than they have funds to meet, if a demand be made at once for the immediate payment of them all. But in normal or quiet times, there is no danger, or even possibility of this. There is no danger of this for prudent and solvent banks, unless in those abnormal seasons of panic which arise from and produce that collapse of credits, in which the whole system lives and moves and has its being, a state of things often induced by the operations of weak and imprudent banks.

But once such a panic has set in, whether from the causes of our present disturbance, or war, conflagrations, short crops or whatever else, the effect is simply terrific. In ways, and from motives already described, the real money is withdrawn from the bank-vaults in which it could respond to and sustain the checks drawn upon the deposits; it is locked up in hoards which renders it useless itself; this indeed were tremendous, but a hundred times more so by rendering the wonted substitutes for it, such as checks, notes and bills of exchange unavailable in payment of debts. It is like turning the vice which holds, and tortures, and crushes the mercantile community with a hundred-fold leverage, or putting upon it the gripe of a thousand anacondas. Every person having considerable immediate obligations is brought to ruin, or threatened with it. At best, torturing anxiety consumes his spirit. The great circulating element is withdrawn from the industry, products and business of the country. This brings them all to a stand, as quickly and effectually as if the navigable streams were suddenly dried or frozen up, (witness the late untimely freezing up of the Erie Canal) or the locomotive engines were all suddenly disabled—some small exemplification of which was experienced when the horses of the country were so extensively disabled for a brief month by the epizoötic. Even this inflicted a fearful paralysis upon our wonted industries and business.

Such, in brief, are our troubles and their causes. What are the remedies? They have arisen, as we have seen, from various causes. The whole aggravated by the continuance of our inconvertible paper money system, and culminating in the temporary sequestration through panic of that money from its normal uses in circulation. One plausible remedy for this, which has been clamorously demanded, is an enlarged issue of this inconvertible paper money to fill the vacuum. Is this a safe remedy, tending to a true and lasting cure, such as sound financiers and statesmen ought to advise; or a prescription of financial quackery, affording possible momentary or transient relief, but sure to end in a more formidable and excruciating relapse? Is it, or is it not, like a larger indulgence in alcoholic or narcotic stimulants to cure or mitigate the distress they have already produced? We hope a few words will answer this question sufficiently.

The great bulk of our present currency which panic has locked up in hoards must inevitably find its way back to the banks, and the wonted channels of circulation. As soon as their owners become sure that, depositing them in banks, they can command them again at pleasure, to the banks they will surely go, exceptional cases aside, both for safety and convenience, and thence, as they are wanted, into the community. Moreover, the very process of locking them up lowers prices of commodities held by those in need of money, till they are tempted out again, in order to purchase at such advantageous rates. This process must inevitably go on till this money comes again to fulfil its normal office. This being so, it will be strange if, in consequence the decrease of prices, of business, and of what are deemed safe modes of investment, money be not plentiful in proportion to all available legitimate demands for it; nay, if it be not a drug easily obtained on sound security at low rates of interest, and pushing up to high prices securities that have stood unshaken through the late panic. If this be not so, it will be unlike the sequences of all past panics, notably that of 1857. Even now U. S. securities are as high as ever in gold.

Suppose then the government emits larger issues of inconvertible paper money to mitigate the twinges and gripings, already induced or aggravated, nearly or remotely, by an overdose of the same thing! What effect will result but that indefinite depreciation of its value arising from such increase, and the consequent extinction of all hopes of specie resumption, which must prodigiously inflate prices, and inaugurate a new era of speculation, like that begun in the war, with a similar development and culmination in another panic, causing a similar panicky locking up even of this dilute currency, and provoking clamors as loud as now for issues of more to fill the vacuum? And all the more so, inasmuch as the more we dilute and debase the legal tender, the more of it becomes requisite to effect the same amount of exchange. It is like curing one attack of delirium tremens by bringing on another more rabid and perilous. We do not deny that, during the temporary sequestration of legal currency through panic, it would be a blessing if its place could be supplied with some equivalent, to be withdrawn when the regular currency returns. But this is not provided for in the schemes of those who advocate this expansion of currency. And it can only be accomplished by bringing in for this purpose something a little inferior to the legal tender, because not instantly convertible into it, such as the recent certified checks or certificates of deposits, or under a coin standard, the irredeemable bills of banks during the suspension of specie payments. Both these inferior substitutes disappear when the normal currency reappears. The former has already largely disappeared. The latter kind in 1857 disappeared in six months, immediately on the resumption of specie payments. But no way has been shown in which an enlarged issue of inconvertible legal tenders, pure and simple, could be made in such a crisis, with any way of returning them, that would not arouse a clamor through the land against ruinous contraction of the currency.

The true remedy should be fitted to repress rather than stimulate the imprudent speculative expansions which have culminated in our present disaster. This, for reasons already intimated in this paper, and more fully unfolded elsewhere,* will tend greatly to abridge, instead of stimulating, this morbid extravagance in business and life. So far as the evils induced by capricious currency fluctuations are concerned, nothing so tends to stability and uniformity in the medium of exchange as the coin standard.

A new and untried scheme for expanding and contracting the currency, so that it will adjust itself to the wants of the country, is the issue of bonds by the government, at a low interest, convertible into legal tenders, and legal tenders convertible into it, dollar for dollar, on demand of the holder. The rate of interest proposed has been more commonly 3.65 per cent. or a penny a day in currency for each $100 bond. A few with a greater approach to sanity, propose to have the interest, 3.65 per cent. paid in coin. Suppose this latter and better alternative then. It requires that henceforth a $1000 bond bearing 3.65 interest, gold, should always command $1000, legal tenders. In other words these legal tenders are worth their face in bonds bearing this rate of interest, just that, neither more nor less. But since a 5 per

* See *Scribner's Monthly*, Dec. 1873, Art. on *Resumption of Specie Payments*.

cent. gold bond commands only par in gold, and scarcely that, by proportion a 3.65 per cent. bond can only be worth 75 to 80 per cent. gold. Therefore the money convertible into it for its face can be worth only that, permanently. This plan, therefore, provides for the permanent inconvertibility of our legal tenders, and their debasement 20 to 25 per cent. with the inflation of the currency to any extent practicable on that basis.

But the plan more commonly proposed is to have the interest on this convertible bond paid in greenbacks. This provides simply for the indefinite expansion, depreciation and permanent inconvertibility of our greenbacks. It is in the slang phrase of Wall St. government "kiting," supporting one paper promise by another, and each by nonentity. In fact the bonds would be but another form of currency. For, if convertible into greenbacks for their face and accrued interest, they would, so far as in amounts convenient for the purpose, be used as currency without the process of conversion into greenbacks. And they would be more in favor than these, because constantly accumulating a small interest, and also, because, as U. S. bonds they would be free from taxation. This scheme, therefore, of issuing convertible bonds payable in paper, is nothing else than a scheme for expanding the currency to that extent, the only difference being that it is that part of floating capital which persons and institutions would choose to keep for reserves. It is, therefore, obnoxious to the objections already offered against relieving present difficulties by an increase of irredeemable paper money.

To the same complexion must come any scheme for postal or other government savings banks founded on substantially the same principles, or the issue of similar bonds. Postmasters, too, are rarely selected with reference to fitness for such trusts.

While we say this, we think, nevertheless, that a reform in savings banks is one of the remedies for present financial disorders. One of the most threatening elements in the recent panic was the "run" begun on savings banks, and only averted by the exercise of the salutary privilege of requiring thirty or sixty days' notice from depositors before being obliged to pay them. No savings or other bank can stand a call for immediate repayment of all its deposits. If their deposits are soundly loaned, as they largely should be, on the soundest mortgages, in the nature of things, these mortgages cannot all at once be collected or sold for their face, especially in panic times. But these banks ought to be so managed as to be able to bear a long "run," and thus to destroy the very motive to commence it. This can only be done by keeping a large portion of their funds invested in securities which are at all times saleable for cash without much shrinkage. This is true only of U. S. bonds and stocks, and those of some of the States. The residue should be placed exclusively in mortgages good in any contingency. Then there never could be any cause, or continuance, even if there were the beginning of a "run" upon them. Investments in common municipal bonds, or the securities of private corporations, or mercantile paper, should be religiously avoided in such banks. They have been the cause of the losses and distrust in which they have become so extensively involved. This is a great evil. Nothing is more important than to encourage economy and small savings in the poor. But they are greatly tempted to improvidence and thriftlessness, if they feel that they cannot safely invest these savings—the inevitable result of a wide distrust of savings banks. It is appalling to contemplate the consequences of a general run upon the saving banks of the United States, such as recently seemed imminent. What more scandalous breach of trust has appeared than that by which the Spragues, in their seeming imperial wealth, risked hundreds of thousands of the savings of the poor deposited in banks under their control, in loans to themselves, subject to all the hazards of their business! And how greatly do such proceedings in such men spread distrust and panic through the land! We cannot, therefore, with our present light, favor the assumption of the savings bank business by the government. But, if the latter is to touch the business in any way, it should be in requiring them to be soundly conducted all over the country, with infamous penalties for all perversion, speculative risking, or any kind of stealing or embezzlement of their funds, by their managers and officers. And just here we take occasion to say, that our financial affairs can never be on a sound footing till those who steal the funds, with whose safe keeping they are officially entrusted, are dealt with like other thieves, and made to suffer penalties infamous and terrible in proportion to the enormity of their crimes. The recent conviction and sentence of Tweed is one of the brightest signs of the times.

It will be seen that, in our view, a movement towards the "earliest practicable" redemption of our Treasury notes in coin, according to the promise the nation makes on their face, and the interpretation solemnly given to that promise by our National Congress, is the first great measure tending to the correction of our disordered financial condition. On it the enduring efficacy of all other measures of relief and correction depends. Economically, as well as morally, everything hinges on the nation's keeping its own faith.

One great requisite demanded is a due elasticity in the supply of currency already adverted to, so that it may contract or expand itself with the varying exigencies of commerce.

This need varies with the amount of exchanges to be effected, with the rapidity of its circulation, and especially with the extent to which bank-checks and other devices perform its functions. And the difference in this latter respect between times of panic and confidence is so vast, that no supposable variation in the money-supply can fill the hiatus occasioned by such panic, unless it comes in season to avert it. The only substantial cause of such fluctuations is the recurrence of transactions in unusual amount, in which no private checks or money-orders, of any sort, can perform the office of money. This occurs every autumn in this country, in purchasing the grain of the West and the cotton of the South from the agriculturists who produce them, for movement to their points of distribution and consumption, whether at home or abroad. For purchase of farmers, checks will not answer, as their value depends on the credit of persons unknown to them. They require what has the known and unquestioned character of, and will everywhere be accepted as, money. Hence the annually recurring autumnal demand for "currency to move the crops." This demand increases with the great increase of the crops so to be moved. It has also vastly increased in the South since the abolition of slavery. Under the old regimé, the great planters usually kept accounts with banks or bankers in the great marts which purchased and sold their cotton. They were paid in checks, which they deposited, and against which they drew their own checks in payment for supplies purchased for themselves, their slaves and plantations. Now this has very much changed. The planting is usually on a smaller scale, pursued by greater numbers. Laborers must be paid in cash. Employers know little of bank deposits and checks. Currency must take their place. This in due time finds its way back to the commercial centres in payment for articles purchased with the proceeds of the cotton. Coming again where bank checks do its work, it accumulates, and lies mainly idle, in bank vaults, till wanted again "to move the crops." The only employment for it is to loan it to speculators on call, at low rates, secured, of course, by speculating stocks. Thus morbid speculation is initiated. When the mercantile and agricultural demand for this currency returns, these loans must be suddenly called in, at whatever sacrifice of the stock pledged to secure its payment on demand. Thus tightening and stringency ensue. This was one of the causes which conspired with others to produce the sudden fall in stocks which precipitated the panic of September 20th.

Now what is the true remedy for all this? Why, clearly, to husband the money that accumulates in time of plenty, for free use in the approaching time of need, as is done by all prudent men and institutions. Let this be done and we have the true and safe elasticity of the currency. In order to this, it is necessary that the present law requiring a reserve in banks, always inflexible in amount, be relaxed, and that an *average* rate of annual reserve be required in its place. The present law aggravates financial stricture by requiring a reserve to be kept, and forbidding it to be used when needed. Its entire abolition would tempt all the greedy and improvident bank managers to neglect the accumulation of reserves when money is abundant, thus making themselves helpers in any monetary stricture. They are thus in danger of developing a panic which, like a conflagration, not only involves themselves, but all other institutions with whatever prudence and integrity they may be conducted—so subjecting all the industrial interests of the country to the horrid shock of a commercial panic. A law of *average*, as distinguished from inflexibly uniform reserve, would cure these evils, and also protect the mercantile community against the piratical raids of those who put the screws upon all borrowers, by locking up a few millions of greenbacks, in order to force the banks below their legal reserve limit, disable them from lending, and thus force down prices of stocks in furtherance of their own speculations.*

In close connection with this, is the recommendation of the recent clearing-house committee of New York, to put an end to the practice of certifying checks for stock-brokers who have at the time no money on deposit, with the understanding that the amount so certified shall be placed on deposit during the day. This they tell us is frequently done to an amount equal to three or four times the capital of the bank in a single day. The enormous risk is apparent. It broke one bank in the very crisis of the panic, which allowed a single gambling broker to take one-third of its capital in this way, who failed to return it. This prodigiously infuriated the rising alarm. We quite agree with the clearing house committee, that this system ought to come to an end in the National Banks—if not by their voluntary action, then by decisive prohibition of Congress, which we believe now exists without being enforced. It is a method of stretching the credit system, kite from kite, and bubble from bubble, till it snaps and bursts from very tenuity. It aggravates all the dangers of commercial panic. It makes the whole fabric of credit aerial and unsteady to the last degree. It unwarrantably risks the funds of genuine depositors and innocent stockholders whose property ought not to be thus hazarded. The stock of the Bank of the Commonwealth in New York, lately broken in this way, was mostly made up of the savings of small holders, women and others, who could not afford to lose it. It is said indeed that the Stock Exchange could do but little of its present business, if this system were given up. All the better. It is quite certain that, if anybody has money, and wishes to purchase stocks with it, he can always find the means of doing it without recourse to this abnormity. As to all other stock dealings, they make up that vast volume of stock speculation and stock gambling—the mere throws of the dice to get wealth without earning it—which are the pest of the time and country.

Given a specie standard, and we think the true elasticity in the currency would be promoted by free banking, guarded by due average reserves, and the circulation secured as now by the pledge of national stocks.

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* See Article on this subject by the writer in *Scribner's Monthly* for April, 1873.

It would be still further promoted by the abolition of the usury laws, thus allowing the rates for the use of money to be governed by its plentifulness or scarcity, and the free use of high rates of interest to draw it from the hoards and reserves of individuals and corporations at home and abroad, when most needed. This is precisely the course adopted by the Bank of England to fend off any threatened exhaustion of coin, arrest its efflux, and attract its influx. It simply raises the rate of discount. In order to the full benefit of this, we need a specie standard, that of the world. Else it does not avail to relieve our own money stricture, to attract to ourselves the gold of foreign countries. Gold is demonetized by our irredeemable legal tender standard, for all use among ourselves. It cannot enter into circulation as money. It can, indeed, pay our foreign debt. So can flour and cotton. But so far from alleviating the scarcity of money among ourselves in times of panic or stricture, it is, like other articles seeking purchasers, an additional bidder for that money. In this aspect it rather enlarges than fills the monetary vacuum. This we have experienced in our late panic. The millions of gold attracted from abroad to get our wheat and take advantage of the shrinkage in prices here, could not in the least relieve our money famine. They can be sent back to pay our foreign debt. But were they needed for this, they would not have come here. This can be done by simple bills of exchange against our exports. They cannot bring any relief to our want of money in circulation here, any more than gold plate, simply because they are no more money for ordinary legal payments according to our standard. Otherwise they would have been an inestimable relief to us in the recent trouble. In order, then, that the removal of restrictions as to the rate of interest may exercise its full benign influence, in attracting money here from abroad when most needed, our money must be the money of the world. This freedom as to the rate of interest, too, will compensate for any loss of interest on idle bank reserves collected in time of money plethora, by a proportionate advance to higher rates in time of scarcity, a method far better and safer than a money elasticity produced by emissions of inconvertible paper legal tenders, and bonds at a low rate of paper interest, always interchangeable with them. Far better would it be to allow a portion of the bank reserves to consist of any of the present or equivalent government stocks, always, even in the most stringent times, saleable for something like their face. This would make their additional reserve at once interest-bearing, available when needed, without power of inflation, or cost to the government. It would simply furnish another legitimate demand for legitimate goverment securities.

But says General B. F. Butler, as reported in the journals:

"People were deceived by the cry of a descent to specie payment. We never had specie payment. Banks were never required to keep on hand more than $25 to redeem $100 of their paper circulation. Specie payment would bring down values, and to that he was opposed. There was a specie basis in Great Britain, and the consequence was a proportionately low cost of articles of clothing and consumption. But the English laborer ate meat only once a week, while the American indulged twice a day. He wanted no specie basis if that was one of its effects."

An utterance worthy of the chiefest of pseudo-statesmen, and deserving exposure as one of the thin impostures still afloat. No other we are sure could cram so few sentences with so many exuberant *ad captandum* fallacies. This master of a style of financiering which too many have felt to their sorrow, gravely tells us, "we never had specie payments. Banks were never required to keep on hand more than $25 to redeem $100 of their paper circulation." What then? As long as these bills were paid in specie whenever presented, and ample provision was made to redeem all that would be presented, and bank bills thus convertible into specie would exchange for as much as their face in specie, if this is not the specie standard and specie payments, what is or can be? On such a principle, we do not now have legal tender note payments or standards, because the banks are not required to keep over 15 to 25, and in fact, the country over, do not average over 10 per cent of their obligations in greenbacks. "Specie payment would bring down values." What values? The value of any thing is what it will exchange for. Granting that the specie standard would lower *prices*, if it lowered all alike, would not all things exchange for each other in the same proportions as now? If the prices of a good pair of boots and a good barrel of flour are now $11 each, and should on the specie standard become $10 each, would not one command the other in exchange as well as now. *Price* is not to be confounded with absolute and essential value, but is simply money value, or what money a thing will exchange for. And if that money be inflated or nominal, the price will be so too. But this has nothing to do with real value. Besides, we do not believe for one moment, that, if our affairs had been conducted on a sound specie basis, prices would have begun to shrink to the late panic minimum; and if they had, for reasons before given, we believe they would have had a quicker recovery. "But the English laborer ate meat once a week, while the American indulged twice a day. He wanted no specie basis, if that was one of its effects." Why did he not say, the English surpass us in ship-building and navigation. But their laborers have meat once a week. He wanted no recovery of our former prestige in this respect, if that was one of its effects. It would have been quite as good reasoning. Does he really suppose that the introduction of an inconvertible currency, raising the price alike of labor and of all that labor produces or consumes, would enable the English laborer to buy more meat than now, or that a specie basis here would give the laborer less of purchasing power in his earnings than now? On the other hand, would not the increased safety and soundness of all business, render the proceeds of labor and capital alike, in the long run, surer and better? Has not the reward of English labor been improving of late, upon a specie basis?

And this leads us, in passing from the economic to the moral lessons of the panic, to say that it has gone far to settle some of the leading issues in the conflict between capital and labor, as no logic could settle them but the logic of events. Laborers are finding that they cannot bring capital into distress without bringing themselves into distress; that the plan of extorting for 8 hours labor the just compensation for 10 hours labor defeats itself, and brings both parties into a predicament in which so far from being *required* to work a full day for a day's wages, they are fortunate if they can get work at reduced rates of compensation for a part of the time; that the more they strike, and conspire against the laws of nature, and a fair profit upon capital, the more they make it imperative upon their employers to dismiss them from service.

The moral and religious lessons of the crisis are so patent, that it is enough to suggest, without elaborating them. Economics and ethics largely interlock because production and exchange cover so much of the whole field of personal and relative duties. Certainly Providence is loudly re-affirming the warnings of Scripture against hasting to be rich, being of those "who *will* be rich," laying up treasures on earth, and covetousness which is idolatry, as also against extravagance and luxury which have been so much the bane of our age and country. It utters a loud demand for industry, frugality, economy, prudence, reasonable provision for the future, scrupulous fidelity in the fulfilment of all obligations, promises and trusts. Especially does it summon all, as God has prospered them, but above all those rich in this world's goods, to overflow with their charities, never so much needed, to feed the hungry, clothe the naked, shelter the homeless, warm the shivering, and above all to support the great evangelistic enterprises of the church.

What startling proof have we that these riches are "uncertain," when the very air is thick with the dust and debris of fallen fortunes? How many of them acquired in a day as by enchantment, are lost in a day too as by an adverse stroke of the enchanter's wand? In the sudden collapse of hundreds of millions of stocks and bonds which made up the substance and income, in whole or in part, of so many estates great and small, we hear the anxious and moaning cry, "what shall we invest in to be safe?" Truly a difficult question, which he may answer who will, when, if the Great Teacher was not mistaken, of all treasures it is true, that "moth and rust corrupt and thieves break through and steal." The whole course of Providence teaches that nothing earthly is exempt from this liability. We have seen in less than forty years nearly every sort of property alternately in favor and disfavor with the most sagacious financiers; lands agricultural and urban, mortgages, railroad securities, state and municipal bonds, bank stocks, and even U. S. securities, which, strong as they generally are, fell during the war to $40 gold. Men now know what it means that "riches take to themselves wings," as they see them flying in all directions; to prevent which, let these wings be clipped by a true Christian liberality. No property is secure against all contingencies. No mortgage or insurance is proof against decay, disease, fire, flood, tornado, famine, pestilence, war. After all, even for any security or good of our earthly estate, we must trust in the living God, and lay up treasure in heaven. This resource is open to all, however poor in this world's goods. They will best enjoy their wealth, that regard themselves therein as stewards of God, who must give an account of their stewardship.

The true sense of the apostolic injunction, "Owe no man anything," receives an impressive enforcement in these events. This injunction, like another, "swear not at all," is to be taken, not so much according to the letter which killeth, as the spirit which giveth life. Those who have most rigidly conformed to this injunction, have found the advantages of their position in the recent crisis. Those who have been furthest from conformity to it have suffered most severely. It cannot be that it means the absolute prohibition of all borrowing and lending. This would contradict other portions of Scripture, destroy all productive capital not worked by its owners, and the whole machinery of commerce and trade. It is none the less true, that it is within the intent of the foregoing injunction to teach, 1, That all ought to pay their debts, and that this is the most safe and righteous investment of money. 2, That none ought to contract debts which, in the probable course of nature and providence, they are not reasonably sure of being able to pay. 3, That men keep free of bondage and temptation in proportion as they keep free of debt, since the "borrower is the servant of the lender." 4, That therefore all business is to be avoided which requires the overworking or overstraining of credit, and especially the building of a series of credits upon credits, if one of which fails all fail. 5, Hence all borrowing to speculate beyond one's ability to pay if the speculation fails, is an immorality; one most prolific source of trouble is the unprincipled risking of other people's money. 6, Ventures in speculation in which, according to the known laws of nature and providence, there is no reasonable foresight of the result, *and no contribution to any useful result*, are simple gambling, and if made on borrowed money, this is gambling on other people's money. Our recent troubles would have been altogether avoided, had these simple moral axioms been heeded. The old way of thriving by honest industry, careful savings, prudent investments and gradual accumulations, and paying as we go, will, in the long run and on the largest scale, prove to be one of wisdom's ways which are ways of pleasantness. The contrary way too often ends in those wrecks which lie stranded in melancholy profusion all around us. "They that will be rich fall into temptation and a snare, and into many foolish and hurtful lusts which drown men in destruction and perdition. For the love of money is the root of all evil; which, while some have coveted after, they have erred from the faith, and pierced themselves through with many sorrows." Blessed are they who "know both how to be abased and how to abound;" in poverty to be content with such things as they have; in abundance, to give freely thereof for the blessing of man and the glory of God.

How abundant and mournful the recent illustrations of the difficulty of reaching the summits of success, without being made too giddy to hold them! How many of our Napoleons in business who, by a series of brilliant moves, attained fabulous wealth, have proved Napoleons, also, in making this success a pinnacle from which to plunge themselves down to a corresponding ruin. "Wherefore let him that thinketh he standeth take heed lest he fall."

ART. VII.—THE SENSE OF THE BEAUTIFUL IN BRUTES.

PSYCHOLOGICAL DARWINISM AND COMPARATIVE PSYCHOLOGY.*

By M. Charles Lévêgue, Member of the Institute of France. Translated from the *Revue des deux Mondes.*

Undisturbed by the astonishment it excites and the indignation it kindles, Darwinism pursues its course with an imperturbable serenity. Assisted almost as much by the awkwardness of some of its adversaries as by the zeal of its friends, it naturally gains headway under the fortunate breezes which propel it. Those who have observed it with an attentive eye can testify that in

*I. *The Origin of Species*, by Charles Darwin, translated by M. Moulinie; 1873. II. *The Descent of Man, and Sexual Selection*, by Charles Darwin, translated by M. Moulinie; 1872. III. *The Expression of the Emotions in Man and Animals*, by Charles Darwin, London, 1873. IV. *L'Instincte, ses rapports avec la vie et avec l'intelligence*, par H. Joly, 2e édition, 1873. V. *Natural Selection*, Essays by A. R. Walace, translated by M. Lucien de Candolle, 1872. VII *Haeckel et la theorie de l'evolution en Allemagne*, par M. Leon A. Dumont, 1873. VIII *Le Genese des espices*, par M. H. de Valroger, 1873. VIII. *Le Beau et son Histoire*, par M. Ph. Gauckler, 1873.