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SPECIE PAYMENTS

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FRIEND JONATHAN: I perceive, from the newspapers of the day, that your people are calling, some for specie payment, some for increase of currency, and others again for financial changes, vaguely conceived and still more vaguely defined.

This being the case, friend Jonathan, it may not be amiss for us to consider the different propositions of these your clamorous people, as well as the reasons of their clamor.

You will observe, friend Jonathan, that those demanding a return to specie valuations are generally the Eastern portion of your people, who are, and always have been, the creditor class; while the demand for more currency comes, very generally, indeed, from the whole balance of your nation. The great Northwest, including the entire South—which, you know, has yet to recover its lost ground in the way of financial prosperity—are to-day well nigh drained of currency. The vast increase, both in population and improvements, of the great West has been, and continues to be, so rapid, that had it started even with the East in the distribution of currency, it would not now have anything like a sufficiency to represent its increased business capacity.

Therefore, friend Jonathan, relief of some kind is looked for by your people, and think you not it should be granted them? If so, in what shape shall it come? By a response to the cry of the East and older portion—the mere corner of your country? To where business pays 5 to 7 per cent. interest for money, as in the East, or where it pays 10 to 20 per cent. as, at the present time, in the West and South? Which shall it be? Which requires it most, think you? Why is it that business in one section pays less than in the other? Is it not evident that where money is the highest, it is the scarcest, and the demand for it the greatest? Surely, then, the section where scarcity prevails is the one re-

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quiring relief, and, you perceive, it must alone be obtained by increasing the commodity you wish to cheapen. A response to the cry of the East, to-wit, specie payment, will only increase the ~~burden of the West~~: causing their business to pay even higher ~~rates for the use of money~~; chilling and checking their ~~general prosperity~~; thus rendering them unable to pay you their ~~annual tax~~, so important you should have

Whereas a proper relief to the West and South by an increase of capital, ~~in the shape of~~ a sound currency, will be like oiling the machinery of your country. Then activity will be resumed; energies revived; farm after farm opened up and improved; shops, mines and manufactories brought into existence; railroads and their business increased; in fact, the now entire dormant wealth of your great and growing West will be earlier and more fully developed; which, you know, friend Jonathan, should be the case, in order the more fully to assist you in liquidating the ponderous debt you have upon your shoulders. Recollect, friend Jonathan, that every farm, shop, mine, railroad, road or other improvement, calculated to increase the production of your country, is aiding you to support your heavy debt; is marching in the true path toward specie payment, and the ultimate liquidation of your debt. It may not be the straight cut; but it is the safe one, and will certainly accomplish the object, that is: Save your people from distress, and enable you to collect your revenue promptly by giving your people the means to pay it.

"But," you say, "this will take me further from specie payment." True, Friend Jonathan, that is true; for the present it may really do so. But have you not heard the adage, "The furthest way around is the nearest way home," and does it not apply in this instance, when we consider the dangers to be avoided and difficulties to be overcome? Have you never observed a heedless youth take a short cut across a street regardless of mud and mire, coming out with clothes ruined, when by winding around and varying his course he might have escaped injury? Then would it not be best for you to pick your steps and vary your path, in order to cross the chasm that lies between you and specie payment; to avoid the quicksand, and, perhaps, the destruction of your people's prosperity? Not, in varying your course, to suit (as they may think) a mere set of capitalists and financiers.

If then, Friend Jonathan, you are true to your people; your whole country; its real, permanent prosperity — not a fictitious prosperity, but such as creates wealth, (the only one worthy your attention) — you will keep your people employed, or so arrange that they employ one another, actively in all branches of industry. This is not only your duty, but it is the grand secret of all national prosperity. “Oh!” you say, “this is undoubtedly my duty, but how is to be accomplished?” By affording them sufficient currency to work with and represent their labor. This will eventually take you across the chasm with entire safety to your people’s business and your own; though it may cause the path to wind and lengthen.

This, then, is the question: shall your people’s business be cut down to the standard of the specie now on hand, or shall the currency be increased to the real business capacity of your country and its people? To you, Friend Jonathan, we look for an answer. No doubt our European neighbors, and their friends in this country — and by these I mean those who are now crying specie payment so loudly, and who are using such *weighty* arguments to obtain it — would gladly see you cut down, or even entirely stop, your people’s business by reducing its capacity to your present specie basis, which is not now equal to what it was 30 years ago, when you had but twenty millions inhabitants, and now you have forty millions. This course would so effectually cripple and harass your people’s young business, as to close up the various avenues of industrial pursuits; giving full swoop to Europe in the markets of your country, and *that*, Friend Jonathan, is the very thing they, and their friends here, are after, and would be glad to see.

Even to restrain the business growth of your country to the present issue of currency is working distress, and must work immensely greater distress in the future. Your country, Friend Jonathan, must not be measured by the matured countries of Europe in the ratio of its currency, or representative capital. The annual production of the older countries leave them, after deducting the general support, a large surplus which enters into, and swells their active business capital; consequently their ratio of representative capital increases largely over business and population. This, you must certainly know, is not the case in your

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country. Here the reverse is the case; millions over the production and consumption go into the opening up of your country, and other improvements, for which there is no representative capital. For example: say the production of your whole country was four thousand millions per annum, and the common consumption three thousand millions; this would leave, as you would suppose, one thousand millions that would naturally enter the active business capital of your country. This would be the case was your country once properly developed, and its permanent improvements all made, as in the European states; but instead thereof, your people have expended two thousand millions during the year in improvements; thus expending one thousand millions over and above their net income in opening up farms, erecting houses, barns and fences, making roads, railroads and machinery—increasing the wealth of your country every year ahead of their income, in permanently adding to its value, but adding nothing to its business capital. You will find this to be the case, friend Jonathan, if you will examine the assessments of your states and counties from year to year; they will show you the figures on this point.

Again, friend Jonathan, take the subject on the basis of population. Beside the natural increase of your people, they are largely augmented yearly by immigration from every nation of the globe. This immigration being generally comparatively poor, however much it may add to the productive labor, adds nothing to the capital of your country—the medium by which their labor, time, and property is to be computed and adjusted. In England, friend Jonathan, they have 23 to 26 dollars of representative capital to each individual of their population. In France it is even greater, being 27 to 30 dollars. When we consider that these countries are small in extent, advanced in improvements, and, if anything, decreasing in population, may we not safely conclude that an equal proportion of capital would not be too much for a country like yours, where everything is yet to be made and done, and whose growth is in its infancy? But what is the fact? You have barely 15 dollars to the individual, when you should have more than either of the cases cited; especially considering the extended boundaries, its rapidly increasing population, unopened condition, and the

amount of work yet to be accomplished. Therefore, 30 dollars *per capita* is not more than your people should have.

Besides, a scarcity of currency invariably produces a long credit system—the greatest drawback to active business that can be imagined. It is not possible that contracts can be promptly met with a short currency. One is compelled to wait on the other, or pay ruinous rates for money—often falling entirely to obtain it. Every commodity is therefore increased in price; not only is interest charged on purchases on time, but additional charges are made for risk in collection. Thus it is, that a short currency bears particularly heavy on the poorer classes—which constitutes the largest part of your people—enhancing prices, and rendering the means to pay unobtainable—surely no increase, however large, of currency could equal the evils arising from a short currency, in these particulars.

If, therefore, friend Jonathan, you think with me, that there is a necessity for a largely increased issue of currency, the question recurs, to what extent, how, and in what shape shall the issue be made?

To fund a debt as large as yours, friend Jonathan—which you would be compelled to do, should you attempt specie payment—would but add to the taxes of your already over-burthened people, and largely detract the currency they may have from the legitimate channels of business; that is, tie up a large amount in the hands of tax gatherers for no inconsiderable portion of the year; nor would this plan relieve you to and considerable extent from the harrassing business of providing for interest. Suppose, therefore, friend Jonathan, you fund one-half your debt (as is now proposed) at as low a rate as possible; that you gradually take up your bonds now held by the national banks and your people, paying for them in currency as you now do to the extent, ultimately, of the remainder of your debt. This amount of currency will be none too large; for it will include the currency now in use; your 3 per cent. certificates; your 5 and 6 per cent. interest bearing notes yet out, and your 5-20 bonds now used by your people in their business for want of currency—and this is very largely done, especially in the South and West. This, with the natural increase of business during the time occupied in gradually consummating the plan, will absorb an issue at least equal

to one-half your present debt; every dollar of which will be required, and profitably used in the business of your people. Of course, I intend that this issue should be wholly of government paper.

And here, friend Jonathan, I would mention that much has been said of late about substituting "greenbacks" for the use of the banks in place of the national bank issue now in use. Judging from the tone of public opinion on this point, I conclude that the plan meets with some favor; although there are those who have of late doubted your authority to issue the nation's favorite currency. I do not propose to argue this subject at present, but shall content myself by taking for granted that which is written, viz., that you, friend Jonathan, "have the power to coin money," and regulate the value thereof," and "that no state shall coin money, emit bills of credit, or make anything but gold and silver a tender in payment of debts;" leaving the very just and obvious conclusion that you have the power to do all these things.

If, then, friend Jonathan, an increase of currency be made, it seems politic that it should be of the least objectionable form possible. This I take to be the present government issue, viz.: Greenbacks. I am aware the national banks would certainly reject the plan, as they would lose their annual income from the bonds deposited with you as security for their circulation; but the loss of this income to them is not the least of the gain to your people, which the plan would insure. The simple truth is, friend Jonathan, that you now pay these banks a large income for the very questionable privilege of being god-father to their circulation. Why not father it at once, and receive, or let your people receive, the advantage of this income? It would certainly be more fair to your whole people, and they as the ultimate payers are surely the most entitled to the advantage. The banks, friend Jonathan, would have no reason to complain. They certainly should be content with a single profit on their capital, and one, too, fully as large as under the old state system. Twenty-five per cent. is too large. No merchant or other business man approaches it; while few, if any, of the national banks fail to secure it. Let them, then, receive your greenbacks for their bonds, and on this capital do a legitimate banking business. In other words, friend Jonathan, make your banking system free to your people,

and let them be the loaners and not the issuers. Then capital will, like water, seek its own level, and find its way to every point of demand.

Another very important matter is the loss by fire and marine accidents and ordinary wear and tear which annually occurs in a large and widely spread circulation. This, friend Jonathan, is immensely greater than most persons have an idea of, and only those acquainted with the subject can imagine the great gain accruing to banks from this source. Such persons will readily agree with me that 3 per cent. is a low estimate of the annual loss. This, then, is another gain to the banks to be transferred to your treasury; and in so large a currency, extending over so vast a territory, it is safe to conclude that the gain will be greater even than my estimate. On this point it may not be out of place for me to give the actual experience of a small bank, operating under the State system, in the interior of Ohio, covering a period of eleven years. The bank, at the end of this period, found their gain to be twenty-two per cent. in the actual loss of its circulating issue; this, too, without any exclusive or particular cause, other than the ordinary wear and tear.

Taking your debt at the present time, in round numbers, to be twenty-four hundred millions, the interest of the one-half at $4\frac{1}{2}$ per cent. will be fifty-four millions annually. The loss on twelve hundred millions — the amount of currency in circulation among your people — at 3 per cent. will be thirty-six millions to be placed to your credit as so much gain; this makes the larger portion of the fifty-four millions interest on the other or funded half of your debt, and to this extent relieves your people of taxation. You see, friend Jonathan, by this you not only save fifty-four millions interest on the half of your debt not funded, but earn thirty-six millions by its use; making a difference of ninety millions in your annual statement from the present state of affairs. It is no objection to this plan to say, that the loss can not be ascertained without calling in all currency; it can be calculated with sufficient accuracy, and other paper issued annually to keep up the maximum.

There is yet another advantage, friend Jonathan, which the greenback has over the national bank system; and that is in attempting specie payment. The plan proposed that national

bank paper shall be redeemed, not only at its own counter, but at some particular place foreign to the bank, is in itself a measure that will cause constant commotion and fluctuation in the currency. Not only would a large amount be taken from circulation in transit to and from the point of issue and redemption, but it would be an actual tax on business entirely uncalled for. It is not probable that the banks would be in equal standing at the place of redemption, and consequently a classification of banks would be the result; which classification would necessarily extend to the issue in circulation. All this, friend Jonathan, would go to lessen the confidence of your people in the banks, and millions would have to be redeemed from this cause alone, which would never be required if the issue were your own.

Again, friend Jonathan, when redemption comes on, you will find almost the entire national bank issue disappear from circulation. They cannot possibly extend the accommodations they now do. Self-protection will compel them to withdraw their issue to the standard of the specie they may be able to procure. In the struggle for specie each will force the other to redeem in order to secure its own circulation. Then will be presented the lamentable spectacle of the larger ones swallowing the smaller ones, while the currency of the country remains securely locked up in the vaults of the banks, and the people unable to move hand or foot without it. What difference would it then make whether the country had five hundred millions or two thousand millions of currency? How much do you suppose could be procured at reasonable rates for business purposes? Just so much as the "rings" and combinations, sure to be inaugurated, would allow the banks to retain specie to represent, and not a dollar more.

On the other hand, friend Jonathan, were you the author of the currency, such is, and would be, the confidence of your people, that specie payments could be established with vastly less specie than by any other possible plan. The excitement which would naturally follow in the commencement once over, I am confident that one dollar in ten would meet all demands on you for specie; and, except for change, it would only be required for customs and to pay balances in foreign countries; the currency itself being legal tender for all other purposes; the facilities for your

people obtaining specie could be regulated at your treasury, and its various branches, established as the requirements of business may demand. I am, of course, presuming that effectual measures will be taken to prevent all rings and combinations from interfering with the legitimate demand; and who, friend Jonathan, can so perfectly regulate this matter as you yourself? It is well known that in other countries effectual checks exist against any efforts to embarrass governments in their specie movements; confidential reports are daily made on this subject to the proper authorities, so that no specie can arrive or depart without government being advised thereof. Thus it is that they are constantly advised of the amount of specie in circulation among their people, and are ready at any moment to interpose obstacles in the way of all combinations that may be formed. There certainly is no valid reason why you, friend Jonathan, should not exercise the same care over this very important part of your people's interest. It is no objection to assert that officers themselves would use their official position in a shameful prostitution of their trusts; the same objection applies to any other department of government, protected by the usual oaths and other moral restraints. If this course would have no other effect, it might at least save us the disgrace attending certain "*investigations.*"

Before leaving the subject of redemption, I am constrained to state, friend Jonathan, that in my opinion you have been working at the wrong end of the matter. Almost every proposition I have seen contemplates reducing the currency to meet the specie, instead of raising the specie to meet the currency. With a view to the future I take it that this is not good policy. I have seen it estimated that in thirty years your population is likely to be one hundred and ten millions. You certainly must see that by that time you must be prepared to carry an immensely increased currency; yet no means have been devised to secure the specie upon which to base this issue. The amount now in your country is, comparatively, trifling; yet you have the largest gold and silver producing country in the world, and sufficient has been produced in the last twenty years to pay almost your entire debt in coin. What has become of it? Why, sir, the freight list of every departing vessel will tell you—gone to support the labor and enhance the capital of other countries.

At present, friend Jonathan, you have nothing but your customs to depend on for specie; and do you think you get from this source all the revenue you should have from it? Far from it? What with the smuggling along your extensive coast, and the fraudulent ad valorem duty invoices, I doubt if you get a moiety of it; at least the loss is very much greater than you imagine. The facilities for smuggling were exhibited in the late war, when, with a rigid blockade, your southern coast was repeatedly penetrated. What, think you, is the case, now that your whole coast is exposed, as always has been the case in time of peace? If, then, this is the only source from which you must derive your specie, would it not be well to see that you get all you are entitled to from it?—especially when, through your army and navy, you could do so without much, if any, additional cost? It is not alone the loss of millions of revenue, but a means of removing vast sums of specie not enumerated in that unhappy balance of trade, which, friend Jonathan, is always against us.

But, friend Jonathan, even with the present amount received from customs—which I believe is about one hundred and sixty millions annually—it would be easy to pay the interest on the funded half of your debt, and leave a surplus of one hundred and six millions; this added to the specie which could be purchased with the gain secured from the annual loss of currency, and your income from other sources, (public lands, etc.), would, after paying the necessary expenses of carrying on the government, leave an annual surplus of over one hundred millions of specie on hand; so that in three years you would have a specie basis of one dollar to four on twelve hundred millions of currency—which I believe has always been considered an ample and sufficient basis. The proposed plan of paying one-half your debt in currency, besides working a great convenience to you, friend Jonathan, helps your people to a currency of a nature the most acceptable to them, and one too, which must always remain so. In a country like yours, currency of some kind must always exist. In order, therefore, to render equal justice to both the creditor and debtor classes, it should be of the same nature as weights and measures—whose tangible representative it really is—that is, it should never vary in value, and least of all should the issuing of it be made a money making business for

companies and corporations; this at once creates a speculative currency — the bane of all honest business.

But, friend Jonathan, all speculations, theories, and plans respecting financial matters amount to nothing in the end, so long as each year bring it heavy foreign balances against you, half of which your custom houses are strangers to. I care not if you start to-morrow with dollar for dollar in specie, you can not continue to pay it for any length of time, with the imports of your country exceeding its exports. It certainly is not necessary for me to enter into an argument to prove this position, or the other fact, that the balance of trade is, and has been, against us. I have already stated that your production of precious metals exceeds that of any other country — in fact of many countries combined — and nothing but the retention of it is wanting to make you the richest nation, in this regard, on earth. It matters not how, or by what party, this is accomplished; but accomplished it must be before you can proclaim yourself an independent nation. This thing is likely to prove worse in the future than it has in the past. Already the cry is, “No market for our crops in Europe,” and the disposition to import is, if anything, increasing. To me there appears to be a national hallucination on this subject. Neither the history of other countries, nor the present condition of our own, seems to have the least influence on our legislators; they, it appears, must needs run things to a crisis though the devil drives.

Is it not time, then, friend Jonathan, that we become a little more Americanized — that we remember there is such a place as the United States, and that its interests are not always the interests of Europe; or shall we continue to give heed to the counsel of the agents, paid and otherwise, of Europe?

What say you, friend Jonathan? Suppose you submit it to you father, Uncle Samuel, and oblige an

OLD CITIZEN.





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