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SPEECH
OF
HON. H. G. DAVIS,

OF WEST VIRGINIA

IN THE

UNITED STATES SENATE,

MARCH 18, 1874,

ON THE

FINANCE AND CURRENCY BILL;

GIVING

THE HISTORY OF BANKING IN THE UNITED STATES; FAVOR-
ING A TRANSFER, FROM NORTH AND EAST TO SOUTH
AND WEST, OF THE NATIONAL-BANK CIRCULA-
TION, UNDER THE ACT OF JULY 12, 1862;
ALSO FAVORING FREE BANKING.



WASHINGTON:
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The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. No. 432) to amend the act entitled "An act to provide for the redemption of the 3 per cent. temporary-loan certificates, and for an increase of national-bank notes," the pending question being the motion of Mr. BUCKINGHAM, to refer the bill to the Committee on Finance, with the instructions adopted on the motion of Mr. MERRIMON—

Mr. DAVIS said:

Mr. PRESIDENT: The subject of finance is both a vast and important one; so much so that the attention of the whole country is being directed to the action of Congress. There are, perhaps, nearly as many views as there are Senators in this Chamber. Much has already been said on the bill now pending. It is my intention to be as brief as the subject will admit.

The people are becoming impatient. Business men are at a loss to know how to act. Uncertainty as to our action paralyzes industry. I think we ought, at an early day, to pass the bill now pending with amendments, so that the manufacturers, mechanics, and merchants may know how to act. If we intend to do nothing, the country ought to know it at once. "Money," says an eminent political economist and banker, "is an instrument of commerce, designed to facilitate the exchange of all commodities, by presenting an equivalent in a portable and convenient shape." What is needed in our present currency is stability, a fixed value, and that measured by a standard recognized by the world. This would give stability and safety to trade and business that would be healthy. In the money centers it is estimated that not more than 5 per cent. of the business is done in currency or coin; and this is due to the system of exchanges between the banks by means of their clearing-house facilities; and hence the larger cities require less currency proportionately than the more sparsely settled communities.

The first proceeding in Congress in regard to the establishment of a bank was in June, 1780, which resulted in an act chartering in 1781 the Bank of North America. The old United States Bank was chartered February, 1791, and its charter was renewed in 1816. On the 3d of July, 1832, Congress passed a second bill renewing the charter. On July 10, President Jackson vetoed the bill, and the veto was sustained. On the 22d of September, 1833, by order of President Jackson, the Government deposits were removed from the bank. On March 3, 1836, the charter of this bank expired; but, it having obtained a charter from the Legislature of Pennsylvania, it continued to work until October, 1839, when it failed and went out of existence.

In 1841, under the lead of Mr. Clay, Congress passed a bill renewing the old United States Bank in somewhat different form and name. President Tyler vetoed this bill, and Congress failed to pass it over his veto. This would indicate that a majority of the people and statesmen of former years did not favor a large amount of paper money, not even United States Bank currency.

The issuing of paper money passed entirely into the hands of banks chartered by the respective States, and so continued until the act of Congress of February, 1863. During the recent war the first national bank, under the act of February 25, 1863, was organized in Philadelphia, June 20, 1863, and the first circulating notes were issued December 21 of the same year. Since that time 2,129 national banks have been organized, 32 of which have failed, and 117 gone into voluntary liquidation. During the last year 68 banks have been organized, 11 have failed, and 21 have gone into voluntary liquidation, leaving 1,980 in existence on November 1, 1873.

The act of February 25, 1863, and the subsequent acts of June 3, 1864, and March 3, 1865, authorize the issue of three hundred millions of circulating notes to national banks to be organized under the provisions of those acts, one hundred and fifty millions of which were required to be "apportioned to associations in the States, in the District of Columbia, and the Territories, according to representative population, and the remainder among associations formed in the several States, the District of Columbia, and the Territories, having due regard to the existing capital, the resources and business of each State, District, and Territory."

The whole amount of currency authorized by these acts was issued to national banks during the four years following.

The act of July 12, 1870, authorized an additional issue of \$54,000,000, and provided that such notes should be issued to banking associations organized or to be organized in those States and Territories having less than their proportion under the apportionment contemplated by the act of March 3, 1865, and that the bonds deposited with the Treasurer of the United States to secure the additional circulation should be of any description of United States bonds bearing interest in coin. It also provided that a new apportionment of the increased circulation should be made as soon as practicable, based upon the census of 1870. Of this additional circulation, authorized by the act of July 12, 1870, there were issued to November 1, 1871, \$24,773,260; in the year ending November 1, 1872, \$16,220,210; in the year ending November 1, 1873, \$7,357,479; leaving, November 1, 1873, still to be issued to banks already organized, and in process of organization, \$5,649,051.

It will be seen that during the first sixteen months this act was in force \$24,773,000 were taken, the next year \$16,220,000, and in the next, ending November last, \$7,357,000, (I give round numbers,) and that there were in November last between five and six millions of the fifty-four authorized not yet issued; but this is all promised to States having less than their legal and just proportion.

It will be four years next July since the fifty-four millions were ready for the States having less than their proportion. They have taken it at the rate of about fourteen millions a year, and during the year ending November last only about seven and a half millions were taken. From this it is fair to estimate that twelve or fifteen millions per annum would be as much as the States that have less than their proportion would take of national-bank currency. Now if the bill pending could be amended by striking out "twenty-five" and insert-

ing "fifty," it would probably fill the wants of the States that are entitled to additional circulation for the next three or four years. This would at once transfer gradually from the States North that have an excess of national-bank currency to the States in the South that are entitled to it under existing law; and they ought to have it. Nearly all agree that if the currency were fairly distributed it would serve the wants of the people much better than now. In my opinion, a transfer of the excess from the North and East to the South and West is the true remedy, and not inflation.

It is well known, and has been often stated since the subject has been before the Senate, that the six New England States have over seventy millions excess, and the five Middle States have over nine millions, making in all over eighty millions. It is equally well known that the fourteen Southern and Southwestern States have fifty-one millions less than they are entitled to; also that the nine Western States, commencing with Ohio, have twenty-one millions less than the act of July 12, 1870, gives them. Massachusetts alone has forty millions more than she is entitled to under the law, while Virginia has more than four millions less than she is legally and justly entitled to.

Virginia paid into the Treasury of the United States last year in internal revenue over \$7,000,000. This is considerably more than all New England paid; and yet Virginia has less than four millions of national-bank circulation, while New England has over one hundred and ten millions.

Massachusetts has more excess of circulation than the fourteen Southern and Southwestern States have in all. The excess of Massachusetts is \$40,284,482, and the fifteen States named, including the District of Columbia, have but \$38,160,308.

Again, New England has within less than ten millions of circulation of what the twenty-six States and nine Territories, known as Southern and Western States and Territories, have.

I repeat, what is needed is a transfer, an equal distribution, under the act of July 12, 1870. If this is done, some of the capital of the national banks now doing business in the North and East may find its way South and West. The transfer will close none of the banks, but simply reduce their circulation.

From the report of the Comptroller of the Currency for 1873, page 31, I take the following:

The whole amount of national-bank currency, legal-tender notes, and fractional currency issued up to November 1, 1873, is—

National-bank currency.....	\$350,332,884
Legal-tender notes.....	360,952,206
Fractional currency.....	47,876,149

Total.....	759,161,239
Deduct amount held by the Treasury and by the banks.....	128,140,727
Which will leave unaccounted for, or in circulation.....	631,020,512

The total State-bank circulation in 1860 was \$206,998,085. The bank circulation of all the States in December, 1862, was \$238,677,218, so that the circulation *per capita* in 1862 was \$7.59.

The total paper circulation November 1, 1873, was \$759,161,230. Deducting the amount held by banks and Treasury as reserve, \$128,140,727, leaves \$631,020,512.

Taking forty millions as the basis of population, we have \$16 *per capita*, or more than double what it was in 1862, (or any previous year or period.)

The bank-note circulation of 1862 was larger than at any previous date.

Mr. GORDON. I should like to ask the Senator a question there: whether the State-bank circulation was not capable of expanding as it was wanted?

Mr. DAVIS. The State banks were capable of expanding to almost any extent to which they had gold to redeem their circulation.

Mr. GORDON. Was not their circulation three to one on a gold basis?

Mr. DAVIS. I have given the paper circulation, not the gold; I am coming to the gold after awhile.

Mr. GORDON. The Senator stated the capital of the State banks, as I understood.

Mr. DAVIS. I said not a word about capital. I said the total State-bank circulation, all told, in all the States in 1860, was \$206,000,000 in round numbers, and in 1862, after the suspension of specie payments, it increased to \$238,000,000, or \$7.59 *per capita*. I will say here that a great portion of that circulation was in the States of the South. Virginia, I recollect, had \$19,000,000. The amount of paper money in the country, *per capita*, now is more than double what it was in 1862, or in any previous period of paper money. You will bear in mind that, in what I have said about the present circulation, I have deducted \$128,000,000 held by the national banks and by the United States Treasury as reserves, and I have only counted what is actually in circulation.

Mr. LOGAN. How about the gold?

Mr. DAVIS. After awhile I will dispose of the gold that is now in the country and that which was in the country in 1860.

What I have stated about the circulation will be found verified by the Treasury Report of 1872, on page 210.

So we have an increased paper circulation, November 1, 1873, of \$392,349,302, about 160 per cent. increase over 1862. This is exclusive of the \$128,140,727, held as reserves in the banks and the Treasury of the United States; and does not include the \$25,000,000 of legal-tender increase since November 1.

The total valuation of property in 1860, was \$16,159,616,088; in 1870, it was \$30,063,518,439. Population in 1860, 31,443,321; in 1870, it was 38,558,371. Increase in wealth, about 86 per cent.; in population, about 25 per cent., or an average of the two of about 55 per cent. This would make our paper circulation increase about 160 per cent., and wealth and population combined, 55 per cent.; showing the increase in circulation to be nearly three times as much as the increase of wealth and population.

Of course there was gold, previous to 1862, held by the banks as reserve, and some in circulation. But it will be remembered that I have not included in this calculation the \$128,000,000 of legal-tenders held as reserves by the banks and the Treasury.

The assessed valuation of property, according to the census, was, in 1860, \$12,084,500,005; in 1870, \$14,174,986,732; which is about 16 per cent. increase. But I have taken what is estimated as the true value, which makes about 86 per cent. increase.

The State banks suspended specie payments December 28, 1861.

The following table gives the amount of all kinds of paper circulation, and the premium on gold, each June 30 and December 31, from June 30, 1862, to December 1, 1873:

Date.	United States notes and other forms entering into the circulation.	National currency.	July total.	January total.	Premium on gold.
June 30, 1862...	\$147,725,235 00	.....	\$147,725,235 00	.....	15
June 30, 1863...	411,223,045 00	.....	411,223,045 00	.....	30
Dec. 31, 1863...	603,264,577 25	\$280,000	.....	\$603,544,570 25	55
June 30, 1864...	755,162,333 70	31,170,500	786,332,833 70	.....	158
Dec. 31, 1864...	719,006,202 95	76,066,420	.....	795,072,622 95	116
June 30, 1865...	699,371,400 25	146,137,860	845,509,260 25	.....	41
Dec. 31, 1865...	709,622,011 87	236,636,098	.....	946,258,109 87	40
June 30, 1866...	609,044,725 46	281,479,908	890,524,633 46	.....	50
Dec. 31, 1866...	1,273,199,361 32	298,588,419	.....	1,571,787,780 32	34
June 30, 1867...	1,025,231,523 02	298,625,379	1,323,856,902 02	.....	39
Dec. 31, 1867...	723,135,302 85	299,846,206	.....	1,022,980,508 85	38
June 30, 1868...	482,122,712 47	299,762,855	781,885,567 47	.....	42
Dec. 31, 1868...	398,834,757 37	299,747,560	.....	698,582,317 37	35
June 30, 1869...	392,945,058 61	299,742,474	692,687,532 61	.....	36
Dec. 31, 1869...	399,544,014 68	299,629,322	.....	699,173,336 68	21
June 30, 1870...	399,091,562 48	299,267,486	698,359,048 48	.....	16
Dec. 31, 1870...	397,852,197 38	304,956,849	.....	702,809,046 38	10
June 30, 1871...	397,182,152 06	317,212,919	714,395,071 06	.....	12
Dec. 31, 1871...	403,108,970 27	327,727,308	.....	731,436,278 27	9
June 30, 1872...	399,607,213 52	336,220,692	735,827,905 52	.....	14
Dec. 31, 1872...	405,395,761 12	342,541,452	.....	747,937,213 12	12
June 30, 1873...	401,831,067 94	344,858,627	746,689,694 94	.....	15
Dec. 1, 1873.....	416,908,860 45	348,544,009	.....	765,452,869 45	9

It will be seen that on June 30, 1862, gold was 15 per cent. premium; June 30, 1864, 158 per cent. premium, which is the highest point reached at the dates given. December 31, 1871, it was but 9 per cent. premium; December 21, 1873, it again came to 9 per cent. premium. The largest amount of all kinds of currency out at any time was December 31, 1866, \$1,571,787,780.32; and from this date it was rapidly reduced, until on December 31, 1868, it was \$698,582,347.32, which is less than at present.

Mr. LOGAN. That does not include the national-bank currency.

Mr. DAVIS. I take the total circulation just as the Treasury reports it. The total circulation December 31, 1868, was \$698,000,000 leaving off the odd dollars. Since then it will be recollected \$54,000,000 have been added to the national-bank circulation by the act of July 12, 1870. I think I am correct; at least I state it as a fact, and I am glad to be corrected if I am wrong.

Previous to the panic, early in September last, there was no one bold enough to say that there was not sufficient circulation for the trade and business of the country; in fact, it was generally stated that there was too much paper money. Its abundance led to wild speculations, and particularly to the building of costly railroads in distant and wild countries, far in advance of the wants of the people. The experience of all countries, especially that of our own, teaches us that an abundance of paper money causes panics. The prospects for a healthy fall trade were never more encouraging than at the beginning of September last. None complained that there was not currency enough for all the business wants of the country. I wish to call particular attention to this fact, that previous to September last there were none that I heard of anywhere, in the Senate or in the country, who said that there was not circulation enough for all the legitimate business wants of the country; and yet we have to-day \$26,000,000 or

\$27,000,000 more currency than we had at that time. Like a thunder shower in harvest-time the panic came; all lost confidence; banks and people held all the currency they had, and got all they could, holding tight to it, to sell at a premium, or fearing a demand would be made on them. This caused a want of confidence, which it has taken and will take time to restore. When it is fully restored, and a transfer made of a part of the excess of bank circulation held in the North to the States of the South and West, I fully believe that a large majority of the people will agree that we have paper money enough. Keep in mind that no one complained previous to September last that we were short of currency; and recollect that we now have twenty-six millions more of greenback currency than we had last September.

Currency is now transported so quickly from point to point that the same amount will do twice the business it would have done ten or fifteen years ago. Again, the new and complete system of clearing-house certificates, used in the large cities, saves the use and handling of large amounts of currency formerly employed in settling balances.

One of our wants is a fixed currency; not to-day worth ninety cents on the dollar, to-morrow eighty-five cents, and next week ninety-two cents. This gives Wall street opportunities to make "corners," and put up or down gold currency, produce, &c.

The officers of the United States Mint and Edward Young, esq., of the Treasury Department, estimate the gold in this country as being in 1861 two hundred and fifty to two hundred and seventy-five million dollars; in 1873, one hundred and forty millions. Half of the \$140,000,000 is probably in the Treasury of the United States.

Add our one hundred and forty millions of gold now in this country to the \$128,000,000 of legal-tenders held by national banks as reserve and in the United States Treasury, and you have \$268,000,000, or fully as much as the gold we had in 1861. So it cannot be said that I have made an unfair comparison when I put the circulation *per capita* in 1862 at \$7.59, and in 1873 at \$16.

I think we have paper money enough for all business wants; but if we are to have more currency, in what form should it be? To this point I wish especially to call the attention of my friend from North Carolina, [Mr. MERRIMON,] who offered an amendment to the bill now pending for the purpose of adding \$46,000,000 to the present volume of bank currency. On that interest would have to be paid by the Government. If we are to have additional circulation, I say let us have it of the money that costs the Government nothing in the way of interest, and not an increase in the way provided for by the amendment now pending, which will be an additional expense to the people. If we are to have an increase, let us have it in greenbacks. What we want, and what you want, gentlemen of the South, is, I think, a transfer from the East and the North to the South, which you are justly entitled to, and which I will aid you to secure; and I will say just here if the Senators of the North are determined to prevent a transfer to the South, such as is contemplated by the act of July 12, 1870, I am then ready to help my southern friends to have additional circulation. They are justly entitled to that transfer, and they ought to have it; but if they vote against it, as some of them have done heretofore, of course they have themselves to blame, and not Senators from the North.

I say, if there is to be an increase of the currency, let it be in the form of greenbacks; and if additional greenbacks are issued an equal amount of 6 per cent. bonds ought to be returned and canceled, not

to be reissued without authority of law, as I believe the recent increase of greenback currency was.

Let me say to the Senators from the South and West that national bank currency cannot be had without money or its equivalent. National banks are formed about in this way: A number of gentlemen in the South or West conclude that they want a national bank with \$100,000 capital. First, \$115,000 must be raised to buy the bonds. These bonds are left with the Comptroller, and in due time \$90,000 in currency is furnished. They then commence business. They must keep 15 per cent. of greenbacks as a reserve; that leaves \$76,500, which can be loaned or used. They pay 1 per cent. tax per annum on the \$90,000, and $\frac{1}{2}$ per cent. on all deposits made in the bank. This tax yielded to the United States Treasury last year nearly \$7,000,000.

It will be seen that to start a national bank of \$100,000, you take from your town or county \$115,000 and bring back \$90,000, only \$76,500 of which is available banking capital. So you have \$25,000 less than you deposited in bonds, and \$38,500 less than was before available to your people.

The bonds held by the Government are much more than ample to secure the note-holder against loss. If the 15 and 25 per cent. required to be held as reserves by the national banks were reduced, say one-half, it would put in active use about \$50,000,000 of currency which is now held as reserves, and might cause less money to be kept by country banks in the redeeming cities; and there I might agree with some of my friends on the other side. I believe that ought to be let loose. Fifty million dollars of currency are now held needlessly as reserve, which has caused much less money to be held in the country banks. A national bank is allowed to keep three-fifths of the amount of its reserve in the large cities. They have a rule by which interest, generally 4 per cent., is allowed on such deposits. That causes bankers in the country, as they are bound to keep a reserve, to send it to the cities, and it necessarily takes that much out of the towns which are not redemption cities and carries it to the large money centers. My suggestion is to reduce that reserve one-half, which would put fifty millions in active use without increasing the volume.

If a gold bank, one that redeems its circulation in gold, was now started, it would get, under present laws, but 80 per cent. in circulation; for a bond that cost \$115 it would get but \$80 of currency. Our bonds to-day, I believe, are quoted at from 115 to 119. The banks also have to keep 15 per cent. in gold reserve. This ought not to be. We should encourage gold banks. I see no reason why a gold bank should be given but 80 per cent. of circulation while currency banks are given 90 per cent., and the gold bank is required to redeem its notes in gold, and also to hold the 15 or 25 per cent., as the case may be, in reserve. It appears to me that we ought in some way to remedy that.

I believe the country will soon demand of Congress a free banking law, and also that the interest paid to the national banks on the bonds owned by them shall be reduced. Of course, in that case the tax also would be materially reduced.

The convertible and reconvertible bond and greenback bill, presented at the last session and renewed at this by the able and distinguished chairman of the Finance Committee, has in my opinion many good qualities, and I think will bring good results. I hope it will receive the early and favorable attention of the Senate. It has a tendency to prevent panics. Under it the holder of bonds or green-

backs can change and interchange, and it will bring the bond and greenback to near the same value, or par. It may depreciate the former, but it will appreciate the latter and bring them near together.

I agree with Senators of the South and West, that they have not banking capital enough. I am willing to vote to aid them in a way that I feel sure is the best for them and the country. The question is, have they the means to take up bank currency, and will you vote to transfer bank circulation from States that have an excess to States that have less than the act of July 12, 1870, allows each State? In 1862, in round numbers, there was \$238,000,000 State-bank currency; in November, 1873, \$632,000,000 of legal-tenders and national-bank notes. Let us see how it was and is now distributed, in round numbers:

States.	1862.	1873.
Massachusetts.....	\$28, 000, 000	\$59, 000, 000
Rhode Island.....	6, 000, 000	13, 000, 000
Virginia.....	19, 000, 000	4, 000, 000
North Carolina.....	5, 000, 000	1, 800, 000
South Carolina.....	6, 000, 000	2, 300, 000
Georgia.....	8, 300, 000	2, 300, 000
Louisiana.....	8, 800, 000	3, 600, 000

This shows that before the war Virginia had about two-thirds as much bank-note circulation as Massachusetts. Now Massachusetts has about fifteen times as much as Virginia. If you compare Massachusetts and North Carolina, you will find that before the war the proportion was between a fifth and a sixth. Now Massachusetts has more than thirty times as much as North Carolina. With most of the other Southern States the proportion is nearly the same.

With such facts, how can any southern Senator refuse to vote for a fair, equal, and gradual transfer, as contemplated by the act of July 12, 1870? I believe that the Comptroller has the *lawful power now*, and ought at once to give the notice, and as soon as possible commence the transfer. Let us see what the act says. It provides that when the fifty-four millions of additional circulation "*shall have been taken up*," "the Comptroller of the Currency shall, as additional circulation may be required by the banks having less than their proportion, make a requisition for such an amount, commencing with the banks having a circulation exceeding \$1,000,000 in States having an excess of circulation, and withdrawing their circulation in excess of \$1,000,000, and then proceeding *pro rata* with other banks having a circulation exceeding \$300,000 in States having the largest excess of circulation, and reducing the circulation of such banks in States having the greatest proportion in excess, leaving undisturbed any States having a smaller proportion until those in greater excess shall have been reduced to the same grade, and continuing thus to make the red action provided for by this act until the full amount of twenty-five millions provided for shall be withdrawn; and the circulation so withdrawn shall be distributed among the States and Territories *having less than their proportion, so as to equalize the same.*"

You will notice the act says "*shall have been taken up.*" Now, I think it has been "*taken up*" when it is promised; and it has all been promised for several months. The Comptroller thinks *all* the bonds must be actually in his vaults. The act does not say "*when issued,*" but says "*taken up.*" And here I will state that a day or two ago I asked the Comptroller whether the \$54,000,000 provided for by the

act of July 12, 1870, had been taken up. His reply was, "Yes." Then I said, "Why not call upon the banks North and East for the \$25,000,000 contemplated by that act?" He then said that he had construed the act that it would have to be actually issued before he could call upon the banks North; and it is known that it takes a year after the notice is given before they can get it. Therefore I suggest the great importance of passing the bill now pending at once, so that this transfer may be made from the North and East to the States of the South.

The act does not say "when issued," but "when taken up." The Comptroller says it is all engaged, but not issued; but he admits that it is promised, and I think that is the same as "taken up," according to the act.

But the more abundant you make anything, the less valuable. The experience of the Confederate States ought to teach us this. If but a hundred millions of currency had been issued instead of billions, we all know the value would have remained greater as long as there was any foundation for it to stand on. What gives gold its value is that it costs about its worth to produce it. Make it as plenty as brass or iron, and it would no longer have its present value. This is a conclusive argument against inflation.

It is admitted that our present banking system, with some amendments, would be equal to any known to the world. The greenback or national-bank note passes in any part of our country at its full value. Our Government's credit and stability are equal to any that exist. The full faith of the United States is pledged to redeem the greenback and national-bank circulation in gold, yet it is 10 or 12 per cent. below par. There must be a cause for this. Is it owing to the large amount in circulation? If so, and more is put on the market, will it not be like a corporation's or an individual's credit that is now 10 or 12 per cent. below par? It is well known to us all that if I have my promises to pay upon the market, and they are below their face value, if I issue additional promises to pay without making the proper exertions or providing a way for redeeming what I have already in circulation, the effect is necessarily to reduce the value of all, and to impair my credit in the market. There is to-day the Government's pledge to redeem every dollar of our circulation in gold, and yet it is 10 or 12 per cent. below gold. There must be a cause for this, and that I shall leave for others to explain.

Mr. SAULSBURY. There is too much of it out.

Mr. DAVIS. That is my opinion; but some Senators laugh at that suggestion, and their conclusion is different. I notice my friends from Illinois and Michigan both smile; and I will give way for a moment to either of them to tell me why it is that greenbacks to-day are 10 or 12 per cent. below par.

Mr. FERRY, of Michigan. I will ask the Senator whether in the case supposed it would not depend on his ability to pay whether his paper would be below par or not in the market? Upon that point I will also call his attention, in order that he may frame his reply, to the fact which he has stated, that at one time which he mentioned there was a circulation in the country of \$1,571,000,000, with the same wealth, the same country, and the same faith to pay. Now, I ask him if the Government could hold in circulation that volume then, and be able to maintain its credit, can it not a much smaller volume at the present time?

Mr. SHERMAN. I would like to answer that.

Mr. DAVIS. In a moment. That is a very pleasant question. My

friend says there was once \$1,571,000,000 on the market; now there is less; and he makes the comparison. Well, of course he knows that the Government at that time commenced making provision for calling in a part of that large amount; but at that time he did not tell you that gold commanded four or five times as much premium as it does now. Besides, a large portion of that so-called circulation was bearing interest. My friend asks whether the depreciation in the case stated by me would not depend on my ability to pay. In part it would, but in this case it would not. It depends upon how much I have out and my willingness to pay. If I owe and will not pay, if my paper is constantly being presented and I do not pay it, of course my credit must go down, especially when I should undertake to increase it.

Mr. FERRY, of Michigan. The Senator of course does not want to misrepresent me. If the Senator issues his paper, it is upon the presumption that he proposes to pay at some time. This Government never issues its paper without assurance to the world that it will pay.

Mr. SHERMAN. When?

Mr. FERRY, of Michigan. When it is practicable to pay; no repudiation is assumed directly or impliedly by this Government in the issue of its currency; neither would I presuppose any such thing. It could not be assumed in regard to the Senator, when he made an issue of his own paper, when he said if he issued more it would depreciate in the market. I reply to him that the volume of his paper-issue would depend entirely upon his ability to pay, and his ability to pay would be a guarantee of his willingness to pay.

Mr. STEVENSON. I ask the Senator whether it would not depend a great deal upon the popular faith in his ability to pay, and whether a continued expansion of the notes from time to time and putting off payment, even with faith in the ultimate ability, would not depreciate the paper?

Mr. FERRY, of Michigan. I reply that, if the Senator had the ability to pay, there would not be any unwillingness to pay. The Government has declared its faith that it will pay at some time, as stated by the Senator. Now, I say that the Government, when able conveniently to pay, will pay; and if the Senator wants a more definite answer to the question of cause of depreciation, I will give it. I do not, however, want further to interrupt him unless he wishes it—

Mr. DAVIS. I do not object; it is very pleasant.

Mr. FERRY, of Michigan. In reply, therefore, to the question why the money is depreciated, I would say to him that it is mainly because the Government itself depreciates its own paper by not making it a legal tender for all purposes, and I cite in proof the currency of France, which stands to-day without material depreciation, because France has issued paper payable for all dues, customs as well as other.

Mr. DAVIS. I ask the Senator if he would favor the Government receiving its duties on imports in greenbacks?

Mr. FERRY, of Michigan. I believe I have stated that, had I the control—of course that is a presumption, but the Senator has put it in that form—if I had control of the currency of the country I would do this very thing, as France successfully does to-day.

Mr. DAVIS. If—

Mr. FERRY, of Michigan. Let me answer, because the Senator has put a very grave question. I would act in this as I would in private business. Experience is always the best teacher, and I would never do an act of my own to discredit my own financial standing.

Mr. DAVIS. Let me ask the Senator right there, how is it that he would issue an additional amount of promises to pay, when his credit—he is speaking of the Government—is already down to twelve cents below par? He wants now to put out additional promises to pay, without any time fixed for redemption; and yet he says he never would injure his credit knowingly.

Mr. FERRY, of Michigan. I am trying to answer the Senator, but he does not take directly my answer. My view is, if the Government would put an end to the traffic in gold by no longer employing many thousands of merchants in New York and elsewhere to supply through customs the gold that is necessary for the Government wants, and let the Government issue its paper a full legal tender, and then, as sole purchaser of coin, provide itself for public necessities—there would then be so little demand for coin and no competition in the market, the premium would disappear. That would be the substantial answer to the question. But if the Senator predicates all upon the issue of promises to pay, then I ask him, why does not the issue of bonds, which are merely promises to pay in future, discredit them?

Mr. DAVIS. They are paying each day interest, and that in gold.

Mr. FERRY, of Michigan. Then it narrows down to this, that the simple promise to pay at the end of six months at the rate of 5 per cent. interest annually in coin—understand me, the Government agrees to pay on her bonds 5 per cent. annually, and pays it semi-annually—then this promise to pay 5 per cent. interest, and the bondholder waiting six months before he receives any fulfillment, that little 5 per cent. gives the whole value to your bond, according to the doctrine of the Senator, for both currency and bonds are promises to pay, interest included.

Mr. DAVIS. Certainly not the whole value. I admit the greenbacks are worth 90 per cent. probably to-day, and the bonds are worth 115. That is because both are promises of the Government to pay, and pay in gold, but the holder of the bond is receiving interest, and the holder of the greenback is not. I have had no satisfactory answer yet why it is that the Government promises to pay, and promises to pay in gold, every dollar of circulation, national-bank and greenback, fractional and otherwise, and yet it is 10 or 12 per cent. below par to-day, while the bonds are above gold, as a rule. Not all of them, but the most of them are above gold. It is because one of them is paying interest and the holder is receiving interest, while the other is not. It cannot be denied that if the government, the individual, or the corporation whose paper is already below its face-value, without making provision for the payment of what it already owes, issues additional promises to pay, its credit goes down.

Mr. FERRY, of Michigan. The Government has not discriminated against its promises to pay in the form of bonds and has in the form of currency, and both rest upon the faith of the nation, but the discredit of the one covers substantially its depreciation. Now, let me put this question to the Senator: The last census shows that the aggregate wealth of this nation in round numbers is thirty billions of money. The whole volume of our currency is, say, \$750,000,000. Now, with this \$30,000,000,000 of wealth, with the faith and honor of the nation pledged for the redemption of its currency, can the additional amount of \$46,000,000 as proposed by the Senator from North Carolina, or an addition of \$100,000,000, cause any doubt to rest upon the ability of the Government to pay, in the judgment of the Senator?

Mr. DAVIS. I believe firmly if additional currency is given in any form to the country, instead of the transfer which is contemplated by

the act of July 12, and which it is acknowledged by all I believe ought to be done—I say if additional currency is issued the country does not know when and where we are going to stop. The next year the same thing may be re-enacted over again. I say further that I believe if this \$46,000,000 is issued, or any other amount, it will show to the people of the country that we are disposed to increase the currency, and being disposed to increase it, the country will not know when and where we will stop, and it will thus reduce the purchasing value of all that is now in circulation. In other words, I believe that if the instructions now pending should be given to the committee to prepare a bill to increase the national-bank circulation \$46,000,000, it will reduce the value of the whole volume of circulation more than the \$46,000,000.

Mr. FERRY, of Michigan. Mr. President, I dislike to interrupt the Senator so much, but he must not lose sight of the fact—

Mr. DAVIS. You need not make any apology; it does not trouble me.

Mr. FERRY, of Michigan. We are both good-natured, and are both good friends.

Mr. DAVIS. I hope so.

Mr. FERRY, of Michigan. And my friend from Delaware [Mr. SAULSBURY] is, as he implies, the arbitrator between us; in fact we are all friends. But the Senator from West Virginia [Mr. DAVIS] must not lose sight of the fact that no part of this issue of \$46,000,000 can leave the Treasury without a deposit of 10 per cent. more in value of bonds of the Government, which he values so highly. Not a dollar of that money can get into circulation except upon the relation of ninety cents of currency to a hundred cents of bonds, so that there cannot possibly be that illimitable issue that would so depreciate the currency as long as there must be a hundred cents of the Government-bond promises deposited there before ninety cents currency promises can be drawn.

Mr. DAVIS. That is clear; but what I said was that if we start we do not know where we will stop. Now, as my friend has been putting some questions to me, I should like to ask him one. Would you be willing to stop at \$46,000,000, and say you have enough? You ask now that the committee be instructed to bring in a bill increasing the national-bank circulation \$46,000,000; and, by the way, you do not say where it is to be distributed, whether it is to go to Massachusetts or to North Carolina, but the presumption is that it is to go to North Carolina if they have the means to take it. Now, I ask the Senator, if that instruction should be given and the Finance Committee presents a bill with that view carrying out that instruction, whether he would be willing to stop there, or whether he would desire to increase that circulation to a greater extent? In other words, will he want to increase the greenbacks after that, or is \$46,000,000 all he wants?

Mr. FERRY, of Michigan. Mr. President, I have nothing to conceal on this question. The proposition of the Senator from North Carolina would bring up the volume of the currency, together with the \$44,000,000 reserve, to about what I thought might be the right point, and it would seem I have the support of the Senate to affirm my judgment. The \$44,000,000 would, with the \$46,000,000, make the total volume of circulation \$800,000,000. The \$44,000,000 reserve ought to be made a part of the permanent circulation, and not be left to issue and withdrawal at pleasure. I answer the Senator, therefore, that after having \$46,000,000 national-bank notes and the \$44,000,000 reserve we should be disposed to rest,

Mr. DAVIS. Now, instead of \$46,000,000 we have nearly \$100,000,000 inflation or increase of the currency; so that it is not the \$46,000,000 some Senators are after, but, as I said a moment ago, it is to instruct the committee to bring in the \$46,000,000 increase; and yet there is something back of that, for the purpose of bringing it up to nearly \$100,000,000.

Mr. FERRY, of Michigan. The Senator will understand that there are \$26,000,000 of the \$44,000,000 reserve out already.

Mr. DAVIS. I understand that, and I believe it has no right to be out. I believe that the Treasury issued it in violation of law. I believe, and I know, that the very act which calls in bonds, orders them to be retired and canceled, uses the same language as to the currency, and I think that there is no right and there is no law to-day, none whatever, in my opinion, to sustain the issue of the forty-four millions; and the Senator himself would not be willing to let this Congress go by without in some measure providing that that reserve should be put in circulation. He is a little afraid of that, and I do not know but what he has acknowledged that that twenty-six millions went out in violation of law.

Mr. FERRY, of Michigan. No; because my name is appended to a minority report, with that of the Senator from Iowa, dissenting from the report of a majority of the committee and sustaining the Secretary in issuing the forty-four millions; and, therefore, I am very consistent in supplementing his action by asking that Congress shall now fix that reserve as part of the permanent circulation.

Mr. DAVIS. The question why greenbacks are at 10 or 12 per cent. discount has not been explained yet to my satisfaction. The Senators have not said that it is because of the quantity, the abundance of the circulation; which they would have to say if they would come square to the fact.

I would not contract or expand the currency, but would transfer from the North and East to the South and West the excess of bank currency as fast as is provided for by the act of July 12, 1870. I admit you cannot legislate money in this or that place. As surely as water will find its level, or that two and two are four, money will find the trade and business centers. You might as well try to legislate that water should run up hill, as try to legislate that money shall go into certain places and remain there. The two are about alike, in my opinion.

In conclusion, permit me again to say that I believe it to be our duty, at as early a day as practicable, to fix and settle a plan, so that the business men of the country may know what to depend on. I am told that many persons are waiting and holding large enterprises in check to see what Congress will do concerning the currency. This keeps many men out of employment, and leaves in an unsettled state much of the business of the country. I hope we will amend the bill now pending so as to transfer forty or fifty millions, instead of twenty-five, and pass it at an early day.

