SPEECH

OF

HON. URIEL S. HALL,

OF MISSOURI,

IN THE HOUSE OF REPRESENTATIVES,

Tuesday, August 15, 1893.

The House having under consideration the bill (H. R. 1) to repeal a part of an act, approved July 14, 1890, entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes"—

Mr. HALL of Missouri said:

Mr. SPEAKER: In the remarks which I shall make I shall not be led off by the gentleman who has just taken his seat [Mr. GROSVENOR]. We agree with him that the house is on fire; but whether we should flee from the house at the present time, or hunt up the Republican who set it on fire before he escapes, is a matter which we will determine for ourselves so long as we hold a majority on this floor.

There was one revelation which I was glad to hear from the gentleman's lips; and I assure the House that to us of the West it was a revelation. At any rate, it is an assertion that we have not frequently heard in our part of the country—the assertion that the Republican party was born honest. We are pleased to believe that this is true, because all parties ought to have some honest period in their existence.

Mr. Speaker, I desire to bring my discussion at once to the question of the cause of the present depressed condition of our country, and to so state this cause that my meaning may not be misunderstood. I have here a copy of an open letter written by a gentleman, Mr. John B. Henderson, who once served in the Senate of the United States from our State, and who is now setting himself up as an adviser of our Democratic Secretary of the Treasury, a gentleman who in the first instance served from the State of Missouri as a Democratic Senator and then succeeded himself as a Republican Senator. This letter, which the Associated Press took up and published from one end of the country to the other, and that the advocates of a single gold standard have circulated thousands of throughout this country, is now public property, and I propose here, on account of the high positions he has held in the Republican party and his offering himself at this time to guide and direct us in our legislation, to subject his positions to some scrutiny.

I ask the indulgence of the House to read this myself from my desk, rather than send it to the Clerk's desk to be read. It is in the following language:

To Hon. JOHN G. CARLISLE,
Secretary of the Treasury:

DEAR SIR: I promised to give you in writing the substance of my statements made to you in conversation touching the monetary condition of the country.

I then expressed the belief that the present stringency is produced, not by any lack or insufficiency of our currency, but by the loss of confidence produced among business men because of the bad quality or inferior character of a large part of that currency.

1. There is no error of more common prevalence than that the abundance of money issues necessarily adds to the commercial or business energy of a people. Of course, a certain amount of money tokens are absolutely essential with which to effect the smaller exchanges of commodities. These money tokens do not create exchanges, but the exchanges create a necessity for the tokens. Money tokens do not grow wheat and corn, nor manufacture cloth, nor operate railroads, nor sail ships. Labor and skill do these things; and, among a people entirely civilized, over ninety-five per cent of the exchanges necessary in these operations are consummated through the medium of bank checks. Experience demonstrates that this mode of exchange is more convenient, safer, and less expensive; and experience also demonstrates that these bank facilities become enlarged or contracted as money tokens become scarce or abundant. This is a business law as inexorable as the laws of nature. Hence there is less danger in limiting the bulk of circulating money than people generally imagine.

The bank check is better for another reason, to wit: that having performed its office, it ceases to circulate; it is removed from the volume of circulating money and is forever canceled. If the exigencies of business demand another check, it is issued anew, and that, in like manner, is destroyed when its object has been accomplished. We shall never have a perfect currency until every note used for circulation shall be destroyed on its return to the authority issuing it, and no new note issued except for value and only at the call of business demands. England has come to this, and America with England's experience will do likewise.

I desire now, Mr. Speaker, to bring up for consideration the real causes which have led to our present condition. I lay down as a major premise in a syllogism, that I shall try to make, this statement: The volume of the circulating medium in any government fixes the price of its commodities. I did not say value, but price; for value is determined by supply and demand coupled with the labor cost of production.

My first authority on that subject is from John Stuart Mill, book 3, chapter 5, section 4, and I will state that in the edition I hold in my hand it is found on page 299:

> That an increase of the quantity of money raises prices, and a diminution lowers them, is the most elementary proposition in the theory of currency, and without it we should have no key to any of the others.

Also, Walker in The Science of Wealth, pages 132 and 133:

> A general rise of prices follows the introduction of a credit currency, because it is always issued in excess of the natural volume of money; and consequently, as prices must, in the average, conform to the quantity of currency, they will as it is increased. It is quite idle to attempt to evade the operation of this law.

The same statement in substance is made by four other writers, which I have on my desk, among the number Adam Smith, in his "Wealth of Nations." But I need hardly quote authorities on so plain a proposition, and only do so because I make this proposition the basis of an argument.

I desire it to be remembered, therefore, that the major premise in the argument I shall make is, "The volume of the circulating medium fixes the price of all the property of a country," supply and demand remaining fixed. I do not say, Mr. Speaker, fixes the value. Value is one thing, price is another. Any man, as Prof. Taussig of Harvard expresses it, must be the merest tyro in political economy who does not keep before his mind a clear distinction between price and value.

Next, I assert that the circulating medium of our Government consists of credit and money alike—credit performing the same functions in fixing prices as money itself does. This to me seems to be a cardinal proposition, and one that must be thoroughly established ere we can go far towards understanding the question at issue—the cause of the present financial crisis. I read from John Stuart Mill, page 327, in this edition:

> But a more intricate portion of the theory of credit is its influence on prices; the chief cause of most of the mercantile phenomena which perplex

observers. In a state of commerce in which much credit is habitually given, general prices at any moment depend much more upon the state of credit than upon the quantity of money. For credit, though it is not productive power, is purchasing power, and a person who, having credit, avails himself of it in the purchase of goods, creates just as much demand for the goods, and tends quite as much to raise their price, as if he made an equal amount of purchases with ready money.

The same authority on page 336 uses this language:

Money acts upon prices in no other way than by being tendered in exchange for commodities. The demand which influences the prices of commodities consists of the money offered for them.

Again, on page 337, he uses the same language, and continues in these words:

Suppose that, in the expectation that some commodity will rise in price, he determines not only to invest in it all his ready money, but to take up on credit, from the producers or importers, as much of it as their opinion of his resources will enable him to obtain. Everyone must see that by thus acting he produces a greater effect on price than if he limited his purchases to the money he has actually in hand. He creates a demand for the article to the full amount of his money and credit taken together, and raises the price proportionally to both.

The same author, on page 340, continues:

Credit, in short, has exactly the same purchasing power with money; and as money tells upon prices, not simply in proportion to its amount, but to its amount multiplied by the number of times it changes hands, so also does credit; and credit transferable from hand to hand is in that proportion more potent than credit which only performs one purchase.

I could read from this same authority a dozen or more different assertions on the same subject, but I will content myself with reading from Perry on Political Economy, the Professor at Williams College, in which I find this language, pp. 357, 358, and 359:

The cause of commercial crises is, in general, an undue expansion of credit.

Now, money acts upon prices only by being offered in exchange for commodities; but we have seen that commodities may be purchased by credit as well as by money; when, therefore, credit is offered and received for commodities, it has the same influence upon prices as when money is offered and received for them. The form which the credit assumes to effect the purchase is a matter of indifference, whether bank notes, checks, bills of exchange, or book credits; what acts upon the prices is credit, in whatever shape given, or whether it gives rise to transferable paper or not.

It follows from this that whenever there is an extension of credit for the purpose of purchasing there will be a corresponding rise of prices.

He who employs his cash and his credit in purchasing creates a demand for the article to the full amount of his money and credit taken together and raises the price proportionately to both.

Now, Mr. Speaker, I do no violence to the principles of political economy or to any of the lexicographers of this country or England if I lay down this definition of circulating medium, that circulating medium is anything offered in purchase of property, real, personal, or mixed, and that it consists both of the credit and the money by which all goods are purchased. I ask the members of this House to retain this thought clearly in their minds, as very important consequences flow from this proposition, if I am correct in my reasoning.

I will now reiterate: First, the volume of the circulating medium of a country fixes the price (supply and demand being the same); second, any contraction in the volume of the circulating medium contracts prices, and any expansion of the volume of the circulating medium expands prices.

Bearing that in mind, I ask you to tell us to-day the cause of the present financial crisis in the United States. There is but one solution of it, and that is that there has been a violent and tremendous contraction of the volume of the circulating medium. I did not say a contraction of the currency, but I said a contraction of the circulating medium that fixes prices; that being composed of both money and credit.

The next and a most important question arises, What is the ratio between the money and the credit in our circulating medium? John Stewart Mill and our national Comptroller of the Currency say 19 to 1; that is, of every $20 of business done $19 of it is credit and $1 is cash, or as Mr. John B. Henderson puts it, 95 per cent of the business of this country, or nineteen-twentieths of it, is performed by credit. Bearing the foregoing statements in mind, what will result if you frighten the business world? Cause the business world to become panicky, and what do we see? We see a contraction. A contraction of what? Of the one-twentieth—of the five one-hundredths? No, Mr. Speaker, we see the contraction of the credit, the nineteen-twentieths or the ninety-five one-hundredths of our entire circulating medium. What do we mean when we say that there is no credit in this country at the present time? What do we mean when we say you can not borrow money even on the best of security? We mean, Mr. Speaker and members, that nineteen-twentieths of the circulating medium of our country is gone, and that tremendous, violent, and crushing contraction has been operating under that inflexible law that I proved heretofore, "Any contraction in the volume of the circulating medium contracts prices," and this terrible contraction has operated upon every dollar's worth of property of all kinds in the United States and brought the price of it down with a crash. How much money is in circulation at this time in the United States? I will change my wording: How much circulating medium that fixes prices is in circulation in the United States to-day? Bankers in Washington City tell me, the metropolitan press say, the business world all tell us, there is no money in circulation and that there is no credit in circulation. What has followed from it? A violent contraction of that which makes prices, which contraction brings a reduction in the price of every dollar's worth of property in the United States.

Now, Mr. Speaker, what system of finances does the Hon. Jno. B. Henderson advocate? He holds up this credit system as a blessing to our people, and asks us to imitate England in going entirely to a system of this kind of circulation and he tries to explain this financial panic by laying it upon the international balance of trade. I will touch upon the question of balance of trade later on. Let us now see some of the other instances of the terrible effect of this credit system.

In 1890, Baring Brothers, in London, dealing in Argentine securities in South America failed for something like $340,000,000. Wheat went down 5 cents a bushel on every farm in Missouri within a week. What caused it? Was there less money in the United States after the failure of Baring Brothers, who dealt in Argentine securities, than there was before the failure? Not one dollar less. There was just as much money, but there was not as much credit. There was a contraction of the nineteen-twentieths of the circulating medium of our country, a contraction of the credit, which brought down the price of every dollar's worth of property in the United States.

I could give many other illustrations, but I need not take my time to do so now. I wish to say that our present financial system, based upon the fact that the circulating medium of our Government can be contracted whenever a failure occurs, not only in the United States, but in any commercial nation with whom we have dealings, puts us and every dollar's worth of property of the people of the United States absolutely at the mercy of men dealing in large financial transactions in the United States, or in any other nation with whom we hold large commercial relations.

Now, Mr. Speaker, in that connection I ask my brother members of Congrsss to bear that idea in mind for a moment, that the present financial system of our Government is a system that expands and contracts according to the reverse ratio of what it should expand and contract. When times are panicky and we need money the most, then the circulating medium contracts most violently, and you can not get money or credit anywhere. At the time when we may not need money so much, then we find that the money and credit will expand. Where, now, is the money that should go out into the great wheat belts of our country, out in the great cotton belt of our country to handle these crops? Locked up from fright. Money can not be obtained now to handle farm produce at any price, cost, or sacrifice.

Mr. Speaker, do you see any advantage that any one man has over another at such times as this?

Suppose A holds a note for $300 upon some poor fellow, say B, which note is secured by a deed of trust upon B's home worth $1,500, and that note falls due at this time of financial crisis, and A steps up and smilingly asks B for the money; B has not it, but was relying fully upon getting his note renewed or borrowing from some one else and paying A off, knowing full well that his home was worth five times the debt. He can not borrow a cent of money, even on a Government bond, if he had one. What becomes of his little home? Gone! and with it the little savings of a lifetime of hard work. Who is enriched? The creditor by this most cruel and outrageous system that is so highly indorsed by Mr. John B. Henderson.

Do you think I have drawn a fancy sketch? No, Mr. Speaker, thousands of poor men will, in this terrible rich man's panic, see his little all swept from him, and his wife and little ones made destitute in his declining years. Yet this is the system of so much merit, in the eyes of our millionaire ex-United States Senator.

This can then be said to be the objection to the present financial system of the United States: that it is based almost absolutely on a credit system that expands the contracts in the interest of the moneyed men, who are making the price of every dollar's worth of property absolutely at the mercy of that class of people, and to subserve their wishes and greed.

What would be the remedy? The remedy would be to give us a volume of circulating medium that would not be based upon the credit of individuals or banks, one that is not capable of contraction when we need expansion, but let us have a flexible volume of currency so that when it is needed to expand it can be expanded and give us a volume of currency that will meet the changing elements of contraction and expansion.

Understand me not to be making an argument in favor of the bill that we are told will be introduced by the gentleman from Ohio [Mr. JOHNSON]. I am not making an argument in favor of that bill. It may have objections that would cause me not to vote for it, but I wish to say that the present system that we are laboring under is the cause of the present financial distress of the Government. It is true that any alarm now, no matter how small, may affect the condition. The country is in the midst of plenty, and this plenty should make a prosperous condition of things. We have abundant crops and everything was smiling on all sides, and yet we find a financial crisis come upon this Government caused by the desire of some probably to reduce us to a gold standard or force the issuance of new bonds. These men started a panic which has gotten entirely out of their control, and it has run over and trampled upon some of its originators. Now, Mr. Speaker, in my opinion, that is the cause of this depressed condition, this terrible financial panic now upon us.

I was asked to state the other day what I thought was the strongest point in favor of the free coinage of silver. I have now reached the part of my address where it is proper for me to state that argument, which comes in and dovetails with the other argument I have just made.

I notice in Mr. John B. Henderson's letter to the Secretary of the Treasury that he summarizes the volume of the circulating medium, and gives what he says is the entire circulation from 1873 to 1893, to June 1. In this statement he alleges as true the statements gotten up by Mr. Foster, of Ohio, when he was Secretary of the Treasury, in which he gives the volume of money from 1860 to 1891. I desire to say, with all due deference to the gentleman who gave out this statement, that these statements are not true; and I intend to attempt to prove my assertion of their falsity.

We are told by Mr. Foster that the volume of the circulating medium in 1860 was $13.85 and so on up to 1865, when he alleges that the volume of money in circulation was $20.57 per capita.

Now, Mr. Speaker, I will show this House how he reaches this conclusion. It is obtained, so Mr. Foster says in his report, by giving the whole amount of money ever issued and coined by the United States, then deduct from that the volume in the Treasury of the United States. then the balance, so he says, is in circulation; and therefore, dividing this balance by the population of the United States at that time (which he puts at 34,748,000) gives us the per capita volume of money in actual circulation at that time. He therefore asserts that all of the money not in the United States Treasury is in actual circulation among the people.

I desire to say in my reading of political economy I was always taught that money held in reserve is not in circulation and does not affect the price, and it does seem to me that any tyro in political economy ought to know this. This is what all the authors on that subject say. I will take occasion to read from one or two authorities on the question and ask your indulgence while I do so.

I will read an extract from the work of John Stuart Mill, who is, I believe, a recognized authority upon this subject:

> Money held in reserve by any institution is not in circulation, and does not affect prices.

And again, on page 300:

> Whatever may be the quantity of money in the country, only that part of it will affect prices which goes into the market of commodities, and is there actually exchanged against goods.

The same proposition is laid down by Mr. Perry, page 358:

> Now, money acts upon prices only by being offered in exchange for commodities.

Mr. Jones, in his work upon Political Economy, announces the same proposition as does Adam Smith. It is hardly necessary to state that the only way money can be in circulation is by being offered for goods.

We must, therefore, if we want to honestly find out the amount of money in circulation, deduct not only the amount held in reserve in the United States Treasury, but all the rest of the money held in reserve by all the institutions of all kinds in this country that have treasuries and hold any reserve in them, and deduct this entire amount from the entire amount coined and issued and then deduct from the remainder the amount of lost money and money shipped and carried to foreign countries.

Every national bank in the United States is required by law to hold a reserve. Every eleemosynary institution in the United States holds a reserve. Every State bank holds a reserve. There is not even a Masonic or an Odd Fellows lodge, or any association or society of that kind in this country that does not hold some reserve in its treasury. Every insurance company holds a reserve, every school district, every municipality holds a reserve.

Now, as I have said, all the writers agree, and common sense teaches, that money held in reserve is not in circulation and does not affect prices. And yet, Mr. Speaker, we find Mr. Secretary Foster, in a long series of statements, and Mr. John B. Henderson following him, alleging that the way to ascertain the volume of the circulation per capita is to deduct from the entire amount of money issued the amount held in the Treasury and divide the balance by the population, and that process, they say, will give you the per capita circulation. That is not true, sir, and I defy the Secretary of the Treasury, or any of his friends on this floor, to find any authority for it. No such proposition is laid down by the writers on this subject, nor allowed by common experience.

I come now to the question of the volume in circulation in 1865. The volume given by the report of the Secretary of the Treasury in 1865, from statistical abstract No. 9, is $1,180,197,147.76. That, divided by the population of the United States at the time (I mean the number of people among whom it was distributed and circulated, which does not include the people of the States that were then in a state of war against the United States, for the United States money was not in circulation in the Southern States then)—I speak not of the volume circulating among the whole 35,000,000, but of the volume circulating among the 24,000,000 of people that used the United States money—and I find that it was $50 per capita, and this estimate does not include the 7-30 notes, of which there were $829,992,500 issued July 17, 1861, June 30, 1863, and March 3, 1865, although these 7-30 notes were legal tender, and more than $180,000,000 of them were of the denominations from $100 to $10.

And Mr. McCulloch says in his report for 1865:

> Many of which were of small denominations, went into the circulation as money, and all of which tended to swell the inflation.

Now, if you add those 7-30 notes, the volume of money, according to the statement of Mr. McCulloch, was at that time $80 per capita. But take out those notes and the volume in circulation at that time was, according to the report of the Secretary of the Treasury, $50 per capita. Another conclusive and convincing argument on this question is to be found in the high prices and flush times that followed the war, which to any student of political economy is conclusive evidence of a large volume of money in ciculation.

What follows from this, Mr. Speaker?

The rights of the debtor. I have felt at times during this discussion—when gentlemen representing the single gold standard have charged that our people out West wanted to repudiate their debts—like rising from my seat and denouncing this falsehood as an infamous slander and libel upon the people of my State. There is but one class of men who are trying to swindle and defraud in this transaction, and that is the creditor who demands that a debt contracted when we had both gold and silver freely coined should be paid in gold. or on a single gold standard. The volume of the currency and the value of the money at the time of contracting a debt becomes, in morals and honesty, a part of the contract.

I desire to say for my people that we have fought against all wildcat schemes of inflation and repudiation, and ever will fight against them. All that we ask, and this we demand as a right, is the golden rule of finance, that the debtor shall have the right to pay his debt with the same volume of circulating medium and of the same value of money as when the debt was contracted. This, Mr. Speaker, is my golden rule of finance. We ask for nothing more, and nobody but a coward will dare to take less.

I desire now, Mr. Speaker, to read an extract from the work of Prof. Richard T. Ely, and I hardly think that the graduates of the Eastern colleges will venture to question his authority, especially the graduates of Johns Hopkins University, as he is, or has been, professor of political economy in that institution. In his work on that subject, page 191, he says:

Nothing produces more intense suffering than a decrease in the amount of money, and this is on account of the connection between past, present, and future in our economic life. He who treats every economic question as if every day were a period of time apart by itself, has scarcely taken the first step toward the comprehension of economic society.

Obligations have been incurred in the past, and these are payable in the present or in the future. Now, to decrease the amount of money raises the value of every debt and adds to the burden of every debtor, public and private. It increases the value of notes, mortgages, railway bonds, and local, State, and Federal bonds. It enriches the few at the expense of the many.

An increase in the amount of money does not have the reverse effect if it is small, because, on account of the growth of wealth, the continually diminishing use of barter and the extension of trade into countries formerly outside of international commerce, the opening up of new countries in Africa, Australia, and elsewhere which need a supply of money, the value of money tends to augment unless there is a growth in the supply. If the amount remains stationary the creditors are enriched at the expense of the debtors. When arbitrarily the amount of money is decreased it amounts to virtual robbery of the debtor class.

Amasa Walker, professor of political economy in Amherst College, in his work called the Science of Wealth, p. 134, says:

Contracts made to pay money during the existence of a credit currency, but which mature and are discharged under a value currency, will subject the debtor to the loss of all the difference in the value of the two currencies.

I hardly need read any other authorities on this subject; but as that great political economist, Vethake, has been quoted by one gentleman on the floor here, I desire to read from the same authority. I read from page 151:

To avoid being misunderstood, I wish my readers to note particularly that what has just been stated has had no reference to the inconveniences and losses necessarily experienced by creditors whenever the circulating medium is undergoing the process of being augmented or expanded, or to those far greater inconveniences and losses to which debtors are subjected on the occurrence of every diminution or contraction of that medium. These "evils of change" can only be obviated by rendering the change in every case as *gradual* as possible.

We are not trying to have the volume increased; we are simply demanding that the volume shall not be cut down one-half. We are making the honest debtors' fight.

The word "gradual" is italicized by the writer, not by myself. How gradual would it be if the bill of the gentleman from West Virginia goes through? Untold misery would answer.

On page 173 the same writer says:

On the contrary, when the circulating medium is unexpectedly contracted opposite consequences will ensue. Creditors will then derive benefit at the expense of those who are indebted to them.

Mr. Speaker, it will not be improper for me to use on this question a homely illustration; it may be in keeping with the surroundings. I have used this before to make this point clear. Suppose I should to-day borrow from my friend from Tennessee [Mr. Cox] a thousand bushels of wheat and give him my note reading in this way: "One year after date, for value received, I promise to pay to N. N. Cox one thousand bushels of wheat." There is not a word said about money. Now, Mr. Cox goes to the Agricultural Report, saying, "That fellow Hall, of Missouri, owes me a thousand bushels of wheat, and I want to know how much wheat was raised this year from the crop of which I have loaned him a thousand bushels." He looks over the report and he sees that there have been raised 40 bushels for every man, woman, and child in the wheat-consuming world. He then says, "What is my interest what the crop shall be next year? Hall has to pay me back the thousand bushels: and if there should be only half as large a crop next year as this year, wheat will be only half as plentiful and therefore twice as valuable; still he must pay me my thousand bushels of wheat, because it is so designated in the contract." We find him then wishing for a crop of say only one-half the size of last year, or 20 bushels per capita.

On the other hand, I go to the agricultural report to find out the crop of this year, and finding it to be 40 bushels per capita I at once recognize it as my interest that there should be a large crop raised next year; for if the crop should be 80 bushels per capita I shall be enabled to pay Mr. Cox 1,000 bushels of wheat which will be worth half the 1,000 bushels that I received from him. In that way I shall be able to discharge my debt very easily. I wish for 80 bushels per capita.

Now, suppose we should call in some straightforward, honest man, having no interest in our transaction, and ask him, "Which of us is right," what would be his reply? It would be, "Each of you is trying to rob the other." Now, my friends, I assert to-day that the Democratic party is in the position of an arbiter called in to determine this question between the debtor and the creditor. Our party stands as did the Girondists in the French revolution, halfway between Sans Culottes and the royalists—halfway between the men who would flood this country with fiat money and the men who would drive us to a gold standard.

In this situation the Democratic party says, "Gentlemen, that debt should be paid in the currency of the same kind, value, and volume as that which existed when the debt was contracted"—not in a currency which has been subjected to any increase or decrease. Mr. Speaker, that position is backed by every authority on political economy that has been published in the English language; not only that, it is in accord with the plainest tenets of morality and Christianity.

But, Mr. Speaker, I wish to read a little further in this connection. I did not know that so able a man as the gentleman from whose article I have been reading—ex-Senator Henderson of Missouri—would resort to things that I have seen resorted to by our little two-by-four Republican speakers on the stump in Missouri; but I suppose they all imbibe their inspiration from the same fountain. His statement is as follows:

3. Between 1863 and 1873, both inclusive, the balance of foreign trade against us was $1,086,440,587—that is, we imported into this country during these eleven years, over and above our exports of merchandise, this enormous sum of over $1,000,000,000. The balance against us was equal to 13½ per cent per annum on our total commerce. It began in 1863 by an excess of imports over exports of $39,000,000, and ended by an excess in 1872 of 182,000,000 and in 1873 of 119,000,000. This long and steady drainage, lasting, without a single intermission, for eleven years, brought its legitimate fruit—a loss of a large part of the nation's wealth, and with it the country's entire stock of gold. The only currency left us was the greenback and the national bank note, which latter, being redeemable in lawful money of the United States, could not acquire any higher value than the greenback itself.

Take the period of unbridled State bank issues of paper money between 1848 and 1857, both inclusive, and we find a similar result. In a total foreign commerce in these ten years of only 4,367,000,000 the excess of our imports of merchandise over exports was almost $347,000,000, making an average loss of about 8 per cent per annum. This drainage of wealth resulted in the panic of 1857, whose severity continued until the depreciated State bank circulation was destroyed and substituted by the greenback currency, which, at first, enjoyed the confidence of the people.

When we reflect that from 1863 to 1873 our exports of gold and silver coin and bullion exceeded our imports nearly $674,000,000, it is not at all remarkable that the panic, beginning in the latter year, continued so long and produced so much suffering.

Mr. Henderson in his article attributes the panic of 1873 to the fact that the balance of trade was against us from 1863 to 1873. That reminds me of the hackneyed and worn-out joke in regard to the doctor who, whenever he could not cure a patient in any other way, would throw him into fits, because, as he would say, "I am the devil on fits." Every time I have seen a Republican cornered I have seen him try to turn his case into a question of "balance of trade," and then say that we are safe on that particular point, for so few people understand it.

But, Mr. Speaker, let us examine this matter of international balances of trade for a moment. What do the authorities say about it? I think, in the first place, we ought to apply to them because we recognize them as authority. I will first read from Adam Smith in his Wealth of Nations. I read from Part II of Book 3. I have the edition, I will state, gotten out by Dugald Steward:

In the foregoing part of this chapter I have endeavored to show, even upon the principles of the commercial system, how unnecessary it is to lay extraordinary restraints upon the importation of goods from those countries with which the balance of trade is supposed to be disadvantageous.

Nothing, however, can be more absurd than this whole doctrine of the balance of trade, upon which not only these restraints, but almost all the other regulations of commerce, are founded. When two places trade with one another, this doctrine supposes that, if the balance be even, neither of them either loses or gains; but if it leans in any degree to one side, that one of them loses and the other gains in proportion to its declension from the exact equilibrium. Both suppositions are false. A trade which is forced by means of bounties and monopolies may be, and commonly is, disadvantageous to the country in whose favor it is meant to be established, as I shall endeavor to show hereafter. But that trade which, without force or constraint, is naturally and regularly carried on between any two places, is always advantageous, though not always equally so, to both.

I come now to an objection to an unrestrained trade with foreign nations, the discussion of which has occupied no small portion of the attention of the political economists of the last century; and, even at the present day, we hear it occasionally put forth by some among the more zealous advocates of restrictive regulations in respect to commerce. It is this: that only that foreign trade is a beneficial one where the exports exceed the imports in value, occasioning thereby a flow of specie into a country in payment of the excess or balance. Hence the expression, "the balance of trade," this being held to be favorable when the exports are in excess, and unfavorable when the imports are so.

This whole doctrine was founded on the mistaken notion that the wealth and prosperity of a country depended essentially on the quantity of the precious metals which it possessed; and it, indeed, almost implied the absurdity that those metals alone constituted what should properly be denominated wealth. From this doctrine, too, the important consequences were deduced that government should, in the first place, do every thing in its power to increase the whole amount of exports and to diminish the whole amount of imports, and, secondly, that it should positively discourage all persons subjected to its control from trading with any foreign country from which a greater value is imported than is exported to it.

In reading the article of Mr. Henderson's I feel as if I were reading the writings of that school of economists whose sophistries were exploded in the last century.

This whole doctrine, Mr. Speaker, was founded on a misconception—that is, that the wealth and prosperity of the country depend on this question of exchange of the precious metals. I refer without reading to the following authorities: Mills, Book III, ch. 15; Jones, P. E., pp. 545 *et seq.*

But suppose we use another homely figure. Suppose we get away from this learned nomenclature about international balances of trade and all that, and get down to the plain question of what it means. Suppose two farmers, A and B, have adjoining farms. A has a surplus of 100 bushels of wheat and B is the owner of a surplus of 200 bushels of corn; wheat is worth $1 dollar a bushel and corn is worth 40 cents a bushel. B says to A, "I want to get 100 bushels of wheat to sow this fall?" A says: "Very well; I want to get 200 bushels of corn for the purpose of feeding hogs and corn planting next spring." B then says: "I will trade you my 200 bushels of corn, worth 40 cents a bushel, and give $20 in addition for your 100 bushels of wheat, worth $1 a bushel."

There is a trade made. Mr. Henderson asserts, with a great many other Republican writers who are afflicted with this disease called "balance of trade," that B is $20 poorer, because he gave 200 bushels of corn, worth 40 cents, and in addition $20 in money, and that A is $20 richer, because he gets $20 and 200 bushels of corn for his 100 bushels of wheat, worth $1 a bushel. I say this is not correct, but that both men are better off, if they are good traders and know their business. Both are wealthier and both are in a better condition to prosecute their business. This is a homely phrase, I admit, but by such methods we can make clear and plain questions of this character.

When men get mystified by talking of "international balances of trade" an ordinary man is misled and is probably not able to form any idea as to the nature of balance of trade; but yet this transaction that is carried out between two nations is precisely the same thing in principle as the illustration I have just given, and the plain man can understand "inter-farm balances of trade" or "inter-neighborhood balances of trade" when he may not understand "international balance of trade."

Now, to talk of the great financial crisis that the country is laboring under being brought about by international balance of trade is to me an absurd proposition and does not explain the present condition or the condition that existed in 1873. The condition now is, and the condition then was, that the volume of the circulating medium of our Government, as to nineteen-twentieths of it, is unsubstantial, visionary, fleeting, mythical, vaporish credit, instead of the money itself.

Of all the systems that I have had the time to examine, I am inclined toward the French system. Do not understand me as standing here advocating a great national bank like the Bank of France; but a bank that can deposit $360,000,000 in gold and issue upon that 4,000,000,000 francs, and then, when a panic is threatened, in a period of nine days increase the volume of the currency 1,000,000,000 francs, and send it out to the uttermost parts of France to there meet the increased demands for money with an increased supply, is better than a system like ours, where we meet an increased demand with a shrinking and contracting supply. Before finally leaving this point I want to bring clearly home to the minds of the members of this House that as nineteen-twentieths of the business of our country is being done on a credit system, the contraction of $1 of cash money now means the contraction of $20 of the circulating medium from our people.

Mr. Speaker, I wish to refer briefly, in a few remarks at least, to this gentleman who has assumed the rôle of advising a Democratic Secretary of the Treasury how to run the finances. He is a very wealthy man, and he made his wealth by his knowledge of the law while he was in the State of Missouri. He is now estimated to be worth his millions, and he made that money, as I said, by his knowledge of the law. That knowledge of the law consisted in knowing that bonds that were then being sold or hawked around at 20 or 30 cents on the dollar could be bought up by him and that the Supreme Court of the United States would affirm the validity of those municipal bonds. He therefore invested in them, and he has become a very wealthy man, and now lives in this city. He desires to take a step further, and asks that these bonds that he bought at 20 or 30 cents on the dollar be now made payable to the bondholders upon a gold basis. My friends, it is not fair nor just, either to him or to the debtors. So much for that man.

Now, my friends, come down to this proposition as to what is just and right. Stand as did the Girondists of France—halfway between the two extremes. Is not that right? It is certainly right that the volume of the money of this country should remain unchanged until these debts are paid. I am not going into the wider realms of other nations and the debts existing in other countries, and say that the United States should erect herself as a guard to keep silver from being stricken down in order to protect the debtors of other nations. Those debtors are not our constituents. They live in foreign countries, and we have about all we can do, after thirty years of Republican rule, to attend to the people of the United States.

It is reported by the United States census that has just come out that the municipal bonded indebtedness of the various nations of the world, including their national debt, is the enormous sum of $27,000,000,000. The bonded debt of the United States, when we have added the national bonded debt to our city, State, county, and quasi-municipal bonded indebtedness, is over $2,000,000,000. This debt was contracted when we had the free and unlimited coinage of silver. This debt was contracted at a time when we had 412½ grains of standard silver in the dollar; and we simply ask the right to pay that debt in the same kind, and value, and volume of money; not to repudiate it, but to pay it in that kind and character of money. That is not a tithe of the entire debt of the United States as it is variously estimated. But, my friends, let us put it upon a safe basis.

I make this assertion, and the census shows, that this debt is constantly increasing instead of decreasing, and, therefore, I say to my single gold standard friends, "You can not answer this objection by saying that the creditor of to-day is the debtor of to-morrow." Because this debt has been constantly renewed one year after another, and it shows a constant increase, until to-day the great West, Northwest, and South and Southwest owe the northeastern part of the United States and Europe over $8,000,000,000. This debt we must pay. A great deal of that debt consists of the bonds upon railroads secured by blanket mortgages.

These railway bonds, as some man remarked to me a few moments ago, are payable in gold, "and therefore," he said, "you can give no relief to the debtor by having the free coinage of silver." My friend, do you think that for one moment? If you do, just stop right there and think a little bit. Just take yourself into your room and sit down and give the matter five minutes' thought. You will see that even if these bonds are payable in gold, the debtor is in a far better fix when we have the free coinage of silver than he would be when you destroy silver, because when you destroy silver you increase the value of the gold by increasing the demand for it, and when you do that you will appreciate and increase the value of that debt, and force the poor man to pay that bonded debt in a circulating medium upon a gold basis instead of one upon a silver basis.

Now, let us go a little farther. There is a debt of $8,000,000,000 owed by the people of the South, Southwest, West, and Northwest to the people of the East. You say, "A part of that is a railway bonded indebtedness which we have not to pay." My friends, think for one moment, and not one of you will deny this proposition: Every dollar of railway bonded indebtedness of the people of the United States has to be paid by the people of the United States, by the taxpayers and consumers, just as absolutely as if it was their individual notes, every time a merchant ships a pound of freight over a road.

The passenger and freight rate is fixed by the board of railway commissioners of the State, if there is such a board, or by the tariff rates fixed by the railway companies themselves, which rate enables them to meet the interest on their bonded debt, to create a sinking fund, and then to pay dividends upon their stock, and to pay the running expenses of the road.

Therefore every passenger and freight rate in the United States is a rate that recognizes that the man who buys those goods ultimately and consumes them pays every dollar of that debt. Therefore there is a debt, variously estimated at from three to three and a half billions of dollars, that rests upon the people of the United States, and we must pay it; and it is mainly paid by the people of the West and the South and the Northwest, the regions of corn and cotton and wheat. We must pay it to the people of the northeastern part of the United States and Europe.

My friends, when you gentlemen carry this out and force us to pay on a gold basis, I tell you that we will only do it at the end of the last fight we can make in this House; but if you wish to be fair you will aid us in keeping the volume the same; if you want to be unfair you will try to force us to pay a debt of $8,000,000,000 contracted upon a volume of currency that could not be less than $30 per capita in a volume of currency of about $15 per capita.

I am very sorry to say that our Secretary of the Treasury [Mr. Carlisle] has not been in office long enough to entirely wipe out the Republican methods in making the report of the Secretary of the Treasury, and therefore we have the same old blank form for his monthly reports.

I suppose that Mr. Foster, of Ohio, had a great many of these blanks struck off and the Democratic economy of Mr. Carlisle will not allow him to waste anything. Therefore he uses the old ones. The old one gives us what they say is the volume of the circulating medium of our Government per capita, and in giving that they say, "Take the actual amount of all the money coined and issued by the United States and deduct from it the volume held in the Treasury of the United States," and they assert that every dollar of the balance is in circulation; and then by dividing by the population of the United States the per capita in circulation is found.

With due deference to the report of the Secretary of the Treasury, be he Democrat or Republican, that statement is not true, and is not sustained by any writer on political economy, I care not where you get them; because they all hold, as I stated before, "that money held in reserve is not in circulation, and can not affect prices," whereas money is now all held in reservation and hence not in circulation, and that has affected the price of every dollar's worth of property, real and personal, in the United States, as given by the gentleman from Massachusetts [Mr. MORSE], who has probably looked it up, to the amount of $1,500,000,000. Every shrinkage in value which causes a contraction of the volume of the currency in circulation strikes down prices and brings it down until you will have bankruptcy and ruin in its trail.

I make this assertion, and I believe I will be able to substantiate it by the advocates of silver upon the floor, that if the Sherman law is unconditionally repealed and we are forced to a gold basis and the free coinage of silver is stopped, all these debts of the United States that were contracted at an average volume of currency, say of $30 per capita, must be paid by the people of the United States with a volume of currency of $15 per capita. If you drive us to a gold basis it will cause the people of the United States to pay their debts in a volume of currency at least twice as valuable as that when the debt was contracted.

It is not fair, it is not honest, and you can not defend it on any principles of political economy or on the greater and higher plane of morality.

I did not intend to make any other remarks, but we are told what is the cause of the commercial crisis in the statement by the gentleman from Massachusetts [Mr. MORSE], and I am forced to pay a little attention to him. He tells us that the financial distress of the United States is due to the agitation of this question of free trade, or threat to come to a free-trade basis, and says in his remarks:

> The effect of this is to paralyze business, throw thousands of workmen out of work, to destroy our home market, the principal market for agricultural products, by driving thousands of men who were former consumers into the business of last resort—agriculture.

Although a young man, I can recollect the time very well, Mr.

Speaker, when agriculture was not "the business of last resort." I can recollect the time when the farmers were not only the bone and sinew of the country, but the pride and culture as well.

Then it was that the farmer was the money-loaner, the bank-stock holder, the creditor, the patron of all great enterprises. The culture, the refinement of the land was then on the farms. The farmers then built and owned the fine houses of our country. His children filled the great universities of learning, and carried away their highest honors. But, Mr. Speaker, that was in the glorious old days of uninterrupted Democratic rule.

Then it was thought as fine a position as a man could place his son in was to buy him 160 acres of land and set him down upon a farm to live. In those days, when such a man was asked his occupation, he proudly raised his head and said, "I am a farmer." Agriculture was not then called "an occupation of last resort."

I do not know whether the gentleman from Massachusetts would place it above or below "tramping," for he calls it "a business of last resort." But there has been a time in the history of all great governments when the farmers were indeed the last resort to save their country. They were the people of "last resort" during the days of the Roman nation, when old Cincinnatus was called from the plow. They were the people of last resort to save this country from England when Putnam and Washington, and men of that stamp, were called from their farms to their country's rescue. They were the people of last resort when both sides, North and South, enrolled three-fourths of the bravest soldiers that ever fought upon any battle field from the farms of this land. The farmers have always been the people of last resort to save their country in an hour of peril.

When the voice of liberty, stifled, smothered, and choked by tyranny and oppression, has appealed to the farmers for aid, it has never appealed in vain. Their rough hands and sun-burned faces have ever been seen in the front line battling for the rights and liberties of their country.

Often, in reading of the unselfish devotion of these men of the plow to the cause of liberty, I have wondered whether the gratitude of nations was but a mockery and a sham to lure the brave to destruction, and whether their glorious, blood-stained sacrifices of the past would be soon buried in the grave of forgetfulness. God forbid.

And if there is anything of truth in the predictions contained in the letters written by the great English historian, Macaulay, to H. S. Randal, of Philadelphia, in 1857, in which he predicts the downfall of our Government by anarchy, the great farming class will again be the "last resort" to save American liberty from the red flag and hissing bombs.

And yet, sir, we find this gentleman from Massachusetts, [Mr. MORSE] who represents a Congressional district of that State and the large Rising Sun Stove Polish Company, somewhere in Massachusetts [laughter], coming forward here and making the assertion that our people are now so desperately poverty-stricken that they are driven into agriculture, "that occupation of last resort." If agriculture is being degraded, what party did it? Four years ago last winter I went into a theater in St. Louis, and knowing that there were no great actors or actresses in town, I did not look at the name of the play until I had gotten my seat, and then I found that its title was "Only a Farmer's Daughter."

[Laughter.] I sat it through to find out the drift, and what do you suppose it was? Why, it was a play to try to teach the American people that honesty and virtue could be found even among the daughters of American farmers! [Laughter.]

That play was in line with the remark of the gentleman from Massachusetts, and I charge that it is his party that has brought upon us the occasion for such remarks and that has put such plays upon the stage. Dickens wrote Little Dorrit, Bleak House, Dombey and Son, and Oliver Twist, and the other great works that have secured him a world-wide fame, to show that you could find honesty and virtue even in the slums of London.

But here we find a man writing a play which fills crowded houses one hundred nights in New York, sixty nights in Chicago, twenty nights in St. Louis, the purpose of it being to prove that after thirty years of Republican rule you can still find honesty and virtue among the daughters of American farmers! [Laughter and applause.]

[Here the hammer fell.]

On motion of Mr. COX of Tennessee, the time of Mr. HALL was indefinitely extended.

Mr. HALL of Missouri. Mr. Speaker, as the time allotted to me has expired, I will come rapidly to a conclusion. I desire simply to say two or three words more, and to make a statement as a member of the farming class who is not ashamed to admit his calling. I wish to say that the great agricultural Samson of this country has lain asleep with his head in the lap of the Delilah of Republican protection for thirty years, but he has waked up, and he has waked up ere his locks are shorn. He is awake and recognizes his enemies. He recognizes the party that has brought him to the condition in which he finds himself today, and he sees that that condition has been brought about through the process of closing the foreign markets of the world to his products through retaliatory and hostile commercial legislation, thus cutting down the prices of everything that he had to sell fully 40 per cent and decreasing the demand for his products by $750,000,000 annually. He sees, on the other hand, that it has increased the price of all the necessaries of life that he and his family require fully 50 per cent beyond what they would otherwise be, and that by this negro fox-trap plan of "catchin' him goin' and catchin' him comin'" it has brought him down until his business is called the "last resort." I now serve notice on this House, and especially the "Rising Sun Stove Polish statesman," that as long as I am a member of this body no one on this floor shall ever speak disrespectfully of the farmer without hearing from me on all such occasions. I will have my tongue cleave to the roof of my mouth ere I will have one word uttered against this noble band of patriots, defenders of liberty, and feeders of all.

Mr. Speaker, I wish to say to the gentleman from Massachusetts [Mr. MORSE] that the farmers have opened their eyes wide enough to be able to know their friends, and that they will never hereafter be caught putting in a vote for any Republican, although he may be polished with every ounce or every pound of the sunrise stove polish that ever came from the factory of the gentleman from Massachusetts. [Laughter and applause.]

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