THE NECESSITY FOR MORE MONEY, AND THE MODE FOR ITS INCREASE.

SPEECH

OF

HON. CHARLES B. FARWELL,

OF ILLINOIS,

DELIVERED IN THE

SENATE OF THE UNITED STATES,

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HON. CHARLES B. FARWELL.

The Senate, as in Committee of the Whole, having under consideration the bill (S. 2350) authorizing the issue of Treasury notes on deposits of silver bullion—

Mr. FARWELL said:

Mr. PRESIDENT: The object of the bill now under discussion is the increasing of the money or circulating medium of the country, it being admitted by all that the country is in need of such increase; and it proposes that the Government shall buy monthly a given amount of silver and issue Treasury notes therefor. With this project I am in full accord, but I would go further. I would use for money all the silver offered, and not a stipulated sum as provided for in this bill, and would coin it at its market value; and should the price advance to par with gold, as it is claimed by the friends of this bill that it will do, then free coinage will come as a matter of course. What objection can there be to putting into the silver dollar one hundred cents' worth of silver? Senator DANIEL said in his speech the other day:

> The silver dollar will buy as much gold bullion as a gold dollar, although the silver metal that makes the dollar is worth a quarter less than the gold metal that will make a dollar.

Senator STEWART said in his late speech:

> The United States buys 412¼ grains of bullion for 82 cents and coins it into a dollar, and makes the difference.

What difference will it make to anybody if a dollar is made intrinsically worth 100 cents? Who is injured thereby? I answer, nobody. If this theory is right and honest, why put more than 10 cents' worth of silver into the dollar? It would circulate just as well as the 75-cent dollar. Both would pass, because the Government would redeem them at 100 cents, and for no other reason. We can not, sir, have too much money. No people ever had too much; but in my judgment this bill will not accomplish its object. Two other things are necessary. Our national bank system should be preserved and the subtreasury system abolished. When these measures are adopted the people can get all the money they need. The issuing by the Government under this bill of Treasury notes, and putting behind them as security silver bullion at the market value, furnishes a circulation which is absolutely safe and can not be redundant, and will supply the monthly retirement of the national bank currency; and as there is no way to get a circulating medium except to buy something, this proposition has very few objections. The national bank system should be perpetuated by substituting other bonds than United States bonds to secure the circulation. This

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would go very far, indeed farther than any other measure that I can conceive of, to increase the volume of our currency.

The people then would utilize all the best bonds of the country and would procure such circulation as the business of the country demanded. In a bill which I introduced in the Senate more than two years ago, I provided for the continuation and preservation of this system. The bonds which I suggested for this purpose would be taken by all money-lenders of the country as security for loans, and the bill-holder under this proposed substitution would be entirely safe. That is all that can be done under any banking law, because it is useless to attempt to secure depositors. Past experience shows that that is absolutely out of the question. No report has ever been made upon this bill. I do not know whether or not the committee intends to make any report upon it. This I very much regret. I did not introduce this bill at all for the purpose of favoring the national banks, but, on the contrary, to benefit the people and to supply them with the needed increase of their circulating medium.

Many Senators claim that the Government can create money. This I most emphatically deny. As Cassius M. Clay has said, gold and silver—

have for ages been used by the world as money because of the estimation of their intrinsic value. * * * These metals would probably be the mediums of exchange all the same if there was no money in the world. By money, I mean what the state makes legal tender in the payment of taxes and debts between individuals. All that governments can do, then, legitimately is to take these great commercial metals and weigh and stamp them to facilitate exchanges. The state can not—none but God can—make a dollar. The relative value of these metals is determined by the common laws of supply and demand. * * * Paper money is legitimate only so far as it represents the metals. In itself it has not, nor can by law be made to have, any real value."

The Southern Confederacy issued from its treasury promises to pay money, just as we did. They created money, as it is claimed we did. These Confederate notes are not worth much now. In January, 1777, Congress made Continental money the legal tender for payment of all debts, and a refusal to receive it was declared to be an extinguishment of the debt itself; but the money continued to depreciate, and in 1780 the amount was over $300,000,000. In the course of that year $500 was required to buy a meal of victuals, and finally the money ceased to circulate and quietly died in the hands of its possessors; but the coins of Julius Cæsar are worth just as much now as when he coined them. These facts, if considered, it seems to me ought to be conclusive that money is not created at all. Gold and silver having been adopted as money nations coined it.

In other words, each nation certifies by the act of coinage the amount of gold or silver which each piece contains, and does not impart to it any value by this act. If the United States can create money, why not create at once enough to make every citizen rich? If the Government prints upon a piece of paper "This is a dollar," and thus absolutely makes it a dollar, why waste sovereignty upon one-dollar bills? Why not make them all one-thousand-dollar bills? It would cost no more. A promise to pay money is not money. It being admitted that there are not enough gold and silver in the world to supply the needs of money, paper bills have been used as a substitute not only in this country but in others. Before the late war we had banks of issue in all the States, but these were abolished and the national-bank system substituted for them; and this system, which is admitted to be the best ever invented, is rapidly dying, and no effort is being made to prevent it.

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The Treasury notes to be issued under this bill, should it become a law, will add largely to the circulating medium; but should any great foreign demand be made for silver after it has reached the par with gold, as it is claimed it will do when this bill passes, this circulation is liable to be reduced, so that this bill alone can not be depended upon to furnish all the circulation which it is admitted the country requires. The issues of the Government, if its income is kept at its present annual amount, will soon be retired. The bonds will be paid first, and then the greenbacks. Silver and gold certificates can be kept out so long as they can be exchanged for gold and silver. The question has not been answered how the Government can issue its promises to pay when it is out of debt, and upon the continuance of a debt our greenback circulation wholly depends.

I do not think that the circulating medium of the country should be governed by the needs or the debt of the Government. The Government ought not to collect from the people any more than is just necessary for its daily needs. The Government has no uses for money beyond its daily wants. Had it not been for the accident of war the greenback could not have been issued, and the continuing debt of the nation is the cause of its existence to-day. I do not think it is within the province of Congress to determine the amount of the circulating medium which the country demands for its business. But some law like the national banking law should be the means by which the people can determine that matter for themselves. If our present admirable banking system can be permitted to live there will be no demand, as is now made by Senators, for an increase of money. The people under it would get all they want. That universal law of supply and demand would apply in this case as in all others.

LEGAL TENDER.

I have offered an amendment to the bill now before the Senate, providing that all the issues of the Government shall be a legal tender for all debts, public and private, and this may be given as a reason: The notes provided for under the bill now before the Senate will have behind them silver bullion at their par value in gold. The gold certificates now outstanding have behind them 100 cents to the dollar in gold. The silver certificates which the Government has issued in payment for silver bullion have behind them dollars worth intrinsically about 80 cents each. The greenback, which is a legal tender for all debts, public and private, has behind it but 29 cents in gold. Now, if this issue with 29 cents in gold behind it is legal tender, I would like to hear any good reason why the other issues just mentioned should not be legal tender also. In fact there is more reason why the others should be legal tender, and I do not believe that the Government should discriminate in favor of one of its issues against any of the others. The Government is strong enough and rich enough to pay all of its debts, and hence all its issues should be a legal tender if any are, and for this reason I have introduced the amendment referred to.

THE SUBTREASURY.

The Secretary of the Treasury has from time to time been compelled to go into Wall street and supply money to prevent financial disaster. If the independent Treasury should be abolished, no locking up of the people's money could occur.

The present Secretary of the Treasury, in his last report, says buy-

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ing bonds is only done as an expedient to restore a part of the surplus to the channels of trade, it being the only means open to the Treasury for the use of money.

If the independent Treasury could be abolished, then the money of the people would substantially be left in their hands. That which is locked up in the Government vaults, so far as being any benefit to the people is concerned, might just as well be destroyed. My object in favoring the abolition of the subtreasury is to have all the money of the people in the channels of business, as it was before the passage of the independent Treasury act in 1840. Every business man, and in fact any man who has any money at all, if he is in the neighborhood of a bank, deposits it there instead of locking it up in his own safe. The deposits now in the national banks alone amount to nearly $2,000,000,000, and experience has demonstrated that banks can lend 75 per cent. of their deposits and capital; so that these deposits are a blessing to the people.

The Government alone locks up its money in its own safes. The money now in the subtreasuries, if deposited in national banks, would add largely to the volume of currency for business purposes. It may be claimed that it is unsafe to deposit the revenues of the Government in these banks, but in answer to that I could say that the $2,000,000,000 now deposited in the national banks is deposited without any security whatever; but I would not advocate that the Government deposit its revenues with the banks without adequate security for the whole amount deposited. Certainly this would be much safer than the present system, for in Chicago alone, where a subtreasury is located, Mr. Healey, the subtreasurer there, gives a bond of but $250,000, signed by some of his friends, and the Government deposits with him $10,000,000.

Now, any man of ordinary business capacity would say that this money would be much safer deposited in the national banks of that city, with security taken by the Secretary of the Treasury for the whole amount deposited, than in the hands of Mr. Healey, as at present, with security for only one-fortieth of the amount. Another reason for this change is that the money would be handled by these banks without any cost to the Government, which, in the aggregate, would amount to a saving of several hundred thousand dollars per annum. Nor do I favor the repeal of this law to benefit the banks. My purpose is wholly in the interests of the people and to increase the circulation for their benefit.

I will now make a few quotations of what was said in regard to this subject just prior to the adoption of the subtreasury.

In a letter dated September 23, 1833, to the president of the Girard Bank, Secretary Taney said:

> The deposits of the public money will enable you to afford increased facilities to commerce, and to extend your accommodations to individuals; and as the duties which are payable to the Government arise from the business and enterprise of the merchants engaged in foreign trade, it is but reasonable that they should be preferred in the additional accommodations which the public deposits will enable your institution to give whenever it can be done without injustice to the claims of other classes of the community.

John White, of Kentucky, said in the House of Representatives on June 5, 1840:

> The annual message of 1836 contains this emphatic sentiment:
> "To retain the public money in the Treasury unemployed in any way is impracticable. It is, besides, against the genius of our free institutions to lock up in the vaults the treasure of the nation."

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In a speech delivered in the Senate on January 23, 1840, Senator John Davis, of Massachusetts, said:

The Senator [Mr. Buchanan, of Pennsylvania] admits what can not be denied, that the administration proposed and carried into effect the State bank deposit system. It was in this place and by them that State banks were taken into favor, petted, and boastingly held out to the country as affording a better and safer currency. Into them was the revenue put in enormous sums, and they were directed to loan freely upon it by the President for the accommodation of the people, and it was his pride and pleasure to make known to us that the public money was thus employed instead of being locked up, a striking commentary upon the present plan of vaults and safes, Mr. President.

J. W. Allen, of Ohio, in a speech delivered in the House of Representatives on June 24, 1840, said:

It is urged that the subtreasury system should be adopted to prevent the use of the public money. And how long, let me ask, has it been the doctrine of the administration party that the people should be deprived of the benefits resulting from the employment of their own money? What said President Jackson, in his celebrated manifesto after the removal, in 1833, of the deposits from the Bank of the United States to the State banks? It was that—

"The funds of the Government will not be annihilated by being transferred. They will immediately be issued for the benefit of trade; and if the Bank of the United States curtails its loans, the State banks, strengthened by the public deposits, will extend theirs."

But the extraordinary circular of Mr. Taney, then Secretary of the Treasury, is still more to the point; it is conclusive. He said to these banks:

"The deposits of the public money will enable you to afford increased facilities to the commercial and other classes of the community; and the Department anticipates from you the adoption of such a course respecting your accommodations as will prove acceptable to the people and safe to the Government."

And what said the President two years after, when the process had een going on for more than three years by the State banks?

"To retain the public revenue in the Treasury unemployed in any way is impracticable. It is considered against the genius of our free institutions to lock up in the vaults the treasure of the nation. Such a treasure would doubtless be employed at some time, as it has been in other countries, when opportunity tempted ambition."

Mr. Woodbury, Secretary of the Treasury, in a report at that period, said:

It is a source of high gratification to be able to add that, while so selected and employed, not a single dollar was lost to the Government by any of them, or a single failure occurred to transfer promptly and pay out satisfactorily the public money intrusted to their charge.

In the speech by Mr. Allen, from which I have quoted, I take the following:

By the 4th of September, when Congress met, the $40,000,000 due the Government were reduced to less than $13,000,000; in October to $8,000,000; and in February, 1838, to about $6,000,000; in December last to less than $1,000,000; and in a report of Mr. Woodbury, laid on our desks this morning, I find a credit of more than $500,000 paid since January last, and the balance is now, therefore, some $300,000 or $400,000, and that, we are told, is well secured.

From the speech by Mr. White, I quote the following:

I now come to a more important demerit of this measure as a financial scheme. Under this head I refer to the multiplied evidences I have already presented in the way of argument, authority, and tried experience; evidences taken from the state papers of the President and his Secretary, from the speeches of every distinguished supporter of this measure at this time. But, in addition to this mass of testimony, testimony of itself sufficient to condemn this measure before any impartial tribunal, I now offer evidence of woeful experience during the three years' practical operation of this measure. From official documents furnished by the Secretary and laid on our tables of the losses for the last three years during the practical operation of the independent Treasury, the Treasury has sustained a loss of $2,061,209, equal to nearly one-half of the losses by collecting officers during every administration from the foundation of the Government, forty-eight years.

The following items are extracts from a letter of the Secretary of the Treasury to the House of Representatives, in obedience to a resolution of that body

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calling on him for a statement of the annual expenditures and losses of the General Government under each administration from 1789 to 1837:

Amount of defalcations in the first four years of General Washington's administration	$4,889
Second four years	32,728
The four years of John Adams's administration	176,770
First four years of Thomas Jefferson's administration	54,419
Second four years	152,568
First four years of James Madison's administration	460,352
Second four years	1,217,824
First four years of James Monroe's administration	1,207,153
Second four years	986,642
The four years of J. Q. Adams's administration	327,387
The first four years of Andrew Jackson's administration	105,502
Second four years	220,337
Total amount in these forty-eight years	4,956,568

Compare the above with the list of defaulters under the present administration, and it will be seen that within the la t three years the Government, under Martin Van Buren, has lost nearly one-half as much as was lost under all the previous administrations for forty-eight years.

The following is the list of locofoco defaulters, with the amount they have stolen set opposite their names:

Samuel Swartwout, New York	$1,225,765.69
William M. Price, New York	75,000.00
A. S. Thurston, Key West, Fla	2,822.14
George W. Owen, Mobile, Ala	11,173.48
Israel P. Canby, Crawfordsville, Ind	39,013.81
Abner McCarty, Indianapolis, Ind	1,338.92
B. F. Edwards, Edwardsville, Ill	2,315.76
W. L. D. Ewing, Vandalia, Ill	16,754.29
John Hays, Jackson, Miss	1,386.16
Willis M. Green, Palmyra, Mo	2,312.12
B. S. Chambers, Little Rock, Ark	1,146.28
David L. Tod, Opelousas, La	27,230.57
B. R. Rogers, Opelousas, La	6,624.37
Maurice Cannon, New Orleans	1,259.28
A. W. McDaniel, Washington, Miss	6,000.00
John H. Owens, St. Stephen, Ala	30,611.97
George B. Crutcher, Choctaw, Miss	6,061.40
George B. Cameron, Choctaw, Miss	39,059.64
S. W. Dickens, Choctaw, Miss	11,831.91
S. W. Dickens, Choctaw, Miss	898.53
Wiley P. Harris, Columbus	109,178.08
William Taylor, Cahaba, Ala	23,116.18
U. G. Mitchell, Cahaba, Ala	54,626.55
J. W. Stephenson, Galena, Ill	43,294.04
Littlebury Hawkins, Helena, Ark	100,000.00
S. W. Beall	10,620.19
Joseph Friend, Washita, La	2,541.91
William H. Allen, St. Augustine	1,997.50
Gordon D. Boyd, Columbus, Miss	50,937.29
R. H. Sterling, Chocchuma, Miss	10,733.70
Paris Childers, Greensburgh, La	12,449.76
William Linn, Vandalia, Ill	55,962.06
Samuel T. Scott, Jackson, Miss	12,550.47
James T. Pollock, Crawfordsville, Ind	14,891.98
John L. Daniel, Opelousas, La	7,280.63
Morgan Neville, Cincinnati, Ohio	13,781.19
N. J. Allen, Tallahassee, Fla	26,612.57
Robert T. Brown, Springfield, Mo	3,600.50
Total	2,064,209.96

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