

THE TREASURY RESERVE FUND.

SPEECH

OF

HON. PRESTON B. PLUMB,

OF KANSAS,

IN THE SENATE OF THE UNITED STATES,

Monday, April 14, 1890.



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Mr. PLUMB introduced a bill (S. 3517) providing for the disposition of certain funds in the Treasury; which was read the first time by its title.

Mr. PLUMB. I ask that the bill be read at length.

The bill was read the second time at length, as follows:

Be it enacted, etc., That the money required to be deposited with the Treasurer of the United States for the redemption of national-bank circulation by section 5222 of the Revised Statutes, and under section 4 of an act approved June 20, 1874, entitled "An act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes," shall be covered into the Treasury and treated as funds available for the reduction of the public debt, and for current expenditures of the Government. And all funds held in the Treasury for the payment of matured debt and interest due and unpaid on the public debt shall be similarly treated, and hereafter no funds available for the reduction of the public debt or for the payment of current expenses above the sum of \$10,000,000 shall be retained in the Treasury: *Provided,* That this shall not be construed to permanently diminish the fund of \$100,000,000 now held for the redemption of Treasury notes.

Mr. PLUMB. Mr. President, I wish to call the attention of the Finance Committee particularly to this bill, and in connection with the condition of financial affairs now existing.

Out of \$1,650,000,000 of money, all told, in this country, \$250,000,000, sometimes much more and sometimes a trifle less, are held in the Treasury of the United States. Of the remaining \$1,400,000,000 more than \$700,000,000 are held for the purposes of reserve by the different banks, private, State, and national. Less than \$700,000,000 of money is, therefore, available for manual delivery for the uses of the 65,000,000 people of the United States—only about \$10 per capita. This is all the money available for the purposes for which money, as contradistinguished from credit, is to-day used in the United States.

Mr. President, the system of finance which we have built up and maintained to this time has brought about this result. It has its merits. It has its great defects, and one of the greatest of its defects is the retention in the Treasury of the United States of this very large sum of money upon the theory, in the first place, that it is needed, a theory which is disputed by every known fact, and upon the further theory relating to a condition of things which existed a few years ago, that the Secretary of the Treasury is to be the arbiter of the financial destinies of the people of the United States.

It is stated in the public prints that in pursuance of the policy of controlling the finances of the country the Secretary of the Treasury contracted the currency during the month of February over \$10,000,000, at a time when every legitimate interest was craving an enlargement rather than a diminution of currency supply. I believe that this retention of money in the Treasury and that this assumption on the part of the Secretary to do that which might once have been proper, but which now constitutes a menace to the business of this country, ought to be prohibited by law.

A Senator who sits in front of me has asked me for what nominal purpose the \$250,000,000 in the Treasury are held. One hundred million dollars is held in assumed obedience to the law of 1832, which, it is claimed, authorizes the retention of a sum of gold for the redemption of the legal-tender notes—the greenbacks.

Some sixty-odd million dollars is held for the redemption of national-bank notes; that is to say, the notes of banks which have either gone out of business wholly or which are retiring a portion of their circulation. Between \$5,000,000 and \$6,000,000 is held for the purpose of the redemption of such notes of national banks as from time to time come into the Treasury and are found on inspection to be unfit for further circulation.

About \$7,000,000, as I now recall it, are held for the purpose of the payment of interest on coupons which have not been presented, and on such portions of the debt as has from time to time matured but the evidences of which have not been presented to the Treasury for payment. Some of it probably never will be presented. It is not certain for what purpose the remainder is held. I have given all possible scrutiny to the statement of the Treasurer and I can not definitely tell. The confusion of subjects and of amounts is such that I think it is impossible for any one to tell precisely the purpose in view in the retention of about \$75,000,000. But it is there, because the statement shows the net balance to be about \$250,000,000.

Mr. REAGAN. I will suggest to the Senator, if he will look at the finance report he will find the balance there stated.

Mr. PLUMB. It is enough to know that it is not held there for any useful purpose. I do not think the law requires any of it to be held there except such portion as, in the discretion of the Secretary, is necessary to meet the obligations of the Government. I admit that he may even under that theory hold as large a sum as is now in the Treasury, although I should think it would be a very extraordinary use of discretion to do so.

But this is the fact: From every quarter we have abundant evidence that the country needs, for the transaction of its business, that this money should be paid out. For all useful purposes it might as well be in the bottom of the sea as to be in the Treasury. During the last year nearly \$40,000,000, or a little over \$40,000,000, of national-bank circulation was retired. We have had, to meet that, the coinage of silver to the amount of \$2,000,000 per month and the coinage of gold, but the experience of the country abundantly shows that we need not only these two agencies but we need an amount of paper money equal to the maximum which has ever been outstanding. Yet, the advancing tide of metallic money has been met and overcome by the receding tide of paper money. When the country needs more it gets less.

The business of the country is languishing. New enterprises are held in abeyance. Old enterprises are struggling to keep on their feet, and there is dread and apprehension where there ought to be hopefulness and confidence and enterprise. That condition of things will continue until relief is afforded, and that relief under present conditions can only come by legislation, because legislation, combined with executive action, has brought the country to its present condition, so far as that relates to the volume of money outstanding. We are told that we shall have legislation some of these days upon the silver question; when, no one knows, or how, no one knows; but whatever we do will result in only a gradual and I fear a very small addition to that which the country now has in the shape of money for the transaction of its business. This measure, or something like it, if it passes, will give immediate relief. The money can be disbursed during the next thirty or sixty days, not only without hurt but with great advantage to the business of all the people.

It is a conservative measure, far below what I would like to see done; but what is proposed will help, and even a little may make the difference between prosperity and adversity.

I venture thus early and briefly to call the attention of the Finance Committee to this measure in the hope that they will either report it, or something for the accomplishment of the same purpose, at their next meeting. If favorably, so much the better; but if unfavorably, the Senate will have a chance to vote upon it, and thus do its part in settling a question of the greatest possible moment to the people.

The VICE-PRESIDENT. The bill will be referred to the Committee on Finance.