

TAXES ON STATE BANK CIRCULATION.

SPEECH

OF

HON. M. C. BUTLER,

OF SOUTH CAROLINA,

IN THE

SENATE OF THE UNITED STATES,

Thursday, June 30, 1892.



WASHINGTON.

1892.

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Mr. BUTLER. A few days ago I gave notice that I should to-day ask the Senate to indulge me in some remarks on a resolution which I offered in the early part of the session, which I will ask may be considered at this time.

The PRESIDENT *pro tempore*. Is there further morning business? If not, that order is closed, and the resolution referred to by the Senator from South Carolina will be reported.

The Secretary read the resolution submitted by Mr. BUTLER January 11, 1892, as follows:

Resolved, That the Committee on Finance be, and it is hereby, instructed to report a bill repealing all taxes imposed by Congress on the circulation of State banks of issue.

Mr. BUTLER. Mr. President, I propose to discuss this question in a spirit of perfect frankness, with no pride of opinion, but with the sole object of endeavoring to afford relief to the people, and with the hope of securing for it that careful consideration so essential to a clear understanding of the relation it bears to the economic questions now agitating the country. It should not be flouted by the Committee on Finance of this body because some of its members entertain views in opposition to the principles involved, or to the ends sought to be obtained. The people want the subject fairly and fully considered, and their wishes are entitled to respect.

If it were practicable to ask every male adult in the United States whether, in his opinion, the volume of our currency is sufficient to meet the reasonable demands of business, seven-tenths, perhaps eight-tenths of them, would answer in the negative. And if the same persons could be interrogated as to whether, under our present financial system, there is a fair and equitable distribution of what currency we have, nine-tenths of them would answer in the negative. I mean by a fair and equitable distribution, such a distribution, as that every honest man would have it in his power to procure as much money as his credit and circumstances would justify and he could profitably use in his business and domestic concerns.

According to our present financial policy the greater part of the circulation is periodically drawn away from the people and hoarded in commercial and financial centers, to be let out again upon such terms, in such amounts, and whenever those who control it may determine. As matters now go millions of men can not get money for their legitimate business transactions, however good their credit or financial standing, because the cur-

rency is not within their reach, or if within reach, is held with such severe legal restrictions as in a large measure to destroy its usefulness.

I am not one of those dreamers who holds that there can ever be an equal distribution of wealth until the millenium dawns upon us, or until inequality in intellectual endowments and business qualities is removed, but I do believe that the Government may frame such laws as to give every man equality of opportunity in securing for himself the goods of this world. I think I can demonstrate that this rule is not observed in our existing laws. The following is the statement of the Treasury Department May 1, 1892, showing the amounts of gold and silver coins and certificates, United States notes, and national-bank notes in circulation at that time:

Statement showing the amounts of gold and silver coins and certificates, United States notes and national-bank notes, in circulation May 1, 1892.

	General stock coined or issued.	In Treasury.	Amount in circulation May 1, 1892.	Amount in circulation May 1, 1891.
Gold coin.....	\$801,527,222	\$193,911,273	\$407,615,949	\$408,862,781
Standard silver dollars.....	413,055,360	355,500,903	57,554,457	61,692,818
Subsidiary silver.....	77,433,950	14,600,427	82,833,523	57,368,507
Gold certificates.....	175,644,879	21,931,180	153,713,699	138,890,799
Silver certificates.....	330,499,002	3,209,106	327,289,896	312,933,440
Treasury notes, act July 14, 1890.....	93,228,690	11,726,920	81,501,770	37,020,254
United States notes.....	346,681,016	21,895,155	324,785,761	
Currency certificates, act June 8, 1872.....	30,550,000	340,000	30,210,000	} 346,184,618
National-bank notes.....	172,476,575	4,409,486	168,067,089	
Total.....	2,241,096,694	627,524,450	1,618,572,244	1,529,316,833

Population of the United States May 1, 1892, estimated at 65,285,000; circulation per capita, \$24.72.

It will be seen in this table that the entire stock of money "coined and issued" by the Government for the whole country is \$2,241,096,694, of which sum \$627,524,450 remained in the Treasury, leaving \$1,613,572,244 in circulation. The amount of circulation per capita is put down at \$24.72. Dividing the amount claimed to be in circulation (\$1,613,572,244) among our sixty-odd millions of population we should get that result, but it is fair to assume that a part of the amount said to be in circulation, quite an essential part, is held for reserves in banks, and is not in circulation. But let us concede that we have \$24.72 for each man, woman, and child in the United States.

What does it prove? That each man, woman, and child has \$24.72? Not at all. Nobody would be simple-minded enough to claim that. There are millions of people who have not \$2 or 2 cents, much less \$24.72. The statement is therefore misleading and delusive. In certain sections of the country, in the principal financial and commercial centers, the per capita circulation would reach up into the hundreds of dollars, whereas in other sections it will not amount to a hundred cents. To illustrate by my own county of Edgefield in South Carolina: We have a population of about 50,000, largely agricultural and rural, and I venture the assertion there are not \$2 per capita in circu-

lation among the people. What is true of this community is true of all others similarly situated in the South and West and the East as well, outside of financial centers.

Mr. President, the people have not money enough in circulation for their legitimate wants. This fact I want to emphasize, however good their credit, or sound and acceptable their security, or urgent their demands, the money is not in the country, is not accessible, or if accessible, is, I repeat, hedged about by such restraints of the law that it may as well not be in existence. I know the reply to this line of argument is that these conditions are the result not so much of scarcity of circulation as the scarcity of capital, the lack of confidence, because there are not proper inducements offered to attract money, etc.

But, sir, this is neither tenable nor true. In many of the regions of the South and West, where this stringency exists, there is plenty of capital, but little money. Land is capital, and the safest and soundest security. Live stock, personal property of various kinds, personal credit, crops, are capital, but unavailable to a great extent, as a basis of credit, because money is so scarce and so dear for seven months out of the twelve they can not be utilized. I might cite many cases within my own personal knowledge and experience, to establish this proposition, as no doubt other Senators around me can; but it can not and will not be denied.

I grant you that in the great financial centers money is abundant and readily obtained, but the agricultural population can not procure it, except at the most ruinous and exacting rates, because they have not such security as is demanded, thereby having their progress and comfort and legitimate development greatly retarded. And just in proportion as they are retarded and restrained, in the same degree are all other industries, mining, manufacturing, and commercial, hindered and retarded.

It is quite the custom in our public discussions on financial topics to launch off into disquisitions on political economy and abstract propositions and theories, and begot the practical aspects of the subject. We hear a great deal about the "functions of money," "What is money?" "What are the objects and purposes of money?" etc. This is all very instructive and interesting for doctrinaires and schoolmen, and I would not discourage such discussions in a proper form, but here we have to deal with an intensely practical question, and must seek practical facts and conditions to guide and control our actions. Of course there are certain well-recognized, well-defined, fundamental principles of finance which can never be safely disregarded in financial legislation, but a man of the plainest intelligence and understanding knows what money is and what purposes it subserves.

All men may not fully comprehend the important fact, that in order to attain its highest usefulness and be safe and effectual in the hands of the people, money must have a sound, stable, and reliable basis. It is the duty of the legislator to impart those qualities to it. But his duty does not stop here. He must see to it that the circulation of money goes out to the people in sufficient volume to satisfy the demands of their business, and has in it an element of elasticity to meet unforeseen financial exigencies as they arise.

I have asserted that our volume of currency is not adequate

for our business operations. I do not deny its soundness and stability, but I do deny that under our present laws it has that expansive capacity, if I may use that expression, so essential to progressive business developments. I believe I am safe in saying that ours is the only one of the leading commercial nations of the world where this elastic feature in the national currency is wanted. The Imperial Bank of Germany is authorized by law, upon well-defined conditions and within certain specified limits, to increase its circulation to counteract the damaging effects of financial stringency and distress.

The Bank of England and the Bank of France are endowed with similar privileges, and so with other national systems, while in our comparatively young country, rapidly increasing in population, material progress and development, with a proportionate increased demand for money, our national banks have no such authority to supply it. The Government, reserving to itself the power to issue currency, halts between the contentions of political parties, the demands and requirements of the people on the one hand and the denials of capital on the other, and thus trifles with the prosperity and progress of its citizens. I need not here, Mr. President, enter upon a discussion of our national-banking system. It is sufficient for my present purpose to concede three things in regard to it. It has furnished to the people the safest, soundest, and most uniform bank currency ever vouchsafed to them, three most essential elements in every system of bank currency; but it is unstable, inadequate, and inelastic, three other qualities equally important and indispensable. Let us see if I am correct in this last proposition.

Since the passage of the national-banking act, the amount of national-bank circulation has varied from year to year. In October, 1882, it reached high-water mark, and amounted to \$362,889,134. On the 16th of March, 1892, it had fallen to \$172,533,762, a loss of \$190,355,372 in ten years, very nearly \$200,000,000. This contraction is still going on, falling on the 1st of May, 1892, to \$168,067,089, and must eventually wipe this currency out of existence, while our population is increasing and the demand for more money being accelerated in that proportion. I think, therefore, I am safe in saying the national-bank currency is insufficient, unstable, and inelastic. I do not forget that this reduction in the national-bank currency has been measurably supplied by Treasury certificates based on coin in the Treasury—but this supply, amounting to about \$480,000,000, has not been equal to the contraction and increasing demand.

The United States notes—greenbacks—have remained about stationary at \$46,000,000, in round numbers. If the national-bank currency continues to diminish it must soon pass out of existence and we shall have no paper currency except the Treasury certificates and greenbacks. I am sure it will not be insisted by the most extreme contractionist or monometallist that they will prove adequate to the wants of the people.

Great stress is laid upon the fact that 90 per cent or thereabouts of the business of the country is transacted by checks or drafts or bills of exchange, and the argument is deduced therefrom that there is no occasion for a large volume of currency. Here again, I submit, is a great fallacy.

The power to give a check implies a bank account, and is limited to those who have money to their credit. How many mil-

lions of people are there who have never had and can scarcely hope to have a bank account? They must have the cash to discharge their obligations, the currency to pass from hand to hand, so that to them a bank is a sealed vault, and is of no use in their daily transactions, especially if they are not banks of issue, and are scarce of currency.

I could produce abundant proof, if necessary, to show that the country banks are not supplied with currency enough by half, or more than half, to meet the wants of the people who they could otherwise accommodate. And furthermore it can be shown that in those seasons of the year, when currency is most needed, they can not procure it on any terms in sufficient quantities. I know this is true in the South, and doubtless in the West. If this is admitted, what should Congress do to correct the evil? What is the plain duty of Congress in the premises? It is not a sufficient answer to the cry of distress which comes up to us from all directions, to say that one political party will not do this or that, because the doing it might give the other party an advantage in some election. Or that by failing to adopt certain measures of relief, the party failing will be stronger in particular sections of the country? Will it do to answer this appeal for relief from the laboring and industrial classes, to say, that it is clamor instigated by demagogues and cultivated by ambitious politicians? This would not be wise statesmanship, Mr. President. It is not only not wise, but approaches very close to the verge of criminal neglect.

As a rule the people do not complain without a cause, for the sake of complaining. They realize their wants and necessities much better than is supposed. Their cries for financial relief amount now almost to a lamentation, and if not heeded and acted upon will swell into a loud and irresistible demand, which will assert itself in no uncertain manner at the ballot box.

Wild and untenable vagaries may rise to the crest of the waves of popular agitation, but they will become tame and harmless theories beside the storm of indignant protestations which will press them aside for more positive and radical measures.

Various plans of relief have been, and are being, suggested. Some of them, I think, are mischievous and dangerous, but they are all symptoms of disease, of popular discontent, and unrest. These complaints of the people are not imaginary. They are well founded and based on a deep-seated cause. Our financial system and policy is defective, unjust, ruinous to large classes of the people. It enables a few centers and a few persons to get possession of the currency and hold it from millions of their fellow-citizens upon their own terms. It enables them to hoard the money of the country, and say how much of it shall go out, and upon what terms. You may say that this will be true under any system, but the financial history of this country does not sustain the proposition. It was never true prior to 1863—when the national banking system went into operation, and the national Government delegated to a few persons the power to issue the currency for all the people—except such as it reserved to itself the exclusive right to issue.

I have no war to make on the national banks. I have conceded their value and advantages. They were valuable aids to the Government at the time they were organized, but they have served their purpose. They have been the pampered pets of the

Government, and after thirty years of existence if they can not stand alone on their own merits they should go under. The Government laid the strong arm of its taxing power on State banks for their benefit. It taxed the State banks out of existence; it destroyed them for the benefit of national banks. These laws should now be repealed.

I assume it can not be successfully argued that this tax by Congress on the circulation of State banks is unconstitutional, as the Supreme Court has held, in the case of *Veazy Bank vs. Fenno* (8 Wall), that Congress may employ the taxing power to destroy—but it is a question of very doubtful constitutionality whether Congress may use the taxing power solely for the purpose of destroying, and without the raising of revenue being the incident or purpose of its exercise.

The two sections of the statute under which this tax is imposed are as follows:

SEC. 3412. Every national banking association, State bank, or State banking association, shall pay a tax of 10 per cent on the amount of notes of any person, or of any State bank or State banking association, used for circulation and paid out by them.

SEC. 3413. Every national banking association, State bank, or banker, or association, shall pay a tax of 10 per cent on the amount of notes of any town, city, or municipal corporation, paid out by them.

I have not examined the reports of the Treasury Department to ascertain whether any revenue is collected under the provisions of this law, but I feel safe in saying not one dollar goes into the public Treasury from this source.

The law, as was intended, has simply driven the objects of taxation out of existence in the interest of the national banks, and nothing is left upon which it can operate. It is a matter of grave doubt in my mind whether Congress may constitutionally do this.

But let that pass and let us turn to the inquiry as to what would be the effect of the repeal. Would it destroy the national banks? By no means. The tendency in national banking associations is to reduce their currency or circulation to the lowest possible limit. If some other security is not provided for their circulation they must cease to exist by operation of law when the United States bonds held for security are redeemed, and the last of these become due and payable in 1907. There is no indication that Congress will substitute anything in their stead, and this currency must therefore eventually be withdrawn from circulation. Possibly they may be continued as banks of discount and deposit, but not as circulation. I do not see, therefore, how the repeal of this tax is to affect the national banks. Will it restore the State banks? This will not necessarily follow, but it will open the door for their restoration if the people of the States desire them.

My own judgment is the rehabilitation of the State banks of issue will meet the demands of the financial situation more effectually and completely than any measure that can be undertaken. It would decentralize the fiscal affairs of the country, localize them, and bring about that fair and natural distribution of money now denied under the present system. It would enable every man of credit and standing to procure, in his own vicinity, the money necessary for his wants.

I am fully aware of the arguments urged against State banks of issue, and admit their force. Among other things, it is urged

that the currency will not be uniform, and on that account inconvenient and insecure to the holders of the bank bills; that "wild-cat" banking will take the place of the present uniform and safe system of national banking; that the security for the bank bills will be inadequate and insufficient, thereby entailing loss upon the bill-holders; that exchanges can not be safely made and business in different sections can not be conveniently transacted. Those who advance these arguments, Mr. President, lose sight of several important considerations which should have weight in determining so important a question.

In the first place, the science or business of banking has made great progress in the last thirty years; business methods have been improved, and ventures then entered upon would not now be tolerated for a day in the business and financial world. Why? First, because of more accurate and superior knowledge; second, because railroads and the telegraph have brought business men into juxtaposition, and the touch is felt from one end of the country to the other—I might say from one end of the civilized world to the other—we now have no frontier. Railroads and the telegraph have obliterated that field for "wild-cat" banking, and such enterprises would find neither home nor habitation for their operation. Besides these general considerations, why can not the States be trusted to provide restrictions for banking as stringent and safe as those of the National Government upon national banks?

The same supervision may be exercised, the same or similar rules as to reserves, liability of stockholders, the same or similar methods for the protection of bill-holders, may be imposed. Why may not the State provide that its own bonds, if it has any, and if not, such well-recognized solvent bonds as it may designate, may be used by State banks as security for their circulation? This would have the double effect of improving the credit of the State, retaining capital for investment within its own borders, and at the same time furnishing a safe security for the circulation necessary for the people.

Clearing houses, as now employed by national banks, could be instituted for State banks. They would enforce the greatest conservatism in bank management, and impart to the State-bank currency a quality of safety and security that would cause it to circulate generally without restraint. Why should it not? A State could not afford to permit loose and reckless banking. Every sentiment of interest and State pride would forbid. Every consideration of prudence and business experience would make such a thing intolerable. I can recall the fact that the bills of many of the banks of South Carolina and other States, for years prior to year 1861, passed current in all parts of the country without question, because it was known they were managed prudently and conservatively, and we should have a similar experience if they were revived.

But, Mr. President, I am not so much concerned about the want of uniformity in State-bank circulation. This quality, this lack of uniformity, has its advantages, which, I think, outweigh the disadvantages. It would result in bringing the currency back to the locality from which it emanates, there to be employed by the people in their local wants, and in that way correct the evil to which I have referred of accumulating the currency in remote centers, from which it can not be recovered by the people

who must have it, except upon hard terms. I care not how much you increase the volume of currency under the present system, this same evil will confront us, this same ruinous ebb and flow of money would obtain whatever the volume of currency. For the sake of argument I will concede that the State-bank currency may not be uniform, but it will answer for all local business purposes.

The insolvent laws, the divorce laws, the inheritance laws, the testamentary laws, the laws of evidence, the jury laws, the criminal laws, the road and corporation laws, of the several States are not uniform, and yet the whole country has prospered and progressed and developed under them. It is this divergence of local State systems and uniformity of the paramount Federal system which gives such strength to our fabric of Government. I, therefore, do not regard uniformity so essential, although I believe a few years of prudent management would remove whatever of inconvenience that might arise from this source.

But why depend upon State-bank circulation to regulate exchanges between the several States or for the convenience of travel to and from different parts of the country? What is to become of the one thousand six hundred millions of national currency now in existence? Is that to be destroyed by State banks? Why can not this currency be used as at present in the matter of exchanges between the States if the State-bank circulation could not be made available for that purpose? This currency may eventually be reduced by the amount of the national-bank circulation, but that amounts to only \$168,000,000. So that I apprehend no trouble in conducting our business transactions in the several States, not only for the reasons I have just assigned but for those given in another part of my remarks.

I believe, furthermore, that the rehabilitation of State banks would settle all controversies over the silver question. Whether they are reestablished or not, I have no doubt but that free silver coinage may be safely resumed by the Government on the present ratio, and I should cheerfully vote for a bill for that purpose, but I shall not now enter upon a discussion of that question, further than to say, that in my opinion, the importance of free and unlimited coinage of silver is greatly exaggerated by both sides of the controversy. It would not bring the relief claimed by its advocates, and would not do the damage contended for by its opponents. That good would result to the whole body of the people, I have no doubt, and I, therefore, favor it. But that it will relieve the financial stringency under which we are laboring, or cure the evils complained of, I do not believe.

The free coinage of silver would alleviate the distress very greatly, and do no injury to any fair-minded, honest man, I care not what form of contract he may have entered into. The suggestion that it would drive gold out of the country or operate as a repudiation of obligations is, in my judgment, without substance or foundation.

When State banks were in existence, silver and gold coin were used on terms of perfect equality as security for their circulation. Nobody ever questioned their equality, when they bore exactly the same relation to each other, that they do to-day. Nobody inquired, or cared to inquire, in those days. So long as

the banks had coin, whether of gold or silver, to support their circulation, confidence was assured, and when it became necessary, under financial stress, to suspend specie payment, no preference was given to the one coin or the other.

Mr. COKE. Will the Senator allow me to interrupt him right there?

Mr. BUTLER. Certainly.

Mr. COKE. I ask the Senator if we had the free coinage of silver would it not be a great auxiliary to the appliances for establishing State banks in giving them a coin basis?

Mr. BUTLER. I am just coming to that, Mr. President. In my own State, and doubtless in others, banks were allowed to issue three dollars of paper for one of coin, of gold or silver, and even with this latitude they maintained their credit, when prudently managed, and supplied a currency that proved adequate for all business purposes. Of course this latitude would not be admissible at the present day; would not be expected, and would not be allowed, but a plan of redemption could be required that would make the holders of State-bank bills as secure as the holders of national-bank bills. The free coinage of silver would enlarge the metal money of the country, and thus furnish to the banks whatever of coin might be required for their reserves, give employment to all the silver that could be coined, and injure nobody. The simple truth is that metallic currency is only fit to be used as a bank reserve or as security for circulation, except so much as may be necessary for actual circulation, and this amount is necessarily very limited.

I repeat, therefore, that the repeal of this tax and reestablishment of State banks of issue would settle all controversies over the silver question. If I could get an international monetary arrangement so much the better, but the best way to bring about an international arrangement is to restore silver in this country to its legitimate sphere of free and unlimited coinage, with full legal-tender power.

It may not be entirely appropriate in this connection to discuss the constitutional authority of the States to create banks of issue, as this will not be denied, but it might be well to refresh our minds on this point, and I will therefore read some extracts from the opinions of the court in the case cited above, *Veazy Bank vs. Fenno*. The court was not unanimous in rendering judgment sustaining the constitutionality of the 10 per cent tax on State banks.

Mr. Justice Nelson and Mr. Justice Davis filed a dissenting opinion, in which they say, among other things, on page 550, 10 Wallace—I shall read rather freely from this dissenting opinion, not, of course, with a view of claiming that it upsets the opinion of the majority, but with a view of giving some historical information which I think will be valuable in regard to the proposed legislation:

The constitutional authority of the State to create these institutions to invest them with full banking powers, is hardly denied. But useful to recur for a few moments to the source of this authority.

The tenth amendment to the Constitution is as follows: The powers not delegated to the United States by the Constitution, nor prohibited to the States, are reserved to the States respectively, or to the people. Looking into the Constitution, it will be found that there is no clause or provision which either expressly, or by reasonable implication, delegates this power to the Federal Government, which originally belonged to the States, nor which prohibits it to them. In the discussions on the subject of the

creation of the first bank of the United States, in the first Congress, and in the Cabinet of Washington, in 1790 and 1791, no question was made as to the constitutionality of the State banks. The only doubt that existed, and which divided the opinion of the most eminent statesmen of the day, many of whom had just largely participated in the formation of the Constitution, the Government under which they were then engaged in organizing, was, whether or not Congress possessed a concurrent power to incorporate a banking institution of the United States.

* * * * *

Since the adoption of the Constitution down to the present act of Congress, and the case now before us, the question in Congress and in the courts has been not whether the State banks were constitutional institutions, but whether Congress had the power conferred on it by the States to establish a national bank. As we have said, that question was closed by the judgment of this court in *McCulloch vs. The State of Maryland*. At the time of the adoption of the Constitution there were four State banks in existence and in operation—one in each of the States of Pennsylvania, New York, Massachusetts, and Maryland. The one in Philadelphia had been originally chartered by the confederation, but subsequently took a charter under the State of Pennsylvania. The framers of the Constitution were therefore familiar with these State banks, and the circulation of their paper as money, and were also familiar with the practice of the States that was so common, to issue bills of credit, which were bills issued by the State exclusively on its own credit, and intended to circulate as currency, redeemable at a future day. They guarded the people against the evils of this practice of the State government by the provision in the tenth section of the first article: "That no State shall * * * emit bills of credit," and in the same section guard against any abuse of paper money of the State banks in the following words: "Nor make anything but gold and silver coin a tender in payment of debts." As bills of credit were thus entirely abolished, the paper money of the State banks was the only currency or circulating medium to which this prohibition could have had any application, and was the only currency, except gold and silver, left to the States. The prohibition took from this paper all coercive circulation and left it to stand alone upon the credit of the banks.

It was no longer an irredeemable currency, as the banks were under obligation, including, frequently, that of its stockholders, to redeem their paper in circulation in gold or silver at the counter. The State banks were left in this condition by the Constitution, untouched by any other provision. As a consequence they were gradually established in most or all of the States, and had not been encroached upon or legislated against, or in any other way interfered with, by acts of Congress, for more than three-quarters of a century—from 1787 to 1864.

But, in addition to the above recognition of the State banks, the question of their constitutionality came directly before this court in the case of *Briscoe vs. The Bank of the Commonwealth of Kentucky*.

The case was most elaborately discussed, both by counsel and the court. The court, after the fullest consideration, held that the States possessed the power to grant charters to State banks; that the power was incident to sovereignty, and that there was no limitation in the Federal Constitution on its exercise by the States. The court observed that the Bank of North America and of Massachusetts, and some others, were in operation at the time of the adoption of the Constitution, and that it could not be supposed the notes of the banks were intended to be inhibited by that instrument, or that they were considered as bills of credit, within its meaning. All the judges concurred in this judgment except Mr. Justice Story. The decision in this case was affirmed in *Woodruff vs. Trapnall*, in *Darrington vs. The Bank of Alabama*, and in *Curran vs. State of Arkansas*.

The PRESIDENT *pro tempore*. The Senator from South Carolina will please suspend. The hour of 2 o'clock having arrived, it is the duty of the Chair to lay before the Senate the unfinished business.

The CHIEF CLERK. A bill (S. 51) to provide for the free coinage of gold and silver bullion, and for other purposes.

Mr. HARRIS. I ask unanimous consent that the unfinished business be informally laid aside in order that the Senator from South Carolina may conclude his remarks.

The PRESIDENT *pro tempore*. The Senator from Tennessee asks the consent of the Senate that the unfinished business be informally laid aside that the Senator from South Carolina may

continue his remarks. The Chair hears no objection, and the Senator from South Carolina will proceed.

Mr. BUTLER. One other quotation, Mr. President, of a somewhat historical nature from the same decision:

The act of Congress, July 13, 1866, declares, that the State banks shall pay 10 per cent on the amount of their notes, or the notes of any person, or other State bank, used for circulation, and paid out by them after the 1st of August, 1866. In addition to this tax there is also a tax of 5 per cent per annum upon all dividends to stockholders, besides a duty of one-twenty-fourth of 1 per cent, monthly, upon all deposits, and the same monthly duty upon the capital of the bank. This makes an aggregate of some 16 per cent imposed annually upon these banks. It will be observed, the tax of 10 per cent upon the bills in circulation is not a tax on the property of the institutions. The bills in circulation are not the property, but the debts of the bank, and, in their accounts of debits and credits, are placed to the debit side. Certainly no government has yet made the discovery of taxing both sides of this account, debit and credit, as the property of a taxable person or corporation.

If both these items could be made available for this purpose a heavy national debt need not create any very great alarm, neither as it respects its pressure on the industry of the country, for the time being, or of its possible duration. There is nothing in the debts of a bank to distinguish them in this respect from the debts of individuals or persons. The discounted paper received for the notes in circulation is the property of the bank and is taxed as such, as is the property of individuals received for their notes that may be outstanding.

The imposition upon the banks can not be upheld as a tax upon property; neither could it have been so intended. It is simply a mode by which the powers or faculties of the States to incorporate banks are subjected to taxation, and which, if maintainable, may annihilate those powers.

I observe that the Chief Justice, who was the organ of the court, in delivering the opinion touched upon that suggestion, and seems to have qualified somewhat the force of the opinion as delivered. He says, on page 541:

There are, indeed, certain virtual limitations, arising from the principles of the Constitution itself. It would undoubtedly be an abuse of the power if so exercised as to impair the separate existence and independent self-government of the States or if exercised for ends inconsistent with the limited grants of power in the Constitution.

Mr. Justice Nelson goes on in his dissenting opinion and says:

No person questions the authority of Congress to tax the property of the banks, and of all other corporate bodies of a State, the same as that of individuals. They are artificial bodies, representing the associated pecuniary means of real persons, which constitute their business capital, and the property thus invested is open and subject to taxation, with all the property, real and personal, of the State. A tax upon this property, and which, by the Constitution, is to be uniform, affords full scope to the taxing power of the Federal Government, and is consistent with the power of the States to create the banks, and, in our judgment, is the only subject of taxation by this Government to which these institutions are liable.

As we have seen in the foregoing part of this opinion, the power to incorporate banks was not surrendered to the Federal Government but reserved to the States; and it follows that the Constitution itself protects them, or should protect them, from any encroachment upon this right. As to the powers thus reserved the States are as supreme as before they entered into the Union, and are entitled to the unrestrained exercise of them. The question as to the taxation of the powers and faculties belonging to governments is not new in this court.

Again, on page 556:

It is true that the present decision strikes only at the power to create banks, but no person can fail to see that the principle involved affects the power to create any other description of corporations, such as railroads, turnpikes, manufacturing companies, and others.

This taxation of the powers and faculties of the State governments, which are essential to their sovereignty, and to the efficient and independent management and administration of their internal affairs, is for the first time, advanced as an attribute to Federal authority. It finds no support or countenance in the early history of the Government, or in the opinions of the illustrious statesmen who founded it. These statesmen scrupulously ab-

tained from any encroachment upon the reserved rights of the States; and, within these limits, sustained and supported them as sovereign States.

We say nothing as to the purpose of this heavy tax of some 16 per cent upon the banks, 10 of which we can not but regard as imposed upon the power of the States to create them. Indeed, the purpose is scarcely concealed in the opinion of the court, namely, to encourage the national banks. It is sufficient to add that the burden of the tax, while it has encouraged these banks, has proved fatal to those of the States, and if we are at liberty to judge of the purpose of an act from the consequences that have followed, it is not perhaps going too far to say that these consequences were intended.

And now, Mr. President, once more recurring to the question of the sufficiency of the volume of our currency, permit me to reinforce my opinion that it is not large enough by a comparison which is striking and conclusive. I will make this comparison in my own State, as I am more familiar with financial and business matters there than elsewhere.

The population of South Carolina in 1860 was 291,300 white and 412,300 colored, the latter slaves. It will be borne in mind that the colored people, as slaves, had occasion or opportunity to handle very little money as they were supported and maintained by their owners. It will also be borne in mind that almost the entire business of the State was conducted by the whites, so that the 291,300 white persons may be adopted as the basis for estimating the per capita of circulation in that State.

The population in 1890, all free, was 1,151,149. Of course, more currency would be required for the latter period than the former, but we find a strikingly different condition of affairs. Some time since I addressed a letter of inquiry to the comptroller-general of South Carolina, requesting him to inform me as to the amount of bank capital and bank circulation in that State for the decades of 1850-'60, and 1880-'90, with several collateral questions of not so much importance.

The following is his courteous reply:

EXECUTIVE DEPARTMENT,
OFFICE OF COMPTROLLER-GENERAL,
Columbia, S. C., March 9, 1892.

DEAR SIR: In reply to yours of the 6th instant, it is very much to be regretted that this office does not contain the information you desire. Unfortunately our laws do not provide any means or give any authority for the collection and filing of statistics as you inquire about since 1880 and before, and which in my opinion are of great public interest. Some of the older banks or bankers of the State or the American Association of Bankers most likely can give it.

Very respectfully,

W. H. ELLERBE,
Comptroller-General.
Per NORTON.

Gen. M. C. BUTLER,
United States Senate, Washington, D. C.

Accompanying this letter was a communication containing some statistics, which, owing to incompleteness of the records, are only partial, but I incorporate it, throwing as it does some light on the subject of inquiry.

EXECUTIVE DEPARTMENT,
OFFICE OF COMPTROLLER-GENERAL,
Columbia, S. C., March 9, 1892.

DEAR SIR: The records of this office, as shown by the reports of the comptroller-general of the State, are not entirely complete, and such facts as I am able to give you for the period from 1850 to 1860 (1880 to 1890 being already given) may not prove altogether satisfactory to you, as it is not to myself. The clerical force, allowed by law hinders very much the collating and getting together such information as you desire.

I will give you the amounts as shown by comptroller-general's report for two extremes, viz: 1850 and 1890.

This report shows for 1850, capital of bank of State \$1,122,460.63; bank notes issued, Charleston and Columbia, \$1,760,098. (From annual statement of bank, October 1, 1850.)

The last quarterly reports of banks for this year (ending 30th September, 1850) capital was \$5,991,835.63; bills in circulation, \$2,769,531.99. This includes above figures, and it seems there were other banks in the State at this period other than the eight reporting as above to comptroller-general. The report of comptroller-general for 1858-'59 and '60, are not to be found in office, but in 1857 the total amount of capital of banks reporting to comptroller-general, 30th September, not including the Bank of the State, was \$14,837,642.25; bills in circulation, \$7,105,170.51. Bank of State: Capital, \$1,104,367.25, and bank notes issued, \$2,368,928.12.

The State librarian possibly could give you figures nearer your wishes, as doubtless the records there are not broken as in this office as to this period. I have depended for these figures entirely upon reports of comptroller-general, and not records of office as kept by bookkeepers, etc.

Regretting that my facilities are not better for complying with your request, I am

Yours, sincerely,

W. H. ELLERBE, *C. G.*
Per NORTON, *C. C. G.*

Gen. M. C. BUTLER,
Washington, D. C.

Not being able to procure the information as fully as I desired from this source, for the reasons assigned by the comptroller-general, I addressed a similar letter to Mr. Thaddeus Street, long a member of the Charleston Chamber of Commerce, an intelligent business man of that city, and the following is his reply:

CHARLESTON, S. C., *March 14, 1892.*

MY DEAR SIR: Your esteemed favor of the 10th instant came duly to hand. The information asked for is not easily obtainable owing to the loss of records, but after careful research I am able to give you fair answers to your questions:

First. The banking capital in South Carolina for the decade from 1850 to 1890 was about \$18,000,000.

Second. The circulation was about \$10,000,000.

Third. The capital of South Carolina banks varied considerably between 1880 and 1890 as some of the Charleston banks found it advisable and profitable to reduce their capital, but in 1890 it amounted to about \$4,200,000.

Fourth. I think the bank circulation in 1890 was about \$550,000, but you can get the exact information by applying to the Comptroller of the Treasury at Washington. You may be assured that I shall at all times be pleased to serve you.

Yours, very truly,

THADDEUS STREET,

Hon. M. C. BUTLER,
Senator from South Carolina, Washington, D. C.

Not content to leave the matter here, I applied to the Comptroller of the Currency with a like request, and here is his answer:

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., March 17, 1892.

SIR: I have the honor to acknowledge receipt of your letter of 14th instant, contents of which have my careful attention.

I herewith inclose a statement which will give you the information asked for in the third, fourth, fifth, and sixth inquiries made in your letter.

It is regretted that the records of this office do not enable me to furnish you the information asked for under inquiries one and two of your letter, but you are respectfully referred to the annual report of Comptroller Knox for the year 1874, which contains much valuable information on the subject of State banks, and from which you may be able to obtain reference to some work which will furnish the statistics you desire.

Respectfully, yours,

E. S. LACEY, *Comptroller.*

Hon. M. C. BUTLER,
United States Senate.

Statement showing amount of capital stock and amount of circulation outstanding for national banks in the State of South Carolina for each year from 1880 to 1890, both inclusive; also number of such banks for each year.

Year.	No. of banks.	Capital stock.	Circulation outstanding.
1880.....	12	\$2,449,900	\$1,331,300
1881.....	13	1,885,000	1,187,190
1882.....	13	1,885,000	1,169,885
1883.....	13	1,885,000	1,118,135
1884.....	14	1,935,000	1,096,485
1885.....	14	1,935,000	1,002,445
1886.....	16	1,779,100	874,135
1887.....	15	1,698,000	559,875
1888.....	16	1,773,000	430,030
1889.....	16	1,798,000	391,120
1890.....	16	1,798,000	389,965

Maximum amount of national-bank circulation outstanding at any time was, on October 1, 1882..... \$362,889,134
 Amount of national-bank circulation outstanding on March 16, 1892..... 172,533,762

A recapitulation of the foregoing facts shows that South Carolina in 1860, with a population of free inhabitants of 291,300 to 412,300 slave, had \$18,000,000 of bank capital and \$10,000,000 of bank circulation, while in 1890, with a population of 1,151,000, all free, she had only \$1,798,000 of bank capital and \$389,965 of bank circulation. I do not pretend that this is the only currency in circulation. The other kinds of national currency—greenbacks, gold and silver certificates, gold and silver coin—circulate in that State as elsewhere, but not in quantities approximating \$10,000,000. Just how much in addition to the national-bank notes set forth above nobody can accurately estimate, but it is safe to say it will not reach the half the \$10,000,000, while there are nearly five times the free inhabitants.

Nor do I claim that the national-bank capital of \$1,798,000 embraces all the bank capital in that State. We have about \$4,000,000 of State and national bank capital against the \$18,000,000 in 1860.

Now, Mr. President, the simple recital of these facts tells the whole story of the currency famine in the South, for what is true of South Carolina in a greater or less degree is true of the entire section and of the West also.

I am sure I have not overstated the situation at all. Nor have I exaggerated the real condition of affairs. It can not be denied that the exigency urgently demands Congressional action, and that some measures of relief should be promptly afforded. In my judgment no greater or more satisfactory measures of relief could be adopted than the repeal of the 10 per cent tax on State bank circulation.

If this is done I should expect to see a revival of prosperity never before experienced. I should look forward with confidence to a long period of contentment and progress among the people of all sections which would redound to the happiness of all.

It is encouraging to note that one of the great political parties—the Democratic—has, at its recent national convention at Chicago, adopted, as one of the planks of its party platform, a proposition to repeal this tax.

I should regret to see this made a party question; but it is a most hopeful sign that the party which had 100,000 majority in the popular vote at the last Presidential election has embraced this within its party creed and made it a prominent feature of its party policy.

Mr. President, I ask that the resolution lie over for the present. It is unnecessary to refer it to the Committee on Finance, that committee having reported adversely on a bill introduced, I believe, by my friend from Tennessee [Mr. HARRIS].

The PRESIDENT *pro tempore*. The resolution will lie on the table.

