

THE LAND LOAN BILL.

REMARKS

OF

HON. WM. A. PEFFER,
OF KANSAS,

IN THE

SENATE OF THE UNITED STATES,

JANUARY 21, 1892.



WASHINGTON,
1892.

THE LAND LOAN BILL.

REMARKS

OF

HON. WILLIAM A. PEFFER.

The Senate having under consideration the bill (S. 1204) to provide the Government with means sufficient to supply the national want of a sound circulating medium—

Mr. PEFFER said:

Mr. PRESIDENT: The details of this bill need not now be considered, and it would be equally useless at this time to discuss the particular plan by which its provisions are to be carried into effect. It is the principle of the bill which first concerns us, the doctrine it embodies, the proposition it involves. Until that is conceded it is folly to go further. The bill assumes that the people, through the agency of the Government which they have created, not only may or can, but that they ought to supply themselves with what money they need, and that borrowers ought to have the use of money at a low rate of interest. It is to that assumption that I desire to address myself.

When we look backward over the progress of this century and see how far we have come, it seems strange that we are just at the threshold of the greatest problem of all the centuries, the equitable distribution of the products of labor; that we are only beginning to learn the powers which justly belong to the government of a free people, and to see how admirably adapted to the demands of a high civilization our own Government is.

An intelligent discussion of this bill requires, at the outset, a consideration of some of the powers which were granted to the Federal Government, and the reasons therefor. The crucial period in our early history was that between the close of the Revolutionary war and the organization of government under the Constitution. The union of the colonies was a confederation entered into for purposes of mutual defense. They had not surrendered their sovereignty. They had not established a federal government. The people did not constitute a nation. They joined forces in a war in which they had a common interest, and at its close they found themselves politically independent, but still commercially prostrate before their old enemy, and a prey to the rapacity of maritime powers.

Six years of political confusion, six years of commercial slavery, six years of local conflicts among a people of common origin, of similar history, speaking the same language and worshipping the same God, wrought a new revolution; order came out of chaos, and in the travail of the time this nation was born. Its coming

was as natural as the birth of a child. All things were ready, and the time had come. The people, having learned the weakness of division and the danger of delay, formed a more perfect Union by ordaining and establishing a Constitution and organizing a Government with plenary powers concerning all matters which had occasioned them most trouble in their divided condition, chief among which were taxation and commerce.

All legislative authority of the new Government was vested in a Congress, and in the enumeration of many powers granted, the first relates to laying and collecting taxes; the second, to borrowing money; the third, to regulating commerce; the fourth, to naturalization and bankruptcy; the fifth, to money and weights and measures. After expressly mentioning these and many others, the last grant of power is this:

To make all laws which shall be necessary for carrying into execution the foregoing powers, and all other powers vested by this Constitution in the Government of the United States, or in any department or officer thereof.

The government of a monarchy is the machinery by which the imperial will is applied in the laws. The government of a republic is the agency through which the popular will is to be expressed and the people's judgment executed. In this country we have conferred upon the Government certain specific powers relating to matters which pertain to the general welfare; then we authorize Congress to provide the means necessary to make these powers effective in legislation.

When we speak of the Government, we do not refer to some great unknown or untried power, some foreign entity separate and apart from ourselves, our institutions and our country; nor do we allude to a paternal potentate, prince or power, endowed with fatherly instincts, whose watchful care directs our way and guards our interests. Paternalism is an exotic; it does not flourish in a Republic where the people are the source of power.

The Government of the United States was organized by the people not as a disconnected body to control their affairs and provide for their wants, but as a direct agency for the execution of great powers—to "establish justice, secure domestic tranquillity, provide for the common defense, and promote the general welfare." It is a government clothed with the power of the people, established for their convenience and benefit. When we assert that the Government acts, it is equivalent to saying the people move. If the Government declare war, build a railroad, or create money, it but carries into effect what the people, in one form or other, had determined should be done. The Government is the child of the people, not their father.

The authority of Congress over the subject of money is absolute and without limit. It is expressly granted in two separate clauses of the Constitution—one relating to commerce among the several States, the other to the coining of money and regulating the value thereof. Either would be sufficient to confer all the power needed. Indeed, the power would exist without a grant; it belongs to a nation as an incident of sovereignty, the same as any other power necessary to perpetuate government and insure the comfort and convenience of the people. The authority has been voluntarily bestowed by those in rightful possession of it, and in language so plain as to be unmistakable.

FRF

This doctrine was taught by the fathers, though they differed about its proper application. One party urged it when favoring the United States bank policy; the other party, with equal assurance of its soundness, applied it to the theory of a Government supply of money, independent of banks. Thomas Jefferson, in a letter to John W. Epps, June 24, 1813, wrote:

And so the nation may continue to issue its bills as far as its wants require and the limit of its circulation will admit.

Again, in another letter to the same person, September 11, 1813, he said:

Bank paper must be suppressed, and the circulating medium must be restored to the nation to whom it belongs.

President Madison, in a message to Congress, December 3, 1816, said:

But for the interest of the community at large, as well as for the purposes of the Treasury, it is essential that the nation should possess a currency of equal value, credit, and use wherever it may circulate. The Constitution has intrusted Congress exclusively with the power of creating, and regulating a currency of that description.

Daniel Webster, in an argument delivered in the Senate, January 31, 1833, said:

The constitutional power vested in Congress over the legal currency of the country is one of its very highest powers, and the exercise of this high power is one of the strongest bonds of the union of the States. * * * It is not to be doubted that the Constitution intended that Congress should exercise a regulating power, a power both necessary and salutary, over that which should constitute the actual money of the country whether that money were coin or the representative of coin. So it has always been considered.

This matter has been judicially determined several times. The Supreme Court, in the "legal-tender" cases, 12 Wallace, United States Supreme Court Reports, 545 *et seq.*, say:

The Constitution was intended to frame a government as distinguished from a league or compact, a government supreme in some things over States and people. It was designed to provide the same currency having a uniform legal value in all the States. It was for this reason the power to coin money and regulate its value was conferred upon the Federal Government, while the same power to emit bills of credit was withheld from the States. The States can no longer declare what shall be money or regulate its value. Whatever power there is over the currency is vested in Congress. If the power to declare what is money is not in Congress it is annihilated. * * *

And, generally, when one of such powers was expressly denied to the States only, it was for the purpose of rendering the Federal power more complete and exclusive; how sensible, then, its framers must have been that emergencies might arise where the precious metals might prove inadequate to the necessities of the Government and the demands of the people—when it is remembered that paper money was almost exclusively in use in the States as a medium of exchange, and when the great evil sought to be remedied was the want of uniformity in the current value of money; it might be argued, we say, that the gift of power to coin money and regulate the value thereof was understood as conveying general power over the currency, and which had belonged to the States and which they had surrendered. * * *

By the obligation of a contract to pay money is to pay that which the law shall recognize as money when the payment is to be made. If there is anything settled by decision it is this, and we do not understand it to be controverted. No one ever doubted that a debt of \$1,000, contracted before 1834, could be paid with 100 eagles coined after that year, though they contained no more gold than 94 eagles when the contract was made, and this is not because of the intrinsic value of the coin, but because of its legal value. The eagles coined after 1834 were not money until they were authorized by law, and had they been coined before, without a law fixing their legal value, they could no more have paid a debt than uncoined bullion or cotton or wheat.

As to the express grant there can be no dispute, but there is some difference of opinion concerning the nature, scope, and ex-

PEF

tent of the implied powers. We are pretty well agreed upon what commerce means, and there is no disposition to question the right of Congress to exercise supervisory powers over it in a general way; but where is the limit of jurisdiction and what may be justly excluded from Congressional oversight? Commerce is defined to be "the exchange or buying and selling of commodities; especially the exchange of merchandise on a large scale between different places or communities; extended trade or traffic."

The internal commerce of the United States is enormous, twenty times greater than our foreign trade; greater than the entire foreign commerce of all the great nations of Europe. The Pennsylvania Railroad system alone, according to Mr. Carnegie, transports more tonnage than all the merchant ships of Britain. In carrying on this immense trade nearly one-half the railway mileage of the world is used, half a million men are employed, and a vast number of locomotives, cars, boats, ships, and other vehicles and implements are in constant use. Every one of these items is subject to Congressional control if it be used in interstate commerce. Congress exercises control over navigable waters, and the boats floated on them, and we have gone so far along the line of interstate-railway traffic as to bring it all under one general rule, prohibiting unjust discriminations and unreasonable charges.

We are exercising similar control over money, and it is because money, like cars and ships, is an instrument of commerce. In the march of civilization we have come to a plane where vehicles for moving values are as needful as vehicles for moving commodities. Our bank exchanges in a single year amount to over \$18,000,000,000. Dimes, dollars, and eagles are as much instruments of commerce as are cars, locomotives, and steamboats. The power to regulate one includes the power to regulate all. And we are not without authority and precedent in this matter. Economists and statesmen agree that money is a necessary factor in commercial transactions, and our Government has many times exercised authority over the use of money, not only in the mints and in the Treasury, but in the hands of the people.

During sixty-nine years of our national life the Government fixed the rate of interest which citizens should pay for the use of money. Under the two acts establishing United States banks (in force forty years) the rate of interest was fixed at 6 per cent. The rate prescribed in the present national banking law is the legal rate in States where the banks are situated and 7 per cent where there is no legal rate fixed by the State law. In addition to this, the statute prescribes the kind of security which may be taken—personal security.

It is submitted, Mr. President, that in the light of our own history, it is rather late to question either the authority or the propriety of the people preparing and issuing money for their own use when they need it. Every one of the American colonies, at times when they were without gold or silver coin, prepared, issued, and used paper money. The seven years' war of the Revolution was fought to successful conclusion on paper money; and our new Government began the issue of paper before it was three years old. Bank notes were issued in 1791, and Treasury notes

PEF

followed quickly after the first bank charter expired in 1811. Treasury notes were issued in 1812, 1813, 1814, and 1815.

The second United States bank was established in 1816, continuing twenty years, to 1836. Treasury notes were issued in 1837, 1838, 1840, 1841, 1842 (two issues), 1843, 1846, 1847, 1857, 1860, and 1861.

Besides these issues of notes under authority of acts of Congress, local banks in all parts of the country were issuing notes under State laws. And all this in order to satisfy the public need of money. When the slaveholders' rebellion brought war upon us in 1861, coin ceased to circulate among the people, the national Treasury was empty, banks suspended specie payments, and the most perplexing question before Congress was how to procure money with which to prosecute the war. The defects and inconveniences of bank notes issued under authority of State laws became painfully apparent, and the financiers of that day set about to devise a "national currency."

Early in 1863 the scheme took form in an act of Congress entitled "An act to establish a national currency." In the mean time several acts had been passed authorizing the issue of Treasury notes and United States notes to a large amount, some of them being declared "lawful money," and were made legal tender in payment of all debts except for duties on imports and interest on the public debt. During the four years of that war Government paper issued under various acts of Congress, and which was used and reported as currency or as money, was \$3,309,271,327.45, as appears from the following table, found on page 60 of the report of the Treasurer of the United States, 1891: [For table see page 8.]

The amount outstanding at the beginning of the fiscal year 1866, exactly stated in the finance report for that year at pages 25, 104, and 168, was \$1,942,842,630. And this does not include national-bank notes. When that money was issued it was not expected by the Government officers that it would be kept and used as a permanent currency. It was believed that national-bank notes would take its place. Within four years after the war closed there was but little of it left in circulation except that part of it technically designated "United States notes," commonly known as "greenbacks." The retirement of this particular class of paper was suspended by act of Congress in the early part of 1868 (February 4), and it served the purposes of a "national currency" so admirably that by the act of Congress of May 31, 1878, it was made part of the permanent money of the country, and the Supreme Court held the money good.

Thus it appears that from the beginning we have been accustomed to the use of paper money, and in every instance when coin was so scarce as to imperil the public credit or greatly inconvenience the people Congress provided Treasury notes for temporary use. Our experience during the great war and since has taught us that, under some circumstances at least, we may use paper money safely; and it is now quite generally conceded that whatever of that sort of money we do use ought to be prepared and issued by the General Government so that it shall form a national circulating medium, having equal value in all parts of the country.

PEF

XXI *United States currency of each class, together with one and two year notes and compound-interest notes, issued, redeemed, and outstanding at the close of the fiscal year 1891.*

Class.	Issued during year.	Total issued.	Redeemed during year.	Total redeemed.	Outstanding.
Old demand notes		\$60,030,000.00	\$385.00	\$59,974,852.50	\$55,647.50
United States notes	\$70,792,000	2,492,921,898.00	70,792,000.00	2,056,240,792.00	346,681,016.00
Treasury notes of 1890	51,852,417	51,852,417.00	1,624,000.00	1,624,000.00	50,228,417.00
Currency certificates	39,440,000	941,735,000.00	28,050,000.00	917,955,000.00	23,780,000.00
Gold certificates	63,520,000	1,450,359,880.46	68,601,550.00	1,297,898,451.46	152,461,429.00
Silver certificates	84,904,000	629,034,000.00	71,728,506.00	314,318,815.00	314,715,185.00
Fractional currency		398,734,079.45	3,831.37	353,440,461.52	15,293,617.93
One and two year notes		211,000,000.00	740.00	210,938,345.00	61,655.00
Compound-interest notes		286,695,440.00	2,750.00	260,415,530.00	179,910.00
Total	310,508,417	6,382,252,624.91	240,803,822.37	5,478,805,747.48	903,446,877.43

9

There are some very large bodies of organized farmers in this country and workmen in other departments of industry who have been for some years considering this matter of paper money, and without exception they have expressed themselves in favor of Government issues. They are all opposed to corporations of any class controlling any portion of the circulating medium of the country. The Knights of Labor, the Patrons of Husbandry, the Farmers' Alliance and Industrial Union, the Farmers' Mutual Benefit Association, and other similar organizations have expressed themselves as being strongly opposed to any other sort of paper money than that issued directly by the Government.

It is needless to refer to the records of these bodies; they are public, open to the world, so that all who wish to obtain them have done so or may do so. It may be well, however, to place on record here a more authoritative statement than this. At the twenty-third session (1889) of the National Grange of the Patrons of Husbandry, a committee was appointed to present to Congress the various measures which, in the opinion of the body, required legislative action. On request of the committee Mr. Mortimer Whitehead, national lecturer of the Grange, prepared a brief review of the proceedings had in the national councils of the order on the subject of finance. It is as follows. I will ask the Secretary to read it.

The Secretary read as follows:

PATRONS OF HUSBANDRY, NATIONAL GRANGE,
OFFICE OF LECTURER,
Washington, D. C., December 20, 1890.

DEAR SIR: Complying with the request of your committee, I submit herewith a brief report of the action of the National Grange for several years past, relating to finance, as found recorded in the proceedings of its annual meetings.

The National Grange is on record through all the years of its history in favor of a plentiful supply of money for the use of all the people of our country, and against the control of money by a few special classes who have it in their power to depress the price of land and all its products, and the products of other labor as well.

However much farmers, in their several organizations, and laboring men in theirs, may differ upon other matters it is a good sign that, without exception, all the farmers, laborers, and workmen's societies in the United States have placed the demand for the free coinage of silver in their national platforms, and have recorded themselves squarely on the side of more money and no middlemen to control its supply. All agree that at least \$50 per capita should be the limit, and that the supply of currency should increase in proportion to the increase in population.

The plan of the Government issuing money at a low rate of interest upon landed security direct to the people, the same as it is now loaned to the national banks with their bonds for security, has rapidly grown in favor, and has been approved by the National Grange after full, fair, and free discussion.

Respectfully,

MORTIMER WHITEHEAD,
Lecturer, National Grange, P. of H.

JOHN TRIMBLE,
Member of Legislative Committee of the National Grange, P. of H.

Mr. PEPPER. Thirty-four States and Territories were represented by delegates in the body that appointed the committee to whom that statement was made, and the membership of the Grange at that time was about 500,000. It is the oldest body of organized farmers in the country and controls half a million votes on money.

And further showing the feeling among farmers and their co-

PEP

laborers throughout the country concerning Government control of the currency, I will ask the Secretary to read the paper which the page will carry to his desk.

The Secretary read as follows:

WASHINGTON, D. C., January 6, 1892.

*To the honorable the House of Representatives and Senate
of the United States in Congress assembled:*

Your memorialists, a committee elected by the supreme council of the National Farmers' Alliance and Industrial Union, under its instructions and on its behalf, would most respectfully represent:

That the universal and unparalleled depression in all departments of our great agricultural industry has impressed the farmers of the United States with gravest concern and alarm. That despite their fruitful soils, the favoring conditions of climate, their faithful application and courageous industry, and irrespective of seasons or harvests, their farms and the products of their labor are constantly and steadily depreciating in value. That the inspiring hope of competency and comfort as a reward for their toil is vanishing in their earnest struggle for sustenance and the preservation of home. That patient, honest, and earnest investigation of this anomalous condition of affairs has impressed the farmers of the country with the solemn conviction that the evils which are thus clogging and paralyzing their energies are largely due to discriminating inequalities in our governmental policy and which are the legitimate outgrowth of partial and unfriendly legislation.

Your memorialists would further respectfully represent:

That in their organized capacity, the farmers in thirty-eight States and Territories of the Union, after long and earnest deliberation and with remarkable unanimity, formulated and adopted a declaration of principles (an official copy of which is hereto appended), which they believe if enacted into law would restore agriculture to its true and just position among the great industries of the country and would conserve the highest and best interests of the public good. That they respectfully, but most earnestly, commend to the patriotic consideration and favor of your honorable bodies the justice and wisdom of enacting such laws as will embody the principles enunciated in the declaration referred to.

Your memorialists would further respectfully represent:

That they are specially charged to ask the attention of your honorable bodies to the great and urgent necessity for immediate legislative action for the financial relief of the industrial and business interests of the country. That they believe that the present financial system of the country is not only inherently defective but that it is incompatible with the genius and spirit of our institutions and is in conflict with the fundamental principles of our Government. That they believe that the system, born of the terrible exigencies of a mighty civil war, purely as a military expedient and necessity, which, while it doubtless saved the life of the nation in war, has been demonstrated, under the test of experience, not to be the system for preserving and perpetuating that life in peace. That they believe that a sacred and steadfast observance and maintenance of the powers and functions conferred upon the Government by the Constitution, for making, issuing, and controlling the money of the people, is absolutely essential to healthful and symmetrical development in our material progress, and that these powers and functions can not in any manner be relinquished or transferred without violence to equity and justice and gravest peril to the safety and liberties of the people. That they believe that the exclusive rights secured to the Government by the Constitution to make money carries with it the unavoidable obligation and responsibility to supply it in such manner and amount as to meet at all times the requirements of the legitimate business of the country and of our growing population and trade. That they believe that the exercise of the legitimate and rightful functions of the Government in the control of money would obviate a recurrence of the ruinous effects of undue contraction in the volume, as demonstrated in the present depressed conditions, which are paralyzing the energies of the people in all departments of industrial enterprise. That they believe that all money should be issued direct by the Government to the people at a low rate of interest and in sufficient volume to meet the legitimate demands of the legitimate business of the country on safe and valid securities, and that it should be a full legal tender for all debts. That they believe that silver should have all the rights in coinage and all the qualities of legal tender which gold possesses.

Your memorialists would further respectfully represent:

That those for whom they speak do not ask your honorable bodies to venture upon doubtful expedient or experiment, but respectfully and most earnestly present the deplorable and alarming financial condition of the agricul-

PEF

tural interests of the country, with the hope that a remedy may be speedily sought and devised through which they may be relieved from impending bankruptcy and ruin, and which will secure to our people and to posterity the blessings of a permanent, just, and equitable financial system.

Respectfully submitted.

L. L. POLK,
C. W. MACUNE,
MANN PAGE,
W. F. GWYNNE,
L. P. FEATHERSTONE.

National Legislative Committee of the N. F. A. and I. U.

DECLARATION OF PRINCIPLES OF THE NATIONAL FARMERS' ALLIANCE AND INDUSTRIAL UNION.

1. (a) We demand the abolition of national banks.
- (b) We demand that the Government shall establish subtreasuries in the several States which shall issue money direct to the people at a low rate of tax, not to exceed 2 per cent per annum, on nonperishable farm products, and also upon real estate, with proper limitations upon the quantity of land and amount of money.
- (c) We demand that the amount of the circulating medium be speedily increased to not less than \$50 per capita.
2. We demand that Congress shall pass such laws as will effectually prevent the dealing in futures of all agricultural and mechanical productions, providing a stringent system of procedure in trials that will secure prompt conviction, and imposing such penalties as shall secure the most perfect compliance with the law.
3. We condemn the silver bill recently passed by Congress, and demand in lieu thereof the free and unlimited coinage of silver.
4. We demand the passage of laws prohibiting alien ownership of land, and that Congress take prompt action to devise some plan to obtain all lands now owned by foreign syndicates, and that all lands now held by railroads and other corporations in excess of such as is actually used and needed by them be reclaimed by the Government, and held for actual settlers only.
5. Believing in the doctrine of equal rights to all and special privileges to none, we demand—
 - (a) That our national legislation shall be so framed in the future as not to build up one industry at the expense of another.
 - (b) We further demand a removal of the existing heavy tariff tax from the necessities of life, that the poor of our land must have.
 - (c) We further demand a just and equitable system of graduated tax on incomes.
 - (d) We believe that the money of the country should be kept as much as possible in the hands of the people, and hence we demand that all national and State revenues shall be limited to the necessary expenses of the Government economically and honestly administered.
6. We demand the most rigid, honest, and just State and national governmental control and supervision of the means of public communication and transportation, and if this control and supervision does not remove the abuses now existing, we demand the Government ownership of such means of communication and transportation.
7. We demand that the Congress of the United States submit an amendment to the Constitution providing for the election of United States Senators by direct vote of the people of each State.

Mr. PEPPER. That memorial comes from men of the highest character, officially representing a body composed of farmers and other classes of working people, with a voting strength of at least two and a half million persons of every shade of political faith on other questions, but agreed on these: (1) That to the Government alone belongs the right to prepare and issue the people's money; (2) that Government paper ought to take the place of bank notes in the currency of the country; (3) that the only proper and safe test concerning the amount of money needed by the people is their own reasonable estimate based on their personal experience; (4) that the control of the financial interests of the people ought to be placed and kept in their own hands and wholly taken away from particular persons and corporations; (5) that the rate of interest for the use of money on long time ought to

PEP

be the same in all parts of the country, and that it ought not to exceed the average rate of net profit of business in the industrial pursuits as shown in the annual rate of increase in the value of the permanent wealth of the country.

If it be objected that the plan proposed by this bill would open the way for dangerous inflation of the currency, it may be answered that it is no more subject to this objection than the national-bank law now and for a long time in force. The present bank capital, as the Comptroller's report shows, would carry a circulation of about \$650,000,000, or more than \$500,000,000 more than is now out. The banks could, if they choose to do so, increase their circulation to an unlimited extent. By act of Congress, January 24, 1875, the limit on bank circulation was removed, so that from that time to the present the banks have had the legal right to increase their circulation to any extent. There is nothing in this bill more dangerous than that.

In fact, sir, there is practically no limit now to the inflation of money under the existing system. Every bank check represents money; every draft, every bill of exchange, every promissory note in bank, represent money. Every mortgage on real estate and every chattel mortgage represent money. The only limit to the amount of money in use to-day, in one form or other, is the limit of the borrower's security. What a vast amount of money would be saved to the people if, as is proposed in this bill, the rate of interest were 2 per cent.

Concerning the probable depreciation of paper money, it may be said that whatever may have been the extent of depreciation in paper money in other countries, or what may have been the history of paper-money experiments in this country, it will hardly be affirmed by well-informed persons that United States notes issued during the war of the rebellion were treated fairly; that their apparent fluctuation in the money market came from an inherent defect in the money itself, or that in their case there was a fair and honest test of the merits of that sort of money. Senators now present remember that these notes were purposely depreciated by direct legislation in order that they might be used to advantage in the purchase of bonds. But there was another reason for their depreciation and for their seemingly frequent changes of value. I read from pages 22 and 23 of Finance Report, 1864:

The experience of the few past months can not have failed to convince the most careless observer that, whatever may be the effect of a redundant circulation upon the price of coin, other causes have exercised a greater and more deleterious influence. In the course of a few days the price of this article rose from about \$1.50 to \$2.85 in paper for \$1 in specie, and subsequently fell in as short a period to \$1.87, and then again rose as rapidly to \$2.50; and all without any assignable cause, traceable to an increase or decrease in the circulation of paper money, or an expansion or contraction of credit, or other similar influence on the market, tending to occasion a fluctuation so violent. It is quite apparent that the solution of the problem may be found in the unpatriotic and criminal efforts of speculators, and probably of secret enemies, to raise the price of coin, regardless of the injury inflicted upon the country or desiring to inflict it.

All such attempts should be indignantly frowned upon by a patriotic community, and the efforts of all good citizens invoked to counteract such nefarious schemes. A law providing for the exemplary punishment of combinations for such a purpose might tend to vindicate, if it could not fully protect, the public rights in this regard, and should be, so far as possible, rigidly enforced.

REP

But whatever success might attend any effort to check speculation in coin, or to counteract its injurious effect, it is still obvious that, so long as there remains a large and increasing necessity for its use, and a limited supply, it will command a price commensurate with the necessity and the difficulty of obtaining it.

It was this speculating in gold which affected its value in the market, and the money of the people was charged with the gambler's crime. It is not true, Mr. President, that our paper money depreciated, except in its relation to gold coin. It remained at par with other things from the hour of its issue. The business of the country was done on a paper basis; gold and gold coin were commodities, dealt in the same as stock and bonds. They were not money in the sense that Government notes were money. There was no gold money in circulation among the people. Paper money was used to pay the soldiers, to pay contractors, to pay everybody in the ordinary trade of the country. Paper was used in the purchase of bonds. Duties on imports and interest on the public debt were paid in coin, but nothing else was.

I repeat, sir, our paper money did not depreciate. Gold went up and down as the state of the gold market was made to be, and as the demand for it was greater or less the price was higher or lower. Compared with gold, everything went down, paper money with the rest. But, compared with wheat or corn, or cotton, tobacco, beef, pork, or any of the products of labor, or with labor itself, the paper money remained at par. This suggestion may be helpful to persons who worry over the loss of "parity" between gold and silver. If we will keep our money at par with the things which are necessary for the lives and comfort of the people, it will matter little about the money-changers' quarrel over the phantom "parity."

But why should such notes depreciate? Our bonds did not go down, and the same power which issued them and kept them good would issue the notes proposed by this bill. At one time we had bonds outstanding to the amount of \$2,116,568,920. Our population at that time was about 38,000,000; our taxable wealth was about \$32,000,000,000, and the bonds, instead of depreciating, went up in the market until they commanded a premium of 30 per cent and upwards. We have actually paid out \$56,268,649.78 in premiums on our bonds the last four years. So good did we expect our bonds to be that before we had issued one we had planned a system of banking on them; and so good did they actually become that the banks withdrew most of their bonds deposited as security to bill holders and sold them in order to take advantage of the premium. If our bonds be good, why should our notes be bad? Our wealth is constantly increasing; so is our population and business. If we were able to keep our bonds at or above par it is difficult to understand why we could not manage to do as well by our notes.

The simple truth is, Mr. President, the people are becoming accustomed to regard the Government as not only the source, but the proper source, from which should issue all of our money, whether metallic or paper. Mr. Treasurer Huston, some two years ago, in his report called attention to the fact that the Government has assumed the responsibility of issuing money to the people of the country, and he devoted one full page to the impor-

PEF

tance of that particular subject. It has become common in the messages of our Presidents, and in all of our state papers relating to finance, that this subject is treated to greater or less extent.

It is not a new thing that is brought to the attention of the public now for the first time by a few men, here one and there one, anxious to court notoriety or to foist themselves into place to be stared at by the people. So strong and enduring has become our faith in the honor and credit of the people that we have practically abandoned the coinage of one of the metals used by us nearly a hundred years for coin, and now purchase it only to warehouse it and hold it there as security for issues of paper money.

There is nothing new, then, in the bill presented by the Senator from California so far as the matter of issuing paper money is concerned; but there are two other features of the bill which in this connection will appear to be new, or at least they will meet with opposition as if they were new, namely, first, to issue at one time a very large addition to the money of the country, and, second, to lend money to the people.

As to the first feature, the opposition comes from a small minority of our citizens; a minority which, however, wields an imperial influence in our public affairs, growing stronger and more powerful as its wealth is increased. Its rule of action is: "Ask and ye shall receive; knock and it shall be opened unto you." Its record is written in the statutes of our country. It managed to effect the retirement of more than a thousand million dollars of paper money at a time when one-third of our countrymen needed money more than they needed anything else; it made hard bargains for the people, and in their name and without their consent promised to pay large amounts of coin when we had no coin; it depreciated the value of the people's property, drove them into debt, and increased their obligations. In carrying out the policy of this minority the country was deprived of the use of more than \$325,000,000 of silver money to which it was entitled.

The silver-coinage law of 1878 authorized the purchase and coinage of \$4,000,000 worth of silver bullion every month, but the Treasury stopped at one-half that amount. Instead of purchasing and coining \$4,000,000 worth the actual average coined was only \$2,000,060 worth. Under the same policy, beginning in 1883, the banks, while increasing their number at the rate of one hundred and fifty-nine a year, down to 1890, withdrew their notes from circulation at the rate of about \$22,000,000 a year, as appears from the Treasurer's report for 1891. From 1879 to 1882, four years, the annual increase of bank-note circulation was about \$9,500,000. If that rate of increase had been continued down to 1890 we should have had about \$250,000,000 of bank notes in circulation at that time more than we did have.

On the 30th day of June, 1882, the amount of bank notes out was \$357,555,266, as appears from a recent statement; on the 30th day of June, 1890, the amount was \$185,722,978, showing a retirement in the eight years of \$171,832,288. (This is subject to an addition of the difference between the amounts of lawful money on deposit in the Treasury on the two days named to redeem the notes then in process of retirement.) Putting together the \$325,000,000 of silver money of which we were deprived, and the

PEP

\$250,000,000 of bank notes withheld and withdrawn, we have a total of \$575,000,000, money which would now be in circulation—that much more than we have.

It is within reason to believe that if this amount had been put out and kept out among the people, as the law authorized, as the lawmakers intended and expected, and as the business needs of the country required, there would now be but little indebtedness among the people. Here we have \$575,000,000 which the laws provided for, but which was withheld in part and withdrawn in part, and the bill now before the Senate proposes to issue less than one-fifth of that amount. Besides this the banks were authorized to increase their circulation to an unlimited extent. Surely this, then, is not a reckless proposition, in view of what we have lost, and in view of the further fact that the minds of statesmen are now largely occupied by thoughts concerning the best way to safely add to the volume of our money.

* * * * *

Mr. President, why increase the circulating medium? Let the census reports answer. The private indebtedness of the people is increasing at an alarming rate. Tables for five States—Alabama, Illinois, Iowa, Kansas, and Tennessee are now in type, and I am under obligations to Mr. Superintendent Porter and Mr. Holmes, an able assistant, for advance proofs. They show an incumbrance on the farms and homes of the people in force January 1, 1890, equal to an average of \$85 for every person, man, woman, and child, in the five States. The average for Alabama and Tennessee is \$24; for Illinois, Iowa, and Kansas, it is \$125. This was nearly all placed during the last preceding ten years. In ten counties in the heart of one of the best of the Western States, 64 per cent of the farms which are occupied by their owners are encumbered.

The average value of the farms is \$3,694, and the average mortgage debt is \$1,402. It costs the owner of a mortgaged farm, which he cultivates in these ten counties, \$114 annually to carry his mortgages. Though reports are incomplete, enough is known to show that farmers and poor townspeople in the Eastern and Middle States are no better off than those of the Western and Southern States. And yet it appears that Massachusetts, with 8,315 square miles of territory, with a population of 2,230,000, and a taxable property valuation of \$1,584,756,802 in 1880, increased her taxable wealth in the ten years following \$569,377,824, while nine great agricultural States—Indiana, Illinois, Iowa, Nebraska, North Carolina, Georgia, Alabama, Mississippi, and Louisiana—with a territory of 485,385 square miles, a population of 15,600,000, and taxable property amounting to \$2,792,919,163 in 1880, increased their taxable wealth only \$559,000,000, or \$10,000,000 in round numbers less than Massachusetts. Their territorial area is fifty-eight times that of Massachusetts, their population in 1880 was seven times as large as hers, and their wealth was nearly twice as great.

The increase in the assessed property valuation in that small State during the ten years was two and one-fourth times as much as that of Missouri; two and one-half times as much as Ohio; three and one-half times as much as each of the two States Kentucky and Wisconsin; four times as much as each of the two

EEF

States Georgia and Tennessee; four and one-half times as much as Kansas; five times as much as each of the four States Colorado, Indiana, New Jersey, and Oregon; six times as much as each of the two States Arkansas and Nebraska; seven times as much as each of the three States Alabama, Iowa, and Louisiana; ten times as much as each of the States North Carolina and Virginia, and twelve times as much as each of the States Florida and Mississippi.

The three States of Pennsylvania, New York, and Massachusetts, with a territorial area of 102,700 square miles, with a population of 11,048,847, and with an assessed property valuation of \$5,920,155,824 in 1880, increased their aggregate taxable wealth in the ten years following \$2,602,145,772, or \$229,920,528 more than one-half as much as all the rest of the country put together. Here is a tabulated statement showing these facts in detail:

[For table, see opposite page.]

This is an astounding state of facts. Here we have a small portion of the country, three States, with an area but little larger than that of Kansas and not two-fifths as large as Texas, with one-sixth the population of the country and one-third the taxable wealth, accumulating more property in the same time than one-half of all the rest of the country. And this includes but a very small amount of money, though the money centers are there.

These are manufacturing States, they are commercial States, and some of their people are largely engaged in the business of lending money. They have been blessed by the fostering care and protecting hand of a friendly Government, and they have reaped golden harvests from fields which the farmers planted. Year by year these States grow richer as compared with other parts of the country, and with their greater wealth comes a larger influence and increased power in public affairs. There is the manufacturing center, there the money center, there the political center of the American people, and there are our present rulers.

Mr. President, we are face to face with a grave problem. They who control the money of the people regulate their business and dictate their laws. Wall street claims to wield a power greater than that of monarchies, and we know that the Government of the United States is on friendly terms with Wall street. We know, further, that our Government has poured millions of money into the laps of operators there. And we know, further, that many millions of money not due have been paid to public creditors—a mere gratuity to a favored few, and at times, too, when the toiling masses were clamoring for money to use in their daily business. In the single year 1890, as appears in the Treasury Department report, some \$17,000,000 in premium on bonds and \$12,000,000 in advance interest were paid out of the public Treasury—not one dollar of it due. The amount paid as premium would never have been due and need never have been paid, and the amount paid as advance interest would not have been due till nine months after the money was actually paid. We are pressing money on men who do not need it, while many of the men who imperiled their lives when the country was in danger are forced into almshouses to escape starvation.

A few persons, comparatively, are fast absorbing the wealth of the country. The average annual rate of wealth-increase was

EEF

Statement showing the assessed valuation of real and personal property of the several States named and for the whole country for 1880 and 1890.

States.	Total assessed valuation.		Increase of assessed valuation.	Population.		Assessed valuation per capita.	
	1880.	1890.		1880.	1890.	1880.	1890.
Total for whole country.....	\$16,902,993,543	\$21,249,589,804	\$7,346,596,261	50,155,783	62,622,250	\$337.01	\$387.62
Alabama.....	122,867,228	197,080,441	74,213,213	1,262,505	1,513,017	97.32	130.26
Arkansas.....	86,409,364	a172,408,407	85,999,133	802,525	1,128,179	107.67	152.82
Colorado.....	74,471,693	188,911,325	114,439,632	194,327	412,198	383.23	458.30
Florida.....	30,936,209	76,926,938	45,988,629	269,493	391,422	114.60	196.53
Georgia.....	239,472,599	377,366,784	137,894,185	1,542,180	1,837,353	156.28	205.39
Illinois.....	678,616,394	6727,416,252	a59,200,142	3,077,871	3,826,351	255.57	190.11
Indiana.....	727,815,131	782,872,126	55,056,995	1,978,301	2,192,404	367.90	357.08
Iowa.....	398,671,251	a478,318,248	79,646,997	1,624,615	1,911,896	245.39	250.18
Kansas.....	160,891,689	290,593,711	129,702,022	990,696	1,427,096	161.52	203.63
Kentucky.....	350,563,071	512,615,506	162,051,535	1,648,696	1,858,635	212.63	275.80
Louisiana.....	160,102,439	234,320,780	74,158,341	939,946	1,118,587	170.40	209.48
Massachusetts.....	1,584,766,802	2,154,134,626	569,377,824	1,783,085	2,238,943	888.77	962.12
Mississippi.....	110,628,129	a157,518,906	46,890,777	1,131,597	1,289,600	97.76	122.15
Missouri.....	532,795,891	786,348,753	253,547,952	2,168,380	2,670,184	245.71	293.50
Nebraska.....	90,585,782	184,770,303	94,184,523	452,402	1,053,910	200.23	174.49
New Jersey.....	572,516,361	688,369,187	115,790,820	1,131,116	1,444,933	506.15	476.36
New York.....	2,651,940,006	3,775,325,938	1,123,385,932	5,032,871	5,997,853	521.74	629.45
North Carolina.....	156,160,202	212,697,287	56,537,085	1,309,750	1,617,947	111.52	131.46
Ohio.....	1,534,360,508	1,776,136,457	243,777,940	3,198,062	3,672,316	479.78	484.20
Oregon.....	52,522,084	166,025,721	113,503,647	174,768	313,767	300.52	522.14
Pennsylvania.....	1,683,459,016	2,592,841,032	909,382,016	4,282,891	5,288,014	392.07	403.12
Tennessee.....	211,778,538	347,510,103	135,731,565	1,542,359	1,767,518	137.31	196.61
Virginia.....	308,455,135	362,422,741	53,967,606	1,512,565	1,655,980	203.93	218.86
Wisconsin.....	438,071,751	592,890,719	152,918,968	1,315,497	1,686,890	333.69	351.47

a Annual report of 1880.

b The State board of equalization declares that in 1880 the assessed value was 50 per cent and in 1890 only 25 per cent of the true value; hence the reduction.

4 per cent the last ten years, while borrowers were compelled to pay 8 to 12 per cent and upward for the use of borrowed money. Operators about the money centers grow opulent and strong, while men and women whose labor produces the wealth grow correspondingly poor and weak. All this is wrong, and it betokens an unhealthy state of things. The system which begets it is fatally defective. It must be modified if not radically changed, in the common interest of all the people. Money is the life-blood of commerce. It flows out through the arteries of trade, carrying health and vigor to every department of business. It stimulates effort, it encourages enterprise, it civilizes men, and brings the world together. It employs labor and lightens the burden of toil. It drives away want and relieves distress. It gladdens the hearts of the poor, it takes joy to the lowly, it brings hope to the despondent, and throws sunshine into the dwellings of men.

To him who lives in affluence and ease, whose home nestles in the splendors of wealth, who moves amid magnificent surroundings, to him it matters little what is the state of the money market. He has credit, which takes the place of money. His check is good at bank for a thousand or a million dollars. Scarcity of money affects him not; his income is fixed; he draws steadily upon the labor of other men. He knows not what it is to want. It is not so with the man of toil—the man who opens farms, lays out highways, bridges streams, tunnels mountains, and builds cities—the man whose muscles rear the mansions of the rich, and whose sweat and blood lay crystallized in palatial walls. Money enters into the daily business of the common people; they can not get along without it, its need being most keenly felt where the greatest poverty is. Time was, and that, too, within the memory of many of us now living, when but little money was needed in the ordinary affairs of working people.

The mechanic owned his little shop, worked up crude material, and received pay largely in supplies fresh from the field, orchard, or garden. The farm hand dwelt in the tenant house, and he had his garden, his firewood and cow pasture free, but the country mechanic who once dwelt among the farmers is there no more; he has become a character in history. He has been driven into towns and cities and there massed among machines with muscles of iron and nerves of steel. Whereas once he did all the work that was done on the articles which he made, and received all the profits, now he works on a particular part only, and his employer takes the profit on the finished article. And whereas once he received his pay largely in barter, now he can use nothing but money in the many little transactions which the wants of his family make necessary.

Look at him, with a hundred, five hundred, or a thousand others, moving in line by the window or the counter on pay day, waiting his turn for the \$1.25, more or less, per day which may be due him on his week's or his month's work. The employer does not wait for his money. He passes the long line of waiting workers and draws his check for the money he needs, if any. It is a pregnant fact, sir, that of all men, he that is poor, in this day and age, is most in need of money. His daily wage may be \$1 or \$2, or less or more, but he needs it all, every cent of it, in money.

PPP

Nothing else satisfies his need. He trades within a small circle, a dollar at a time, it may be, or a dime, even a penny, and he needs money in every transaction. When he made shoes, he had shoes to exchange for supplies; when he made wagons, he had wagons to trade; but now his employer has the shoes and the wagons, and he sells them in vast numbers, doing the business through banks. The poor man has no bank account. He transacts no business there. It is not an unreasonable estimate to place the number of persons in this country who work for wages at 12,000,000. Allowing each one of them \$300 a year, the amount of money handled by them all would be \$3,600,000,000—more than twice as much money as there is in the country.

Men of large means, men whose business affairs are managed on a large scale, need but little money. Our foreign commerce amounts to nearly \$20,000,000,000 annually, and a few millions only are needed to settle balances. All the rest is done with drafts and bills of exchange. Our internal commerce is vast in extent, amounting yearly to many thousand million dollars, yet but little money comparatively is actually handled in doing the work, and most of that is needed to pay the poor men and women whose hands perform the hardest part of the labor. The farmer once made most of the implements he used in raising his crops. The fiber in his clothing was grown on the farm, the yarn was spun there, it was woven and made into garments within a few rods of the spot where it grew. Wheat and corn and cotton and tobacco were hauled miles away to the great market towns, and there exchanged for sugar, coffee, tea, spices, and other supplies which could not be produced at home. Meat was cured, fruit preserved, and grain ground on the land where they grew; but the smokehouse and the neighborhood mill, like the wagon-shop by the wayside, have disappeared. The modern farmer sells his wheat and buys his flour; sells his cattle and swine and buys his meat; he sells his fruit and buys it back in cans and jars; he sells his cotton and wool and buys them back in cloth and clothing.

All this requires money, and a great deal of it. Only fifty years ago a few dollars sufficed to carry on an ordinary farm a year; now it requires ten times as much. Wheat and cotton will not pay for wagons and shoes and coats now. Money and only money will answer.

And now, after having superseded the farmer as a mechanic and manufacturer on his own ground, having crowded him out of the business of making forks, leather, and cloth, and having pushed him from barter to cash, having wrested from him many of his ancient privileges and changed his habits of economy and self-help, having removed his defenses and exposed his interests to the organized rapacity of stronger men, his competitors have diminished the sources of his income and thus increased the number of his necessities. At a time when he needs \$10 they give him but one. When the aggregate business of the country nets but 4 per cent yearly profit he is compelled to pay 8 per cent to 10 per cent, and far beyond in some instances, for the use of borrowed money. Shadows flit over his fields, his bushels and pounds do not go as far as they did once; he has more trouble to pay his taxes, and his interest dues seem larger and harder to meet than ever before.

PEP

The good year 1891 comes with its wonderful crops, foreign demand is greater than it has ever been, and prices of a few farm products go up; yet farming as a business is profitless; more than one-third of our farms are occupied by renters, and more than one-half of those that are occupied by owners are mortgaged for more than 50 per cent. of their value as estimated when times were good. Still, money flows steadily on to the great centers. More than \$200,000,000 of interest and dividends goes to New York City every year. The great cities drain the country, while business failures increase steadily in number, and tenement houses and farm and home mortgages multiply. Under shadows from the smokestacks of manufacturing cities, rich farming lands lie idle. The wealth of the States grows grandly, but it accumulates only in the cities.

Like the moving waters of a mighty river, money pours steadily into the great centers where men deal in margins and gather in the drift of trade. The progress of these powerful communities is marked by the wrecks of commerce. One man is rich, nine are well-to-do, ninety others of every hundred are poor. A hundred years ago 95 per cent of our people lived on farms, and nearly as high a percentage owned their homes. Now, farmers and their assistants constitute about 45 per cent of the population; fully 60 per cent of the able-bodied people work for wages, and less than one-third of these own the houses they live in.

So we see, Mr. President, that money is a vital organ in the body of trade. Its circulation is a necessary function. To stop it, or to retard it, is to invite death and insure decay.

To take away the people's money from them is like draining away blood from the human body; and shortening the supply of money affects business just like withholding food affects the lives of men. They of fixed incomes, and they who live on interest which other men pay for the use of borrowed money, profit by the straits of debtors. Scarcity of money brings trouble on the farm and distress in the shop, but it pours dollars into the coffers of them that fatten on the misfortunes of their fellows. The Stanford bill proposes a remedy for this condition of things.

It is not my purpose at this time to discuss the philosophy of money nor to refer to the charge of "flatism" further than to show that the money proposed in this bill is as good as the money we now use. I quote two sections of the bill, as follows:

SEC. 4. That the Treasurer of the United States is hereby authorized and directed to cause to be printed, signed, and ready for issue, for the purpose hereinafter mentioned, circulating notes of the United States of the denominations of \$1, \$5, \$10, \$20, \$50, \$100, \$500, and \$1,000 to the amount of \$100,000,000, and such additional amounts from time to time as shall be necessary to meet the requirements of this act.

SEC. 5. That said notes when issued, as hereinafter directed, shall be a legal tender in payment of private debts, equally with gold and silver coin for like amounts, and shall be received at par in all parts of the United States in payment of taxes, excises, public lands, and all other dues to the United States, and also for all salaries and other debts and demands owing by the United States, within the United States, except interest on the public debt, and in redemption of the national currency.

If the notes provided in these sections are fiat money, then we have been using fiat money and with great success nearly thirty years. The first act of Congress making lawful money out of

PEP

United States notes was approved February 25, 1862. The language of the law is:

And such notes herein authorized shall be receivable in payment of taxes, internal duties, excises, debts, and demands of every kind due to the United States, except duties on imports, and of all claims and demands against the United States of every kind whatsoever, except for interest on bonds and notes, which shall be paid in coin, and shall also be lawful money and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest as aforesaid.

By act of March, 1878, the retirement of these notes was prohibited, and their circulation was made perpetual. They have been held good by the Supreme Court, and are accepted by every person in the country without question. If they are good, the notes provided for in this bill can not be bad, for they are alike. Aside from that, it is submitted that if a bank check or the order of a merchant or trader is good for a few dollars or a hundred dollars, or a million, surely the nation's note ought to pass current among people who know that our aggregate wealth is equal to more than an average of a thousand dollars to every man, woman, and child within our boundaries. And every citizen expects the Government to endure.

As to the matter of the Government lending money to citizens, while at first sight this may seem a startling as well as a novel suggestion, yet, as matter of fact, we have been doing that very thing a long time. It is true, indeed, that the Government, State or National, has from the beginning been continually creating money in one form or other for the express purpose of its being lent to the people. We all understand well enough that there has not been in our history, nor in the history of any of the modern nations, a time when the people were without the use of money which was made for the purpose of its being lent to them.

As before suggested, the United States bank was established in order to get more money for the people to use, and coming through that channel we understand that the money will get to the people only by their borrowing it. All the provisions of the law were framed with that particular object in view. A bank of issue is created, so far as the feature of issuing the money is concerned, for the single purpose of lending money to the people. The Government is behind the bank. Without the legislative power of the people being brought into action the bank would have no power to issue any sort of money. Any person or any number of persons may do a banking business without the issuing attachment, and have no special authority of law for it; but when they would issue their notes to the people to be used as money, they must first have the authority of the legislature.

So in our present national-banking law, the object, as stated in the enacting clause, is to establish a national currency; that is to say, a species of paper money to be used among the people, and to be got to them by lending it and naming the security. There is no way for banks to get money out among the people other than to lend it to them. So it is not straining the construction of the law to say that the Government has been in the habit ever since we have been a nation, of authorizing banks to issue money to be lent to the people. The bill now before the Senate proposes to do nothing more than that, so far as this particular feature of the bill is concerned.

REP

The only difference in practice which would result from the operation of the bill proposed by Senator STANFORD and the practice now in vogue is, that the Government in that case would do directly what in this case it does indirectly, that is to say, under the operation of this bill the Government would lend money to the people without the intervention of banks or any other agency, taking security from them with their obligation and enforcing it in favor of all the people, just the same as bankers and loan agents now lend money to the people and take security from them, the Government seeing that the securities are enforced in case of failure to pay. The Government has lent money directly to certain corporations, railroad companies, and others. It does more. It supplies the money which banks lend to their borrowers, and the constitutionality of this proceeding has not been questioned. The authority of the Government to lend money is no longer in dispute, but it is objected that the particular method proposed by this bill would do violence not only to existing customs but to the best and safest principles of financial management; that business would be deranged by it; that the conscience of the people would be shocked and credit be destroyed; that inflation would follow; that bankruptcy, disaster, and ruin would be the end.

But think a moment. It is the principle, not the particular plan, that I am discussing. There is no change proposed in this bill, as far as security is concerned, except in the mere matter of executing the loans and in collecting the debts in case of failure upon the part of the borrowers to pay. The same sort of security which has been accepted ever since men began to borrow money is proposed in this bill, that which is regarded as the best security among the people of all civilized nations, that which has been regarded as the best security by our own people and upon which all of our recorded debts are based, is what this bill proposes, namely, land—land owned and occupied or used by the borrowers. As the law now stands, and as it has been so long that the memory of man runneth not to the contrary, land has been accepted as security for the payment of debts; it has been recognized under our laws as security, and our customs as well as our laws have been built upon that theory. Land is not only good security, but the lawmaking power has declared that when it is given as security all the powers of the Government will be brought to bear to enforce it.

To-day, if a borrower who has mortgaged land as security for the payment of a debt fails to pay at the time agreed upon, the creditor need only ask the court for judgment, and the machinery of the law is at once put in motion to collect the debt. The creditor is saved, though the debtor be lost. If the land has to be sold to make the payment, it is sold under laws and proceedings long, long ago established. If a city, county, township, school district, or any other local subdivision of territory is encumbered with debt in the form of bonds, upon failure to pay according to agreement the creditor asks judgment in court, and the law takes its course, to the extent, if need be, of the officers of the court levying taxes upon and selling the property of the people within the particular jurisdiction to pay the debt. The Government stands behind the creditor.

Under the operation of this bill the people of the United States

PEF

would be the creditor. The same court and the same machinery of law now provided and in use would operate to collect debts in case the Government should be the lender, instead of individual persons, as we have it under present practice. Under this bill all the people of the country, in their organized capacity, would be the creditor, whereas at present one individual, or a number of individuals associated as a partnership or a corporation, is the creditor. There is that difference, and only that.

Prof. Sumner, in his "History of American Currency," refers to the land-loan system of Pennsylvania, adopted in 1723:

The issue was for £15,000 (about \$75,000), put in the hands of commissioners in each county, according to the taxable assessment. The commissioners loaned the bills at 5 per cent on mortgage of land. The loan was for sixteen years, payable one-tenth annually, and the interest was to defray the expenses of government. Installments repaid during the first ten years of the period were to be loaned out again only for the remainder of the period.

Benjamin Franklin is the reputed author of the Pennsylvania paper-money system. He advocated it on two distinct grounds: One, the necessity of a currency, and the impossibility of keeping a sufficient supply of gold and silver in the country, and so, as he said before the committee of the House of Commons, if you can not have what you would prefer, the expediency of taking the next best thing; the other, the absolute advantages of this currency, even over the precious metals. One of these advantages was the revenue derived to the Government from it. In Pownall's Administration of the Colonies this subject is referred to in the following language:

In a country, under such circumstances, money lent to settlers upon interest creates money. Paper money thus lent upon interest will create gold and silver in principal, while the interest becomes a reserve that pays the charges of government. This is the true Pactolian stream, which converts all into gold that is washed by it. It is upon this principle that the wisdom and virtue of the Assembly of Pennsylvania established, under the sanction of Government, an office for the emission of paper money by loan.—*See Pownall, Administration of the Colonies*, 4th ed., p. 188.

Thomas Jefferson, in his writings, frequently alluded to the paper money used in the colonies.

Previous to the Revolution—

He says in one place—

most of the States were in the habit, whenever they had occasion for more money than could be raised immediately by taxes, to issue paper notes, or bills, in the name of the State, wherein they promised to pay the bearer the sum named in the note or bill. In some of the States no thing of payment was fixed, nor tax laid to enable payment. In these the bills depreciated. But others of the States named in the bill the day when it should be paid, laid taxes to bring in money enough for that purpose, and paid the bill punctually on or before the day named. In these States paper money was in as high estimation as gold and silver.—*Jefferson's Works*, vol. 9, p. 248.

The Prussian states used paper money based on real-estate security many years ago quite satisfactorily, and some of the small German states are now using treasury notes as money.

Early in the eighteenth century Virginia used tobacco for money. It was stored in warehouses and the receipts for it passed as currency. Prof. Sumner says "it was true money."

In Russia, at this time, grain is stored, and the warehouse receipts are used as money.

Quoting my own language in another place:

The power vested in Congress and Congress alone to supply the people with money carries with it the duty to direct the application of the power in prac-

PEF

tice, just as the authority to create courts carries with it the power to assist the courts in the performance of their duties. Judges are not usually farmers, merchants, manufacturers, or railroad managers, yet it frequently happens that they must direct the management of farms, of mercantile establishments, manufacturing processes, and railroads. Death, failures in business, default in payment of dues, and neglect or refusal to meet engagements make it necessary for courts to appoint administrators, executors, referees, and receivers, with necessary assistants, to settle business which can not be settled in any other way. Vast interests are managed in this way by the Government through its officers, the judges and their appointees, and without any friction or failure. All this is quite practicable.

Look at the Post-Office Department, managed by the Government through one man. The Postmaster-General in a recent report describes the postal service of the United States as "the largest business concern in the world, consisting of a central establishment with almost 60,000 branches, and employing 150,000 people." And there is nothing impracticable in the working of this vast machine by the Government. He recommends the division of the country into twenty-six postal districts according to population and territory, with an executive officer at the head to look after the work personally. And there is nothing impracticable about that. The Secretary of War, through agents, purchases supplies for the Army, including farm products, grain, flour, hay, horses, meat, cattle, manufactured goods, clothing, shoes, and camp and garrison equipage.

The Secretary of the Navy goes into the market for a great variety of articles which he procures through agents. * * * The Secretary of the Interior superintends schools and instructs Indians in the art of farming, and he has under his direction an army of agents and clerks, all operating under a system which works perfectly. The Secretary of Agriculture has charge of experiment stations in every State; he superintends the making of sugar, the raising of new varieties of grain and trees, and he has men out continually looking at the farm and stock interests. * * * The Secretary of the Treasury conducts a business amounting to thousands of millions of dollars annually. And all these things are practicable for the Government to do. * * * Taking the census requires an army of people—between 40,000 and 50,000—and every house in the country is visited by Government agents. Perfectly practicable. * * *

The Comptroller of the Currency, October 30, 1889, had charge of 3,262 national banks, with a circulation of \$131,000,000, and doing a business amounting to a hundred times that much in the course of a year. The Comptroller's report for 1888 says: "The monetary transactions of the Government have been conducted through the offices of the Treasurer of the United States, nine assistant treasurers, and 297 national bank depositories." The Treasurer's report for 1889 shows that of the 3,262 national banks doing business the Government had designated 270 of them as depositories through which the Treasury acts in distributing money direct from the Treasury, and they held public moneys amounting to \$47,259,714. A year before the amount was \$53,712,511.

The proposition that the Government shall lend money to the people on real estate security is in no respect like the method of land hypothecation practiced in the Argentine Republic, as many persons suppose. Mr. Consul Baker gave a clear statement of that practice in his report under date August 10, 1889, as it appears on pages 653 and 654 Consular Reports Nos. 108, 109, 110, and 111, 1889. It is as follows:

NATIONAL HYPOTHECARY BANK.

In addition to the usual legal facilities for borrowing money on mortgage, the Argentine Congress has by law established a great national mortgage bank, whose special functions are to make loans on the hypothecation of real estate. The law creating this bank was passed on the 14th of September, 1886. The President, in his last message to Congress, speaks of it as "an institution which will greatly multiply the elements of credit in the Republic," and the minister of finance, in a speech he made in the House of Deputies a few days ago, declared that "the bank is a great boon to the people for the reason that land is the great patrimony, the immense capital of the country, and every facility should be given to mobilize that capital and increase its value."

By its franchises this bank can operate in all the provinces and territories of the Republic. Its functions are not to loan money on mortgage, but to issue transferable mortgage bonds (*cédulas*) on the execution of mortgages in its favor, which *cédulas* are put upon the market and sold for what they will fetch by the holders, and the nation guaranties to the holders the service of

REP

the interest and amortization. They are made payable to bearer, and they bear an annual fixed interest not to exceed 8 per cent and an annual accumulative sinking fund for their ultimate payment, the maximum of which shall not exceed 2 per cent. The bank is managed in the capital of the Republic by a board of control, consisting of a chairman and eight directors, appointed by the President, and in the different provinces and territories by means of administrative councils. The board can make no loan of less than \$1,000 or more than \$250,000 to any one person, nor can any provincial council grant loans of more than \$5,000 unless specially authorized by the board. The face of the *cédulas* can not be less than \$25 nor greater than \$1,000. The responsibility for loans is not limited to the property mortgaged, but extends to all other property the mortgagee may possess, so far as the excess is concerned, in which case the order of preference to be followed is that laid down in the civil code.

The central bank is the only one that delivers the *cédulas* though the mortgage deeds be executed in the provinces; and no loan can be granted for more than half the value of the property mortgaged. A delay of over sixty days in the payment of the hypothecary obligation authorizes the bank to put up for sale by public auction the property or properties mortgaged without any legal proceedings and to award them to the highest bidder. To provide for the expenses of the bank, and to guaranty punctuality in the service of the *cédulas*, a credit of \$2,000,000 is kept open in the national bank in favor of the National Mortgage Bank. No loans can be made on mines and quarries nor on joint properties unless the mortgage be made on the whole of the property with the consent of all the joint owners declared by means of a public deed, nor on properties which may be rented for a term of more than five years at the date of the contract for the loan, nor on properties which may not be susceptible of producing an income.

It will be seen that the Mortgage Bank of Argentine was not established, and is not conducted for the purpose of assisting the people in the management of their daily business, nor is it intended to increase the supply of government money. It is a scheme to aid speculators in "mobilizing" their lands. The Argentine Government does not issue and lend money to the people on real-estate security. It only authorizes the bank to issue certificates showing that certain lands have been mortgaged at a certain valuation. The certificates may then be sold in the open market, just as we sell shares of mining stock, or railroad or bank stock, for money. The Government puts out no money on these mortgages. Its obligation begins and ends with securing the payment of the interest, and the money for that purpose is raised by sale of the land if need be.

The proposition in the Stanford bill is to lend money to the people, not to issue certificates of debt to them and then send them out among traders to realize money on the certificates at high rates of discount. This bill would supply the common need of money from the Government direct and as nearly as practicable at cost, avoiding the danger and risk attending the reliance on a few interested persons for what money may be needed in the people's business. This bill would place the financial interests of the country in the hands of the people, while the Argentine plan only strengthens the power of money lenders, as was plainly shown in the last two years' history of that country.

The need of more money and a more general and continual circulation of it is one of the necessities of modern conditions. It has been the common experience of all advanced nations that metallic money is a treacherous factor. At the time it is most needed it is not at hand. Men fail in business because they can not obtain money, because they can not realize on their paper, and from various other causes. But no men ever failed because of an abundance of money. Beginning with 1837, there are gentle-

PEF

men in this Chamber who can remember half a dozen disastrous money crises in our own history. Not one of them was caused by reason of superabundance of money, nor because the Government had issued too many paper dollars.

When banks suspended specie payments, it was because they had not enough money. When our Government suspended specie payment, it was because we were short on money. When the panic of 1873 came with its flood of destruction, it was because money was scarce; there was not enough to be obtained by men who were in debt, though many thousands had good security to offer. When Barings failed, it was because they were short on money, and whenever and wherever we learn of financial disturbances, we know it is because there is not enough money to carry on the business of the people. Every great monetary crisis reveals the fact that money is scarce; but not one case in all history can be cited where any people ever suffered harm by reason of having too much money. Give the people an abundance of money and you give them energy; thrift follows, and the country grows. Take away money and you bring ruin to the doors. With plenty of money the people prosper; without enough, prices fall, labor is without reward, the poor grow poorer. Another thing. They who suffer most from money panics are they who can least afford to lose—the poor men and women whose living depends on their daily earnings. To the poor man, the loss of a day may bring him to want. To the woman whose wages barely sustain life, the loss of an hour tells in the next meal she eats. And the great fact grows more apparent as the cruel lash of the civilization falls upon its victims:

As the young years come to us, and we welcome them with song and prayer, we do not stop to think how much the inventions and devices of the time will take from the earnings of the toilers. Once a woman received 50 cents for making a man's shirt; now she makes a dozen shirts for that amount, and lives in the borderland of want. Once a shoemaker received \$2 for making a pair of shoes; now he attends a machine which makes only a part of a shoe, a very small part indeed, and his employer sells the finished article at 35 cents to 75 cents a pair. We are diversifying our employments, we are dividing and subdividing work on particular things, we are multiplying devices to cheapen production, we are driving the worker on to smaller margins of profit every year, diminishing his resources continually, taking away from him his defenses, weakening his influence in society, in politics, and religion, narrowing the field of his effort, increasing wants while refusing to add to his means of satisfying them. The demand for money is the appeal of toil.

Men and women who work in the fields, in the shops and factories, on the highways and in the mines, these, who of all the world should first be paid, these nation-builders—they whose hands have fashioned all that we see of labor's work about us—they ask for money, more money, that the land may bloom again. And that vast and growing army of men and women to whom the sunshine is shadow, to whom the coming day throws gloom ahead, to them what gladness would come with the beginning of a reign of plenty. How many idle men and women in this, the city of Washington—men and women begging for employment?

PEF

They walk the streets, they besiege Congressmen and Senators, they swarm about the Capitol and in the corridors, asking for something to do. Nine of every ten persons of these thousands are honestly seeking employment that they may earn a living.

A large part of the correspondence of the members of this body and of the other House is made up of appeals for assistance in one form or other. Fully two-thirds of the bills which have been introduced in the Senate during the present session are bills asking for special pecuniary relief. And this condition grows and spreads. These people join the popular clamor for more money. How much conditions would be improved by a large increase of circulating money, no man would be brave enough to state; but that progress and thrift have uniformly been contemporaneous with a large volume of money actually circulating among the people is a fact of history. No man doubts that with a large increase of money put into the channels of trade a revival of business would follow, and the labor of the country would be employed; farming would pay, and we should have "good times" again.

Let it be understood, however, that it is not only more money that is demanded. Two other things must be done as well. First, the money must be put in circulation; and second, it must be kept there. These things can be brought about in two ways: (1) Lend the money, with reasonable limitations, to needy persons who can offer good security against loss, and (2) reduce the rate of interest so that it will be below rather than above the average profits on labor when employed in farming and other industrial pursuits. This will insure the absorption of a large amount of money, and it will prevent its return to money centers; because in that case men can do as well in any of the ordinary vocations as they can in lending money. These desirable conditions would follow the adoption of the principle on which this bill is drawn. A large proportion of our farmers are in debt, as the census reports thus far published show. These people would gladly borrow money at a rate of interest which would allow them a margin of profit to apply on the principal, and thus in a few years they could redeem their lands with the difference saved between the old high rate and the new low rate. The average cost of borrowed money now to the borrower is about 10 per cent. Under the plan proposed in this bill, the cost would be 2 per cent, a difference of 8 per cent, which in twelve and a half years would pay the entire principal. This money would go at once into circulation.

And the amount of money needed to relieve the farmers would not be as large as many persons imagine. Assuming the farm debt of the country to be \$2,500,000, an issue of \$500,000,000, if judiciously handled, would be sufficient to begin the work, a yearly addition of \$100,000,000 for ten years, would be sufficient to meet all the requirements; and by that time a yearly increase of \$100,000,000 would not be too much for the business necessities of the people. A farmer borrows \$1,000, say, to pay a pressing debt; that amount is immediately put into some productive industry in order to yield a return, and thus it gets into circulation. Or, in case the law should provide (and I think that would be an improvement on this bill) that private persons might lend money

PEF

at 3 per cent or 4 per cent, during a period of, say, five years—long enough for all money lenders to adjust their business to the new conditions without loss, in which case much of the money paid to creditors would be reloaned to other farmers whose debts were not closely pressing, and who would be glad to reduce their interest payments.

In this way \$1,000 would probably pay ten or twelve times that amount of farm debts in a year. The annual payments of principal and interest to the Government would amount to a large sum, and that would be at once reloaned, and thus kept in circulation. By the time the borrowing period had passed, the rate of interest would have become uniform in all parts of the country; the people would have control of their financial interests, and money panics would be known no more forever.

And what then, Mr. President? Remove from the vitals of the people the destroying virus of the usurer, lift from their homes the incubus of debt, dispel the clouds which hover about the farmer's horizon, put life into trade, carry bread and cheer to the toilers, let the sunshine pour into every household, and you will plant a new civilization here; you will bring God close to the people, you will raise the lowly and banish caste, you will drive despair away, you will empty prisons, destroy anarchy, cure drunkenness, Christianize the home, ennoble citizenship, nationalize the people, and perpetuate the Republic.

Mr. STANFORD. I ask that the bill may lie on the table for the present.

The VICE-PRESIDENT. The bill will lie on the table.

REP

