

THE LOAN BUREAU.

SPEECH

OF

HON. WILLIAM A. PEFFER,

OF KANSAS,

IN THE

SENATE OF THE UNITED STATES,

Monday, June 13, 1892.

WASHINGTON.

1892.

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On the bill (S. 3216) to increase the currency and provide for its circulation, to reduce the rates of interest, and to establish a bureau of loans, introduced by him.

Mr. PEFFER said:

Mr. PRESIDENT: This bill is by way of suggesting a principle which I and those whom I have the honor to specially represent insist upon, rather than its framework. It is a suggestion by way of relieving what is conceded on all sides to be an embarrassing condition of financial affairs. In 1890 our Government responded six times to the demands of bankers and capitalists in New York City for assistance to relieve what was termed a stringency in the money market. The failure of one great banking house in Europe came near precipitating a panic at every great trade center.

The President of the United States is eagerly pressing the importance of an international monetary conference with the view of safely securing a larger use of silver coin in the world's exchanges, and our statesmen hesitate in responding to popular appeals for an increased volume of money lest a mistake be made. The distinguished Senator from Ohio [Mr. SHERMAN], in an able and elaborate address delivered in this Chamber a few days ago, expressed clearly his own views and those of the great party which he has long represented on this subject, acknowledged both the need and the demand for more money, and frankly confessed his inability to see any way to supply the want except through a more general use of silver, and that can be safely brought about, he thinks, only through an agreement among the governments of the leading nations of the earth.

This is a confession that in case no such agreement can be secured, troubles of a grave character must befall us, for no man ever more plainly or forcibly demonstrated the absolute need of more money to transact the business of this busy people, whose population and trade are increasing with wonderful progress. According to the Senator's view the case is well-nigh hopeless;

for the nations whose consent is essential in this matter are creditor nations, drawing from American securities not less than \$200,000,000 annually in the way of interest, and it will be no gain to them that our money should be increased and to that extent cheapened. We, being the nation most interested, as appears from our making the first move, must show that they, the other nations, will be benefited by granting our request, and that, I suppose, nobody expects will be done.

If ever Great Britain conceded anything which operated against British interests, there is no record of the fact in the Statesman's Year Book. And if anything were to be gained to the people of that country by free coinage of silver its Government would not ask anybody's advice or consent. If the people of the United States are to abandon the policy of taking care of themselves, and if our industrial interests are to have no relief until European nations assist us in procuring more money for our own use, our condition is not only deplorable, it is hopeless. If the drain upon our labor is to continue at present rates until Britain and Germany give us money to pay debts due them, we might as well yield at once, for inevitable ruin would befall us.

But, Mr. President, our case is not hopeless. We have demonstrated our ability to provide for the common defense when trouble came upon us, when our Treasury was empty, with no gold and silver in sight except what was in bank vaults, loanable at 12 per cent. We prosecuted the greatest war in history on our credit, and nobody ever lost a dollar on account of it. And if we are wise in the present emergency we will fall back on our own resources and solve the pressing problem by a courageous exercise of our sovereign powers in our own interests.

The bill now before the Senate proposes a simple, honest, and feasible plan to relieve the situation. It would in no sense outrage the most fastidious financial fancy; it would violate no rule of finance; on the contrary, it is in harmony with banking methods older than our Government. The proposition is not to flood the country with what some persons are pleased to denominate fiat money, nor to issue unlimited amounts of irredeemable currency; not even to coin any more silver money than present laws provide for. The proposition is simply to issue Treasury notes like those we are now using equal in amount to \$1.50 for every dollar of gold and silver coin and bullion belonging to the Government and not set apart for a special purpose by any act of Congress. We have at least \$450,000,000 of specie, coin, and bullion not so set apart. If \$1.50 paper money were issued for every dollar of this amount, we should have \$675,000,000 more money than we now have, and, used as proposed in this bill, that amount would relieve the people and set the industries on their feet again.

It will probably be objected that a large part of the silver now in possession of the Government could not be used in the manner suggested by this bill; that the law requires all coin represented by outstanding certificates to be held in trust for payment or delivery to the certificate-holder on demand. If there is any force in the objection, it is of a purely technical character and may be passed as of no practical importance.

I am aware, Mr. President, that under the act of 1878 provision was made for the depositing of silver coin to the extent of \$10, and the issuance of certificates upon it, payable to bearer. But a dozen years afterwards, or nearly so, in 1887, if my memory serves me, an act was passed authorizing the issuance of certificates of smaller denominations, \$1, \$2, and \$5, without any reference whatever to the depositing of coin, assuming, as the people have a right to take it, that the certificates were issued in the ordinary course of the Government's business, and that the coin was reserved simply for the purposes of redemption, as we are pleased to use the word. But I shall not enter into the discussion of that subject, for Senators can examine the law for themselves if they see proper to do so.

It has been the custom of our bankers and of our Government ever since we have had a government to issue paper money based upon specie. That has been the rule of all our banking institutions. It is the rule of all banking institutions of the world where it is a part of their business to issue money. In 1882 the Government of the United States had paper money authorized by its own laws circulating among the people equal to \$7 for every dollar of specie that was behind it. The report shows that upon the 30th day of June, 1882, the national-bank circulation amounted to a little upwards of \$358,000,000, and at the same time our United States notes circulation amounted to \$346,000,000, amounting to nearly \$700,000,000 in all. The bank notes being redeemable in greenbacks, and the greenbacks being redeemable in the \$100,000,000 in gold, I put it, therefore, as a proposition that we had at that time nearly \$700,000,000 of paper money upon \$100,000,000 of gold, and that reserve was set apart long after the law authorizing the issue of both those classes of paper money had been enacted. So when I ask in this bill to increase our circulation to the extent of \$2.50 of paper upon every dollar of silver specie, I am asking certainly nothing either unreasonable or that is out of harmony with our practice from the foundation of the Government.

But, sir, important as it is to increase the amount of money in the country, that alone will bring little or no relief. Money not in active circulation among the people is no better than idle machinery or stagnant water. It is only active money that serves the common interests. Money has no value when hidden away from sight and kept out of use. It must circulate to be useful. Of our \$1,500,000,000 of money not more than one-third of it is actually doing duty as money. The other two-thirds is idle in the Treasury vaults of the nation, of the various States, cities, counties and of other public offices, and in the private safes of speculators. And the reason why it is not in circulation is not that it is not greatly needed among the people, but because the owners of it are not willing to let it out at rates of interest which borrowers can afford to pay. The time has come when the overburdened private debtors of the country are compelled to seek remedies which governments, municipalities, corporations, companies, and partnerships have always sought to relieve themselves of debt, and this without offense to either the legal or moral sense of the community; namely, to reduce interest rates.

We all remember that during our great war we offered and

paid rates of interest amounting to 7.3 per cent. We know more, sir, that after the war had concluded and we began to call in our securities, we at the same time began to reduce our rates of interest, and there was only one reason for reducing the rates of interest, because they were too high. We continued that reduction until at the present time we are floating Government bonds at 2 per cent interest. Every State that has found its people under the necessity of borrowing money as a State matter has at the first favorable opportunity insisted upon a reduction of the rates of interest in order to make it easier for the people to pay the debt that was incumbent upon them. So it is with cities.

Every city has done the same thing. So it is with counties, and in the Western part of the country particularly with townships and school districts. A large part of our legislation in the Western States, as Senators very well know, has been in reference to the funding of our indebtedness at lower rates of interest, extending the time. I submit that there is but one reason why the people desire to reduce the rates of interest. It is because they are too high, more than they can properly afford to pay.

I have here a clipping from a newspaper which I found a few days ago, dated Chicago, May 23. I will read it:

It is stated that arrangements have been perfected by the Atchison, Topeka and Santa Fe Railway Company for a new issue of second-mortgage bonds to the amount of \$100,000,000, bearing interest at the rate of about 3 per cent.

It will be remembered that about two years ago that great corporation, just like a great many individual partnerships and persons, found it had loaded itself with excessive burdens. The stockholders were called together, a new organization was effected, new bonds were issued, the old ones recalled, and the new rate of interest was 4 per cent instead of 6 and 7, as had been the rule before; and now we have notice through the Associated Press that the same company is about to make arrangements to still further reduce its rates of interest to 3 per cent. On the same day a dispatch from New York concerning the same subject was in the following words:

A statement was published on Wall street and confirmed by Atchison authorities here that the Atchison company contemplates the issue of a permanent fund to provide for betterments and improvements, and formal action may be taken in this direction at the next directors' meeting. It is understood that the plan will provide for the issue of \$100,000,000 second-mortgage bonds, probably bearing interest at graded rates, from 2½ to 3½ per cent.

Of this \$80,000,000 will be used to raise the present income bonds, leaving \$20,000,000 applicable for future needs.

I refer to these facts for the purpose of calling the attention of Senators to the common, the usual, and customary practice of governments, States, municipalities, and corporations in reducing their rates of interest whenever they are burdensome, and they invariably regard the first rates agreed upon as burdensome if they are long continued. So when we ask, as is done in this bill, and when we insist upon reducing the rates of interest, it is because, and only because, it is beyond the line of justice, because it is more than the people can pay, as I expect to show very clearly before I have concluded.

Mr. President, I desire to call the attention of the Senate and of the country to this matter of interest. I have said that rates of charge for the use of borrowed money are higher than the people can afford to pay; and permit me to add, that fact will grow more apparent as population spreads and the necessities of men become more pressing. So much importance do I attach to this subject that I believe the perpetuity of the Republic and indeed of all forms of free or liberal government depend largely upon the bringing down of interest rates to a level with the average net profits in the industrial pursuits. As long as the lending of money is more profitable than tilling the soil, or making shoes, or the doing of any other manual labor, that long will continue the old process of transferring the profits of labor to men that do no work.

Once in every generation the wealth of the people passes into the hands of the few who produce nothing. Labor is despoiled through the protection which law and custom have thrown around the control and ownership of money. Interest is the only profit which the law determines in advance. In all the older States of our Union, and in most of the new ones, the rates of interest are prescribed in the laws. The wages of labor and the prices of all productions of industry are left to regulate themselves, and when courts are called upon to determine disputes involving the question of extortion, the rule adopted is, "What is the service reasonably worth?" or "What price is customary in like cases?"

Money is the idol of the law. It is protected at every point—protected in the hands of its owners to the extent, as I shall show, that the creditor is saved though the debtor be destroyed. The law, which is presumed to be for the protection of the common rights of all the people, as between debtor and creditor, knows only one party to the contract. It is this legal protection of money that is preying on the people, a dangerous relic which has descended to us from the despotism of the past.

I hold, Mr. President, and so argue, that the reduction of interest is a necessity; that we have come to a time where we are compelled to act in that line. This necessity grows out of the conditions which are about us. The rates of interest are away above the profit line in all the productive industries. There is no productive industry to-day which yields a net profit equal to the legal rate of interest in the State or the country where those institutions are in operation. The values of all other articles of production have fallen in their prices. Money alone remains nominally the same, while comparatively it grows dearer through contraction and through the single standard.

Then there is another reason why the interest rate ought to be reduced; it is because borrowers can not, as I expect to show presently, afford to pay this rate of interest and continue to be owners in this country. The Senator from Alabama [Mr. MORGAN] a few days ago, and repeatedly during the last sixty days, in this Chamber has called the attention of the Senate to the distressed condition of the people in his own State and the difficulty they have in borrowing money, not that the people are impoverished in the matter of something to eat and wear—that

is not the condition of the people anywhere in the country—but the kind of distress about which the Senator was speaking, and about which I am speaking, is the difficulty people have in meeting their money obligations; and this difficulty is growing continually from the fact that the interest rates are destroying them and are more than they can make in their business.

Gentlemen standing high in business circles in different States of the Union have called my attention personally to this matter, more especially in the Western States and in the Southern and Southwestern States. Business men in cities represent that with money at 3 per cent or 4 per cent they could go ahead with new enterprises, they could revive old ones, they could continue the work of the people and the progress of the country, but that because, and only because, of the high rates of interest prevailing, they are compelled to abandon many enterprises already begun and to refrain from going into new ones which are perfectly feasible if they could only obtain money at a rate per cent which would justify them in doing it.

In slave times an able-bodied man on a good plantation was worth about a thousand dollars. That was when another man owned him. To-day lawyers who are doing me the honor to listen to me recognize this statement, perhaps, to be correct, that the average value placed upon the life of a laboring man is \$5,000. When a workman along the line of a railroad or in the service of any great corporation is killed, and the company is made responsible to the wife or to the heirs, or to those dependent upon the man when he was living, the amount allowed is about \$5,000. You put \$5,000 at interest at 6 per cent, the average rate in the Eastern and Middle States, and you will find that it amounts to \$300 a year net, and there is not one laboring man in this country in ten thousand who is able to save half of that. Take the agricultural industry, and you may carefully go over the last twenty-five or the last thirty years, yea, the last fifty years, and you will find that the net increase, the net profits, in agriculture do not during that period exceed an annual average of 2 per cent compounded annually.

We find, furthermore, that the average increase on the productive industries of the country all combined, with our railroads, our canals, our coastwise trade, our manufacturing establishments, our mining, our fisheries, our forestry, and our greatest of all, agriculture—put them all together, and the net average increase has been a little below $\frac{1}{2}$ per cent, take the country over, and yet we are paying 6 per cent, and from that up to 100.

Now, Mr. President, I wish to call the attention of the Senate to this matter just enough in detail to impress the magnitude of the proposition which I present upon the minds of Senators and upon the minds of the people. I will take first my own native State of Pennsylvania, and I am with that old State like the Senator from Alabama is with the subject of the free coinage of silver. Whenever I have an opportunity to say a word in favor of it, I invariably do so.

The State of Pennsylvania in 1860 was worth \$1,400,000,000. That was the value of the property in the State for the purposes

of taxation. The actual amount is \$1,416,510,818. The census shows that in 1890, on the 1st day of January, the assessed valuation of that noble old State has increased to \$2,592,841,032, an actual gain of \$1,176,330,214. The legal rate of interest in Pennsylvania has been as long as I can remember, and that is nearly sixty years, 6 per cent.

Now, at 3 per cent compounded annually, if the value of the property in the State of Pennsylvania in 1860 had been put at interest, the amount to-day would be \$823,783,060 more than the people of the State actually earn. At 3 per cent, compounded annually, it would have amounted in 1880, two years ago, to eight hundred and odd million dollars more than the people were able to earn. That is only one State.

But let us compare the progress of Pennsylvania with some other States to show how this influence extends out among the people. I have here a table prepared from the census report.

Putting against Pennsylvania, Ohio, Missouri, Kentucky, Georgia, North Carolina, Virginia, and South Carolina, I find that those seven States increased their wealth only \$906,458,815, during the 10 years, while Pennsylvania increased her valuation \$1,176,330,214. I will not take the time of the Senate to go into details and show the difference in area, which was about seven times, or the difference in population, which was about three times, or to show that the assessed valuation of those seven States in 1880 was about twice as much as that of Pennsylvania, and that yet, with all their great territory, and with all their large number of people, they were unable to make as much as the State of Pennsylvania, and that the State of Pennsylvania did not make more than 3 per cent annually upon her assessed valuation. That is the point I wish to make.

Now, another case. I will take the State of New York and for a little longer period, because as Senators know very well in the later period of our history our progress has been more rapid than in the earlier period.

I take the State of New York. In 1835 the valuation of that State was \$530,653,524. In 1890 it had increased to \$3,755,325,938. The legal rate of interest of New York is 6 per cent. At 6 per cent compounded annually the value of the property in New York in 1835, if put at interest at 6 per cent, would have amounted to four times what the people do annually make, or to state it accurately, \$12,941,316,975. At 3½ per cent compounded annually the money value of New York in 1835 would have amounted to \$332,871,642 more than the actual gains.

Now, Mr. President, I want to compare the State of New York with some other States. I put against New York the States of Michigan, Minnesota, Wisconsin, Florida, Louisiana, Mississippi, and West Virginia, and I find while their area is nearly eight times that of New York, while their population was 25 per cent greater, and their assessed valuation not quite so much, that their gain was \$14,000,000 less than the gain in the State of New York, and in the State of New York the actual gain was less than 3½ per cent annually. I will ask to have this table incorporated with my remarks.

The table referred to is as follows:

State.	Area in square miles.	Population, 1880.	Population, 1890.	Increase in population in ten years.	Assessed valuation, 1880.	Assessed valuation, 1890.	Increase in valuation in ten years.	Total increase in wealth in ten years.
Pennsylvania	45,215	4,282,891	5,258,014	975,123	\$1,683,459,016	\$2,592,841,032	\$909,382,016	} 906,458,815
Ohio	41,000	3,198,062	3,672,316	474,254	1,534,360,508	1,778,138,457	243,777,949	
Missouri	69,415	2,168,380	2,679,184	510,804	532,795,801	786,343,753	253,547,952	
Kentucky	40,400	1,048,680	1,858,635	209,945	350,563,971	512,015,506	162,051,535	
Georgia	59,475	1,542,180	1,837,353	295,173	239,472,699	377,306,784	137,894,185	
North Carolina	52,250	1,399,750	1,617,947	218,197	156,100,202	212,697,287	56,597,085	
Virginia	42,450	1,512,565	1,655,980	143,415	308,455,135	362,422,741	53,967,606	
South Carolina	30,170	995,577	1,151,149	155,572	133,560,135	132,182,638	*1,377,497	
Totals as against Pennsylvania	335,220	12,405,204	14,472,564	2,007,360	3,255,308,351	4,161,767,166	909,458,815	
New York	49,170	5,082,871	5,997,853	914,982	2,651,040,006	3,775,325,938	1,123,385,932	
Michigan	58,915	1,636,937	2,093,889	356,952	517,668,359	915,450,000	427,783,641	
Minnesota	83,365	780,773	1,301,826	521,053	258,028,687	588,531,743	330,503,056	
Wisconsin	56,040	1,315,497	1,686,880	371,383	438,971,751	592,890,719	153,918,968	
Florida	58,680	200,403	391,422	121,929	30,938,309	70,926,938	45,988,629	
Louisiana	48,720	939,940	1,118,587	178,641	100,162,439	234,320,780	74,158,341	
Mississippi	46,810	1,131,597	1,289,600	158,003	110,628,129	157,578,906	46,950,777	
West Virginia	24,780	618,457	792,794	144,337	139,622,705	169,927,587	30,304,882	
Totals as against New York	377,310	6,662,700	8,614,998	1,852,298	1,656,018,379	2,765,566,663	1,109,548,294	

*Decrease.

Mr. PEPPER. Mr. President, I have here a few figures in relation to Massachusetts, beginning one hundred years ago, when the value of the State was \$44,000,000 in round numbers. The exact figures are \$44,024,349. The actual value of the State in 1890 was \$2,154,134,626, and the legal rate of interest there is 6 per cent. I find that at 6 per cent in 1890 the amount of the value of Massachusetts one hundred years ago would have amounted to \$14,937,461,615.

Mr. President, I now wish to call the attention of the Senate to the growth of the country at large, not only to take the States I have mentioned, but to take the United States. In 1790 the assessed valuation of the United States was estimated to be \$319,977,247, and in 1890 it had increased to \$24,249,589,804. The total gain is \$23,629,612,557. The average legal rate of interest in the country from that time up to the present, I will put at 7 per cent, which I think is fair, but at 6 per cent compounded annually, the value of the country one hundred years ago, namely, \$319,977,247, would amount to \$210,358,279,907 or \$186,108,690,103 more than the people all told actually gained.

This gain is made up in large measure of acquisitions of territory. When we began our career one hundred years ago, our territorial area was but 877,844 square miles; in 1803, through the purchase of Louisiana, through the subsequent acquisition of territory upon the north in connection with it, by the Spanish cession in 1819, when Florida came to us, by the accession of Texas in 1845, by the territory that came to us through the war with Mexico in 1848, and by the Gadsden purchase in 1853, we have increased our territory nearly 400 per cent, and that is included in this gain.

I present these facts, Mr. President, and desire to repeat, in order that it may be impressed upon the minds of Senators, that that is the point to be met in this argument, that the people with all their energies, with all their inventive genius, with all the aid that the Great Father above gives us in the best and most fruitful soil upon earth, and with the use of all the capital we have received from other countries, we have not been able to make by our own industry more than an annual average of about 3 per cent upon our investments, taking the 3 per cent yearly compounded. In the West we compound our interest semi-annually at much higher rates than that, and it is because of that fact that I argue that our interest rates are altogether too high and that they must be reduced.

In addition to all this gain and in addition to the difference between our actual gain and the gain of an equal amount of money, it is discovered that at the end of this period of one hundred years we are wonderfully in debt among ourselves, that our States and municipalities are in debt about \$2,000,000,000 to a portion of our people, that our railroad companies to their stockholders and bondholders are in debt \$10,000,000,000.

So, Mr. President, I charge all the present misfortunes among the American people and the people of the world upon this matter of usury. It is the most persistent, relentless, and remorseless destroyer that has ever come among men.

In order that I may present something else that the boys and

girls who read this speech, if they ever do, may think about in the years to come, I will have a table inserted in my remarks showing the rates of increase between different rates of interest compounded, taking \$1 as the standard, and it is a wonderful showing.

The table is as follows:

Proportionate results of compounding \$1 for one hundred years at various rates per cent—ratio to 1 per cent.

1 per cent	\$2.70
2 per cent	7.24, or about 2½ times 1 per cent.
3 per cent	19.23, or 7 times 1 per cent.
4 per cent	50.50, or 18½ times 1 per cent.
5 per cent	131.50, or 45 times 1 per cent.
6 per cent	339.30, or 125 times 1 per cent.
8 per cent	2,200.00, or 815 times 1 per cent.
10 per cent	13,780.61, or 5,164 times 1 per cent.

Mr. PEPPER. About a year and a half ago in this Chamber and within a few feet from where I stand my distinguished predecessor called attention to this very matter from another standpoint, and he showed, with that clearness of speech and graphic portrayal for which he was so famous, how our working people are falling behind those who lend money and who control money. I will not occupy the time of the Senate by reading an extract which I saved from the lips of that distinguished gentleman, but will ask to have it inserted with my remarks.

The extract referred to is as follows:

George Washington, the first President of the Republic, at the close of his life in 1799 had the largest private fortune in the United States of America. * * * At this time, ninety years afterwards, it is not without interest to know that the entire aggregate and sum of his earthly possessions, his estate, real, personal and mixed, Mount Vernon and his lands along the Kanawha and the Ohio, slaves, securities, all of his belongings, reached the sum total of between \$800,000 and \$900,000. This was less than a century ago, and it is within bounds to say that at this time there are many scores of men, of estates, and of corporations in this country whose annual income exceed, and there has been one man whose monthly revenue since that period exceeded; the entire accumulations of the wealthiest citizen of the United States at the end of the last century.

At that period the social condition of the United States was one of practical equality. The statistics of the census of 1800 are incomplete and fragmentary, but the population of the Union was about 5,300,000, and the estimated wealth of the country was between \$3,000,000,000 and \$4,000,000,000. There was not a millionaire, and there was not a tramp nor a pauper, so far as we know, in the country, except such as had been made so by infirmity, or disease, or inevitable calamity. A multitude of small farmers contentedly tilled the soil. Upon the coast a race of fishermen and sailors, owning the craft that they sailed, wrested their substance from the stormy seas. Labor was the rule and luxury the exception. The great mass of the people lived upon the products of the farms that they cultivated. They spun and wove and manufactured their clothing from flax and from wool.

Commerce and handicrafts afforded honorable competence. The prayer of Agur was apparently realized. There was neither poverty nor riches. Wealth was uniformly diffused, and none were condemned to hopeless penury and dependence. Less than 4 per cent of the entire population lived in towns, and there were but four cities whose population exceeded 10,000 persons. Westward to the Pacific lay the fertile solitudes of an unexplored continent, its resources undeveloped and unsuspected. The dreams of Utopia seemed about to be fulfilled—the wide, the universal diffusion of civil, political, and personal rights among the great body of the people, accompanied by efficient and vigorous guarantees for the safety of life, the protection of property, and the preservation of liberty.

* * * * *

What is the condition to-day, Mr. President, by the statistics? I said at the beginning of this century there was a condition of practical social equal-

ity; wealth was uniformly diffused among the great mass of the people. I repeat that the people are not anarchists; they are not socialists; they are not communists, but they have suddenly waked to the conception of the fact that the bulk of the property of the country is passing into the hands of what the Senator from Ohio, by an euphemism, calls the "speculators" of the world, not of America alone. They infest the financial and social system of every country upon the face of the earth. They are the men of no politics—neither Democrat nor Republican. They are the men of all nationalities and of no nationality; with no politics but plunder, and with no principle but the spoliation of the human race.

A table has been compiled for the purpose of showing how wealth in this country is distributed, and it is full of the most startling admonition. It has appeared in the magazines, it has been commented upon in this Chamber, it has been the theme of editorial discussion. It appears from this compendium that there are in the United States 200 persons who have an aggregate of more than \$20,000,000 each; and there has been one man, the Midas of the century, at whose touch everything seemed to turn to gold, who acquired within less than the lifetime of a single individual, out of the aggregate of the national wealth that was earned by the labor of all applied to the common bounty of nature, an aggregate that exceeded the assessed valuation of 4 of the smallest States in this Union.

* * * * *

Four hundred persons possess \$10,000,000 each, 1,000 persons \$5,000,000 each, 2,000 persons \$2,500,000 each, 6,000 persons \$1,000,000 each, and 15,000 persons \$500,000 each, making a total of 31,100 people who possess \$36,250,000,000.

Mr. President, it is the most appalling statement that ever fell upon mortal ears. It is, so far as the result of democracy as a social and political experiment are concerned, the most terrible commentary that ever was recorded in the book of time; and Nero fiddles while Rome burns. It is thrown off with a laugh and a sneer as the "froth upon the beer" of our political and social system. As I said, the assessed valuation recorded in the great national ledger standing to our credit is about \$65,000,000,000. [Exact, \$62,610,000,000.]

Our population is sixty-two and a half millions, and by some means, some device, some machination, some incantation, honest or otherwise, some process that can not be defined, less than a two-thousandth part of our population have obtained possession, and have kept out of the penitentiary in spite of the means they have adopted to acquire it, of more than one-half of the entire accumulated wealth of the country. That is not the worst, Mr. President. It has been chiefly acquired by men who have contributed little to the material welfare of the country, and by processes that I do not care in appropriate terms to describe; by the wrecking of the fortunes of innocent men, women, and children; by jugglery, by bookkeeping, by financiering, by what the Senator from Ohio calls "speculation," and this process is going on with frightful and constantly accelerating rapidity.

The entire industry of this country is passing under the control of organized and confederated capital. More than fifty of the necessities of life to-day, without which the cabin of the farmer and the miner can not be lighted, or his children fed or clothed, have passed absolutely under the control of syndicates and trusts and corporations composed of speculators, and, by means of these combinations and confederations, competition is destroyed; small dealings are rendered impossible; competence can no longer be acquired, for it is superfluous and unnecessary to say that if, under a system where the accumulations distributed per capita would be less than a thousand dollars, 31,000 obtained possession of more than half of the accumulated wealth of the country, it is impossible that others should have a competence or an independence.

So it happens, Mr. President, that our society is becoming rapidly stratified—almost hopelessly stratified—into the condition of superfluously rich and helplessly poor. We are accustomed to speak of this as the land of the free and the home of the brave. It will soon be the home of the rich and the land of the slave.

We point to Great Britain and we denounce aristocracy and privileged and titled classes and landed estates. We thought when we had abolished primogeniture and entail that we had forever forbidden and prevented these enormous and dangerous accumulations; but, sir, we had forgotten that capital could combine; we were unaware of the yet undeveloped capacity of corporations, and so, as I say, it happens upon the threshold and in the vestibule of our second century, with all this magnificent record behind us, with this tremendous achievement in the way of wealth, population, invention, opportunity for happiness, we are in a condition compared with which the

accumulated fortunes of Great Britain are puerile and insignificant.—*Speech of Senator Ingalls in the United States Senate, January 14, 1891.*

Mr. PEPPER. There is another matter in connection with this, Mr. President. It appears that about once in a generation the wealth produced by the labor of the people is transferred from their hands through usury as a conduit to the 'possession, ownership, and enjoyment comparatively of a few persons. Such a condition, unless there is an outlet for the overflow of population, must bring disaster and eventual national ruin. The only reason why the nations of Europe have been this long enabled to endure the strain is that war and emigration have kept their population below the level of perpetual revolt. The United States of America has absorbed vast numbers of such immigrants, but, as was shown last Wednesday by the Senator from Oregon [Mr. DOLPH], our available public lands are about all taken up under the land laws and our own overflow of population no longer has an outlet.

When an Indian reservation is opened up for settlement men and women risk their lives in a mad race for homes. As long as there was abundance of room "out West," men who had been overtaken by misfortune simply changed places and started again, but the limit has been reached. Even Indians are now persuaded to take lands in severalty—so scarce is land becoming. Our increasing population, increasing from foreign as well as from local sources, must spread over territory already occupied, where lands are increasing in market value by reason of their comparative scarcity and the consequent demand for them.

By way of indicating some of the processes operating in the settlement of the Great West, I quote an extract from an article by Prof. Gleed in *The Forum* for April, 1890.

Prof. Gleed is a gentleman of learning. He has been in the West a long time, is thoroughly familiar with the habits and customs of the people and the manner of doing business. He has been a long time connected with the University of Kansas, one of our leading educators, a gentleman in every way worthy of confidence and respect, and in the article to which reference has been made he describes the manner in which the West was settled up. In large measure, he says, it was through the use of borrowed money. He describes the processes of the borrowing and of the lending, of the selling and of the disposing of property, and of the collection of debts. It is a very interesting article, and I hope Senators will enjoy reading it when they have more leisure than they have now.

The article referred to is as follows:

The Western mortgage business was begun by individual brokers, who invested on their own judgment, based on personal knowledge of borrowers and securities. Their profit lay in the margin between the low interest capitalists would accept and the high interest borrowers would pay. Capitalists sent their money for investment, and mortgages were made to them directly, so that the brokers required no capital. The business of bringing borrower and lender together has always been profitable. The broker of the community becomes the capitalist of the community. The Western mortgage brokers have been no exception to the rule. One of them in Kansas has made nearly \$10,000,000 since 1870. The business developed rapidly. An increased capital has become necessary. Individual brokers have given way to corporations. There are probably two hundred such corporations now oper-

ating in Nebraska and Kansas alone. While the individual broker confined his operations to his own and adjoining counties, the corporation took States for its field, established local agents, and adopted the plan of taking all mortgages in the company's name. * * *

As to the payment of the commission, various plans are in use. The most profitable is this: Out of the proceeds of the note and mortgage the negotiator receives all the expense of making the loan and his commission. For many years this commission was enormous. The companies located at St. Paul, Omaha, Des Moines, Kansas City, St. Joseph, Topeka, Denver, or Dallas sometimes received as high as 15 per cent commission on a five-year loan, and for many years the home company never received less than 10 per cent. The local agent exacted all that he could above this amount. Another custom as to commission is to secure it by notes and a second mortgage. This commission is usually made payable in ten semi-annual installments. On default in the payment of one installment, the whole sum becomes due. Embodied in the note or mortgage are all conceivable provisions for the protection of the lender. Interest is made payable semi-annually, and is represented by interest coupons that bear interest from maturity at the highest legal rate. The borrower assures the payment of the taxes, and agrees to keep the buildings insured for the benefit of the mortgagee. On default in the payment of interest, or in the performance of any of the agreements of the note or mortgage, the lender may declare the whole amount of principle and interest immediately due.

Such being the contract, other sources of profit besides the initial commission will immediately be perceived. The transaction may have such a history as this: The first interest coupon is paid; the second is defaulted. The company remits to the eastern investor, and then declares the whole debt due on account of the default. The borrower wishes to pay up and have the loan reinstated. The company then collects the amount of the defaulted interest, with interest compounded thereon at the highest legal rate, and a further commission or bonus for reinstating or renewing the loan. Or perhaps the company insists upon payment of principal and interest. In that case the borrower borrows elsewhere; the company is paid in full; the amount is reinvested, earning another 10 per cent commission; and the new mortgage is sent to the investor and the old one canceled. The borrower who for any reason desires to pay off his mortgage before it is due must do so on such terms as the company may prescribe. He can not treat directly with the eastern owner of the mortgage, for he can not ascertain who that owner is; the assignment from the company to the investor is not recorded.

The borrower is usually allowed to anticipate his obligation on payment of a bonus of 2 per cent per annum for the unexpired time. * * * If a foreclosure becomes necessary the company secures it at the lowest possible cost—at a wholesale cost. * * * Many companies, however, adopt the invariable rule of taking the land. The best and most conservative companies have made large profits by the sale of lands by themselves taking title to all foreclosed tracts. * * * As yet in most of the Western States the laws are more favorable to the lender than they are in the Eastern States and courts are in the main fair.

Mr. PEPPER. An enormous amount of money was invested in real estate securities, and as the reports thus far published show, in the six States of Alabama, Tennessee, Illinois, Iowa, Nebraska, and Kansas the aggregate during the ten years including and following 1880 was \$2,274,970,435, of which about \$490,000,000 went to Kansas, the farmers alone taking about \$326,000,000 or two-thirds the total, and at the end of the period they had repaid more than one-half of it at an annual interest charge of 10 per cent, an average yearly payment—principal and interest, equal to about \$20,000,000, what was equivalent to \$100 for every five persons of those who had to pay. And while they were doing that we increased our population nearly half a million persons; we settled and organized thirty-five new counties, covering an area half as large as all New England; we added more than 5,000 miles to our railways; we erected nearly five thousand new schoolhouses; we doubled the area of our farming lands; we increased the number of our domestic animals 100 per cent, and during the last year of the period our farmers produced 273,000,-

000 bushels of corn. No such record was ever made before. I challenge history to produce its equal. I am proud to have the confidence and commission of such a people.

Our progress during the last four or five years has not been so rapid, but our farmers have continued the work of payment with wonderful promptness and fortitude. The Daily Capital, a newspaper printed in Topeka, began early last year to collect reports from different counties in the State with the view of showing the number of old farm mortgages released and the number of new ones recorded. Only sixty-one of the one hundred and six counties reported, but the reports from them, covering a period of twelve months, ending with April of the present year, make a showing which was copied and commented on favorably by the leading papers of New York, Philadelphia, and Boston. It appears from the summary that during the time covered by the reports old mortgages amounting to \$17,000,000 were released, and new mortgages amounting to \$13,000,000 were recorded, showing a difference in favor of the releases of \$4,000,000 in eight and one-half months.

One important fact bearing on this matter which, however, does not appear in the reports, but which the editor discovered and to which he several times called attention in his editorial columns, is worth most careful consideration. Last January (1892) the following editorial article appeared in the paper:

MR. MONEY-LOANER, DON'T BE TOO GREEDY.

Some money-loaners in Kansas are, in anticipation of a demand soon for farm lands and other property foreclosing, bidding the property in at a nominal price and holding the balance of the loan as a judgment against the party. For instance, a man has borrowed \$3,000 on a farm said to have been worth at the time of the loan, according to the loan company's appraisers, \$8,000 or \$9,000. The company forecloses and bids the farm in for \$500, taking a judgment for \$2,500 of the original loan. Thus the party who has borrowed the money loses his land and finds back interest, costs of foreclosure, etc., to exceed the amount the loan company has paid for his farm. In other words, the costs, etc., added to the \$2,500 makes a judgment larger than the original loan.

Now the fact and the common justice of the case is, that when a loan company risks \$3,000 on its own judgment on a farm or any other kind of property it is nothing more or less than robbery to take the property, leaving the debt unsatisfied. It don't matter, Mr. Lawyer, what the provisions of the law are that protect this kind of legal plundering it should be changed, and the property upon which a loan is made should pay in full the debt. The next Republican Legislature can protect the people by making it impossible for a man's farm to be taken representing double or treble the value of the loan made upon it and the debt remain unpaid. No amount of slick legal quibbling can make this system less than downright robbery and it should and must be stopped in Kansas.

I ought, perhaps, to say in justice to the editor of this paper that he has been all along and is now distinguished for his fealty to the party which has long been in power in Kansas, the Republican party, and he takes this view of the case, calling attention to the fact that property which is being sold under foreclosure proceedings, in many cases brings but a small proportion of the amount of the judgment, leaving the difference between the judgment and the proceeds of the sale still in judgment hanging over the original debtor, and the editor takes the position that the Legislature of the State ought to enact a law requiring that when a piece of property is taken as security for

the payment of a debt, and through misfortune the debtor is unable to meet his obligation, and the creditor is compelled to collect his debt through processes of law, the property ought to pay the debt.

I am not arguing in favor of that proposition. I am simply calling the attention of the Senate to what is being talked about by our leading men in the State of Kansas to-day and by a large number of people in all parts of the country, without any reference to their political affiliations, and I assure you, sir, so far as I am concerned, there is no politics in this thing, but a great amount of earnestness.

A little while ago, only about three weeks ago, I think on the 19th day of May, the editor of the same paper called attention to the same fact in this sententious editorial:

The next Legislature should enact a little law—

Just a little law—

providing that property shall not be sold under foreclosure for less than the amount of judgment.

I say, sir, lest my motives may be misconstrued and my opinions may be misunderstood, I do not agree with the proposition of the editor. I do not insist that that ought to be done; I do not insist, indeed, that it can be done under our Constitution; but I am trying to show to the Senate what our people are talking about, in order that those gentlemen who are so far away from us that they do not hear us when we cry may understand that there are some other men who are crying as well as those of us who are in debt, and here the editor sees a most serious feature about this matter; we must have relief; the Republic goes down unless the people are saved. There is no way to save them but to take away these destroying rates of usury. Perhaps it may be answered "We have no power to do that." Let that alone for the present." There is power somewhere to do it. If there is no power in the law, there must be power in the law-makers; if there is no authority in the Constitution, we can put it there.

His suggestion directed public attention to the subject, and other papers throughout the State began to publish reports in relation to the same matter. I have recently found in the local papers which come to my table some very suggestive facts along this line. Here, for instance, is a table prepared from half a dozen papers in as many counties, showing the number of cases that were disposed of in courts by decrees for the sale of property in foreclosure, showing the amount of the judgment, the amount for which the property sold, and the amount of the judgment left unpaid. I find that in six counties there were three hundred and eighty-three cases: the amount of the judgment was \$399,411.70; the amount for which the property sold was \$101,461.51, leaving an aggregate judgment unpaid of \$249,017.20, hanging over the original debtors. The average amount of the judgment was \$1,043; the average amount that the property sold for was \$265, and the average amount of judgment still left over the people's head is \$650, and the interest on those judgments runs anywhere from 8 per cent to 12 per cent.

The table referred to is as follows:

Number of cases, amount of judgment, what the property sold for, and balance of judgment unpaid, in six counties, with the averages.

Counties.	No. of cases.	Amount of judgment.	Property sold for.	*Balance of judgment
Osage	22	\$17, 078. 76	\$2, 550. 00	\$14, 228. 76
Jewell	27	38, 163. 39	10, 437. 00	27, 726. 39
Davis	35	64, 687. 81	36, 102. 00	28, 585. 81
Elk	175	144, 035. 30	44, 664. 95	99, 370. 35
Phillips	45	30, 280. 60	10, 824. 71	19, 455. 89
Coffey	79	105, 155. 84	45, 497. 89	59, 657. 95
Total	383	399, 411. 70	101, 461. 51	297, 950. 19
Average.	64	1, 043. 00	265. 00	650. 00

*Interest on these judgments 8 per cent to 12 per cent.

In connection with that I made another clipping from one of our State papers on the same line, showing that in eighteen counties on the bar dockets for the first term of the district courts in 1892 in our State there were nine hundred and eighty-one foreclosures and four hundred and eighty-nine confirmations, making nearly one thousand four hundred cases, and an average of judgments of \$650 hanging over those men, without any outlet, without any public lands to go to, without any new country to go to and grow up with, presents to us a formidable question, a condition of things that is actually appalling.

Our people have an abundance to eat and an abundance to wear, but it is not in the soil alone or in what is produced therefrom by human hands that will bring what the people are required to pay. I have shown you that with all our energy, with all our industry, and with all of our acquisitions of territory we have been unable, with all the ingenuity that our ingenuity and invention could bring to bear, to compete with the interest we have to pay; no nation under heaven can do it, and the time has come when our people, seeing that there is no West to go to, are in rebellion against this condition of things, and we come to the people showing not only what ails them, but proposing to them some remedy, and we say to you, Senators, we say to our friends in the other end of this building, we say to the man who occupies the Chief Magistracy of the Republic, we say to all men everywhere that we are in earnest.

Mr. President, when we consider the fact that this condition exists to greater or less extent in every State of the Union, with perhaps a single exception—Rhode Island, it is plain that we are rapidly nearing trouble. We have inherited the warm blood of the Anglo-Saxon, a born conqueror, who emerged from feudalism and will never return to it. The careless facility with which many of our party leaders and public men ignore the popular appeal is exasperating in the extreme. The "imperialism of capital," as a late writer puts it, and the insolence of wealth are fast becoming intolerable. Voters by the hundred, by the thousand—aye, by the million, are organized in opposition to these growing wrongs, and it is strange beyond understanding

that men, wise in everything else, do not understand what this means.

We come to you, Mr. President, not only showing wrongs, but in our crude and imperfect way suggesting remedies. The bill now before the Senate is in that line. It may be very crude; there may be nothing in its provisions that would commend itself to the enlightened judgment of statesmen long accustomed to dealing with public affairs. Still it is the best that we have been able to do this far along the line. We believe that it is worth thinking about. We believe that it is at least suggestive and helpful, and that even grave Senators who have grown gray in the public service may with great propriety listen to us long enough to examine the things we suggest, and then possibly with their learning and with their experience they may be able to suggest something that will at least satisfy us temporarily. For, as has been shown, it seems to me to be beyond question, some change must come; the people will have it one way or another, and we only know one way, and that is the legal way. We want to get rid of burdens that we can not much longer bear and that some of us are now unable to bear as what I have, very disagreeably to myself, been reading to the Senate this morning will show.

A number of different suggestions have been made, none of them, however, in the form of legislation, but one that has been pressed upon the attention of the farmers recently is that in the course of two or three years (I think we have only two years more of a five-year period to run) by reason of our increasing population and the comparative increase in the area of lands given to agriculture our wheat crop and our cotton crop will become more valuable in the markets of the world; in other words, that we are at the limit of our productive capacity and that in a little while, by reason of that fact, the prices of our products will correspondingly increase. That proposition will hardly bear serious examination, and yet a great many serious studies, of it have been made. There is not one State in the Union today that is producing one-half as much of any article on the farming lands as it could produce under a better condition of culture.

Take the country over, take the aggregate area now in cultivation—I have not made the estimate, but I have no doubt you will find it running somewhere from 25 to 30 acres to the head of population; that our farming lands have really within their boundaries, say, 20 acres to every head of population; and yet under a high state of culture 1 acre is sufficient to support one person. Out in that delightful region of the country that has been so long adorned by the presence of the gentleman who now occupies the chair [Mr. PADDOCK in the chair], the country south of it and the country north of it for a thousand miles, aye, you may go from Galveston to Duluth, and all through that magnificent region west of the Mississippi you will find that where it is put under such cultivation as it is susceptible of—throw out the rocks, throw out the streams, throw out everything that can not produce corn or wheat or cotton—we will support a population equal in numbers to our acres of land. But we do not expect to do it when the population is in Europe or in the Eastern States. However, when the people come to us we can maintain them.

I say the arguments about our wheat crop being short within a year or two, and that therefore the price will be up to \$1.50 or \$2 or \$2.50 within the next five or ten years is hardly worth serious attention.

Then we are offered a remedy, and my distinguished friend upon my right [Mr. DOLPH] gave it to us the other day in his own cogent and powerful language, that the thing which will redeem all the country is to continue the doctrines and the policies of the party which he has so ably and so long represented. But we insist that under that policy and under those measures these conditions have come upon us, and if that is the best those gentlemen can do we would be perfectly willing to risk a change.

Then we are offered tariff reform, and yet, as I had the honor to suggest in this place a few days ago, our tariff reform friends will take the duty off of wool that our farmers raise and leave it on the goods that the manufacturers make down in the region where the money changers live. We do not want any more of that kind of tariff reform.

Mr. President, I will refer briefly to the provisions of this bill, and in order that the reader and the student, for such there will be, may have the benefit of the bill near him when he reads I ask that the bill may be copied with my remarks. The bill is S. 3216, to increase the currency and provide for its circulation, to reduce the rates of interest, and to establish a bureau of loans, and is as follows:

Be it enacted, etc., That there is hereby created within the Treasury Department a bureau of loans, to be subject to rules and regulations prescribed by the Secretary of the Treasury under and subject to the provisions of this act. The business of said bureau shall be conducted by three commissioners, to be nominated and by and with the consent of the Senate appointed by the President. They shall not all belong to the same political party. They shall be selected, one from the profession of law, one from among bankers and loan agents, the other from the ranks of labor. The regular term of their office shall be six years; but those first appointed shall hold two, four, and six respectively, and they shall determine by lot among themselves their respective terms. Their salary shall be \$5,000 a year each, payable quarterly as the salaries of other officers of the Treasury Department are paid. As soon as practicable after their appointment they shall take the usual oath of office, which shall be filed and preserved as in other cases; they shall organize by selecting one of their members as president, one as secretary, and the other shall act as president in case of inability or necessary absence of the president. The secretary shall make and preserve a complete record of all their proceedings and report annually, under the approval of the president, to the Secretary of the Treasury, for transmission through the President to Congress. The board of loan commissioners shall keep their office in Washington City, in quarters prepared, furnished, and supplied by Secretary of the Treasury as the quarters of other bureaus and divisions are provided. The board shall have such clerical assistance as shall be found necessary for the prompt and efficient performance of the work to be done, to be assigned by the Secretary of the Treasury from persons in Government employ who are familiar with that kind of service.

SEC. 2. That it shall be the duty of the board of loan commissioners to establish loan agencies, one at the capital of every State, Territory, and district, and at such other places throughout the country as will be convenient for the people; to establish as nearly as may be a uniform method of doing business at the State and local agencies, and under direction of the Secretary of the Treasury to prepare and distribute rules of precedence and blank forms for use at the agencies; to instruct the agents and adjust on appeal all differences arising in the administration of the law; to pass on all requisitions of State superintendents for money, and to perform any and all other duties which shall be found necessary to a faithful administration of the law.

SEC. 3. That the agency at the capital of a State, Territory, or district shall be known as the central loan agency for that State or Territory or dis-

trict. The central agency shall be in charge of a superintendent appointed by the Secretary of the Treasury; he shall employ such clerical assistance as may be needed, subject to the approval of the board of loan commissioners, and he shall have charge of such funds as may be intrusted to him, by order of the Secretary of the Treasury on requisition of the board of loan commissioners through its chairman and secretary, and he shall pay out the same on orders from superintendents of local agencies. He shall report specially once a month and generally once a year to the board of loan commissioners upon the business and condition of all the local agencies within his State. He shall have general supervision over the local agencies to the extent of having access to all their offices, books, and papers, and advising the local superintendents in all cases of need or of difference. The salary of the superintendent of the central agency shall be \$4,000 a year, and his term of office six years, subject to removal for cause. He shall enter into bond in the sum of \$150,000, conditioned for the faithful performance of his duties and the safe-keeping and handling of all public moneys intrusted to his care. He shall appoint to assist him a deputy superintendent (a practicing lawyer), who shall have general charge of all legal business arising out of the administration of this law in the State, and advise officers connected with all the agencies in the State touching their duties in matters where questions of law are raised, subject to revision by the board of loan commissioners on reference or appeal. Subject to the approval of the board of loan commissioners he shall prepare rules and regulations, with necessary blank forms, for the safe dispatch of business at the several agencies, and he shall revise the same whenever changes or additions are needed. His term of office shall be seven years, subject to removal for cause, and his salary \$3,500 per year.

SEC. 4. That the local agencies shall be in charge of local superintendents appointed, as nearly as practicable, equally from different political parties, by the superintendent of the central agency, subject to approval of the Secretary of the Treasury. They shall appoint such assistants as are necessary for the transaction of the business of the offices, and fix their wages, subject to the approval of the State superintendent. They shall not have or engage in any other general or special business during the time they hold office under this act. They shall report monthly to the superintendent of the central agency, showing the state of their business, and shall make to him an annual report recovering all the business of the year in detail, in time for him to make up his report to the board of loan commissioners. Their salary shall be \$3,000 a year and their term of office seven years, subject to dismissal at any time for cause. They shall give bond each in the sum of \$25,000, conditioned for the faithful performance of their duties. Salaries of assistants in all the agencies shall be determined with reference to wages paid for similar work in private lines of business in the particular State or locality. In the same manner and subject to the same conditions, the superintendent of the central agency shall appoint an attorney—a lawyer of experience and high standing in his profession—to assist each local superintendent, and, under and subject to his direction, have charge of all legal business arising out of the administration of the law in the district. He shall give bond in the sum of \$25,000 conditioned for the faithful performance of the duties of his office. His term of office shall be five years, subject to removal at any time for cause.

SEC. 5. The business of the local agencies shall be to lend money to the people as hereinafter provided, in manner, as nearly as practicable, like such business is now conducted by responsible and well-regulated real-estate and loan agencies. Applications will be made on blanks prepared by the deputy superintendent as aforesaid, showing the location, description, and estimated value of the particular lot, parcel, or piece of land offered as a security, with the appraisalment, under oath, of three disinterested freeholders of the neighborhood who have personal knowledge of the premises, showing the actual value of the land, with and without improvements, estimated as other lands in that locality are valued, and its assessed value for taxation, together with the report of a local examiner in cases where, for good reason, the assistant superintendent is of opinion that such examination is necessary. In case the land offered be public land, not subject to homestead entry, the Government price shall be taken as the assessed value of the land, and may be taken as security for a loan of that amount. The application shall be accompanied by a complete abstract of title, and if it appears to the satisfaction of the local superintendent that the security offered is sufficient, under the rules established, for the amount of money asked for, the application shall be granted; and after the due execution of note or notes, as the case may be, with first mortgage on the land or lot, conditioned that taxes and insurance be kept paid, an order shall be drawn by the local superintendent on the superintendent of the central agency for the

amount of the loan. In all cases of dispute in the administration of the law an appeal may be taken to the deputy superintendent and through him to the board of loan commissioners. The notes shall be filed and preserved at the local agency in fireproof vaults or safes, the mortgages recorded according to the laws of the particular State, and afterwards preserved with the notes.

SEC. 6. That all official bonds required by the provisions of this act to be given shall be conditioned for the faithful discharge of the duties imposed by this act, to be approved by the United States district attorney for the particular district in the same manner and with the same effect as other bonds which he is required to approve. The bonds shall be filed and preserved in the office of the loan bureau. Additional security or a new bond may at any time be required by the board of loan commissioners, in order to protect the interests of the people.

SEC. 7. That the salaries of all persons appointed and employed under the provisions of this act shall be paid as other persons connected with the work of the Treasury Department.

SEC. 8. That cause for removal shall be incompetency, general unfitness, neglect of duty, dishonesty, intemperance in the use of intoxicating liquors or of any narcotic which interferes with proper discharge of duty, impoliteness or rudeness in official conduct, or any habit which prevents efficient service.

SEC. 9. That the time for which money may be lent under the provisions of this act shall not be less than one year except as provided in section —, nor longer than — years; but for good cause shown, when the interest, taxes, and insurance have been promptly and regularly paid according to contract, on recommendation of the local superintendent, the State superintendent may extend the time not exceeding two years. The extension shall be recorded by writing in different colored ink across the record the words "Time extended — years." In case of failure for two years to pay in interest, taxes, and insurance, or other stipulated charges, the whole debt, principal and interest, shall become due and payable, and the attorney shall proceed without unnecessary delay to collect the same according to law in the State court. Proceedings shall be conducted in the name of the superintendent of the central agency for the use and benefit of the United States. When any loan has been paid the mortgage record shall be released in an instrument signed by the local superintendent of the district, and in cases of foreclosure and court decrees the release shall be made by the attorney who brought the suit, following the State law as to manner and form. And in all cases of orders for the sale of land under court decrees in foreclosure proceedings on application of mortgagor execution shall be stayed and he shall have three years' time in which to redeem the land on payment of judgment and accruing costs: *Provided, however*, That the stay shall operate only from year to year, on condition that interest on the judgment, together with taxes and insurance on the property, be paid each year as they become due. In other words, the stay may be extended from year to year for three years on condition that the annual charges be paid when due. The proceeds of sale shall be paid over to the Government attorney, who shall immediately forward same to the superintendent of the central agency.

SEC. 10. That no loan under the foregoing provisions shall be for less than \$100, nor for more than \$2,500 to or for any one person or family; and no tract of land containing more than 160 acres shall be accepted as security for one loan, and no loan shall be granted unless it be to procure or to save a home; that is to say, before a loan is made it must appear that the applicant, being without a home, needs the money to purchase one, or that, having a home, it is incumbered and he is in danger of losing it by reason of his being unable then to pay the incumbrance which is about to be enforced in court. In no case shall money be loaned under the foregoing provisions for purposes of speculation, and every application shall contain a statement of the applicant, under oath, showing what the money is intended for, and that it is not for purposes of speculation.

SEC. 11. That in order to provide funds to carry out the provisions of this act the Secretary of the Treasury is hereby authorized and directed to cause to have prepared Treasury notes similar in all respects to those now being prepared under the provisions of the silver-bullion act of June 14, 1860, with the addition of the date of this act printed on the face of said notes, in amount equal to one dollar and a half for every one dollar's worth of gold and silver coin and bullion belonging to the United States, excepting the gold-redemption fund provided in pursuance of the redemption act of January —, 1875, estimating the bullion at its coinage value, and a like amount of notes for all the coin and bullion coming into possession and ownership of the United

States hereafter. As nearly as may be, one-eighth part of said notes shall be of the denominations following: that is to say: One-eighth part each of \$1, \$2, \$5, \$10, \$20, \$50, \$100, and \$500. As soon as said notes are prepared they shall be deposited in the Treasury, to be paid out on requisitions from the board of loan commissioners, as hereinafter provided.

SEC. 12. That the Treasurer of the United States shall pay out said notes on requisition of the directors of State agencies approved by the president and attested by the secretary of the board of loan commissioners, indorsed by the Secretary of the Treasury. The money shall be forwarded as other Government funds to the superintendent making the requisition. When said notes are afterwards received in the Treasury they shall be paid out the same as other moneys; and when the notes prepared under the authority of this act are all paid out, requisitions from State superintendents shall be paid out of any moneys in the Treasury not subject to draft under appropriations by Congress.

SEC. 13. That the notes and mortgages and other instruments of like nature, if any there need be, shall be drawn in favor of the superintendent (giving proper name) of the central loan agency of the State and his successor in office, for the use and benefit of the people of the United States, conditioned that in case of failure for two years to pay interest, taxes, and insurance, or other necessary charge specified, as the same become due and payable, according to the contract of loan or the law of the State, the whole debt, principal and interest, shall become at once due and payable, and proceedings, for collection shall, be begun as provided in the last preceding section.

SEC. 14. That from and after the taking effect of this act money shall not be subject to taxation under the laws of the United States nor of any State; nor shall notes, bonds, judgments, mechanic's liens, or other evidences of debt be so taxable, the intent hereof being to relieve all money evidences of debt and securities, public and private alike, from taxation.

SEC. 15. That hereafter in the establishment of new national banks and in the reorganization of old ones, it shall not be necessary to deposit bonds in the Treasury for security of circulation, but in lieu thereof the banks may deposit lawful money of the United States, gold or silver coin, United States notes, Treasury notes, and coin certificates. New banks may be established with a minimum capital of \$25,000 and notes may be issued to the banks in the full amount of their several deposits, subject to existing laws in other respects, except that before notes are delivered the expense of their preparation and transmission shall be paid by the banks. Banks now in business may avail themselves of the provisions of this section by depositing lawful money in lieu of bonds under rules and regulations to be prescribed by the Secretary of the Treasury.

SEC. 16. That no bank, banking firm, company, or corporation, shall demand or receive interest for the loan of money or for the discounting of notes or bills more than what would amount to a rate of 5 per cent per annum, and where the time is six months or longer, not exceeding twelve months, the rate shall not exceed what would be a yearly rate of 4 per cent. Any violation of the provisions of this section shall work a forfeiture of the principal and interest, enforceable in any court of jurisdiction.

SEC. 17. That, beginning on the first day of the sixth calendar month after the approval of this act, the rate of interest which may be charged by any person, firm, company, or corporation for the use of money borrowed or withheld for a period of twelve months or longer shall not exceed 3 per cent per annum, payable annually, anything in the laws of any State to the contrary notwithstanding. A violation of the provisions of this section shall be held to work a forfeiture of the debt, principal and interest.

SEC. 18. That for the purpose of supplying the need of money to move crops and other productions which mature annually and at particular seasons of the year, and for the purpose of protecting farmers and others against the evils of what are commonly known as "corners" and dealing in "futures" and "options," and for the purpose of protecting borrowers from the exactions of pawnbrokers and other persons engaged in like business, it is further enacted that money may be lent through the bureau of loans for a period of less than twelve months on the security of personal property, as hereinafter provided. That whenever any State, by laws duly enacted, shall authorize the erection of public warehouses in cities, counties, or other subdivisions of its territory for the purpose of storing for the people any of the productions of labor, imperishable products of agriculture, as cotton, wheat, tobacco, and manufactured articles that will not deteriorate by storage a few months; and shall provide that such articles, under legally prescribed regulations for the safe-keeping and disposing of the same for the benefit of per-

sons and parties in interest, may be used as security for loans of money; and shall provide further, that such warehouses shall be in charge of public officers duly qualified, who shall receive and receipt for articles to be stored, grading them and noting their market value at the time, such warehouse receipts may be taken by the superintendent of the loan agency of the district in which the warehouse is located as security for a loan equal to two-thirds of the value of the articles mentioned in the receipt, for a period not exceeding ninety days. The time may be extended thirty days on certificate of the warehouse officer that the property which is held as security is in good condition, that it has not materially depreciated in market value since the date of the loan, and that there is no reason to expect such material depreciation within the next thirty days. The time may again be extended thirty days on like certificate. In case of falling values, loans may be made on the same security for additional periods of time, not exceeding in the aggregate nine months from the date of the first loan; but before any subsequent loan shall be made, interest, insurance, and all warehouse charges must be paid to date; the new loan shall be for only one-half the present value of the property held as security, and the difference between the face of the old and the new loan must be paid. This difference may be paid by deducting its amount from the new loan. The rate of interest on these loans shall be one-third of 1 per cent a month.

SEC. 19. That all acts and parts of acts inconsistent with the provisions of this act are hereby repealed. But all acts and parts of acts which are applicable, and which are not necessarily in conflict herewith, shall be construed in aid of the intent and provisions herein.

SEC. 20. That this act shall take effect on the 1st day of January next following its approval, and the officers herein provided for shall begin the work intrusted to them without unnecessary delay.

First, the bill does not propose what is sometimes characterized as paternalism. We often hear gentlemen say to us, "You are anxious to turn your indebtedness over upon the shoulders of some other one; you are anxious to throw your misfortunes, whatever they may be, upon the Government and let the Government take care of you." We repudiate all such accusations as that, and nobody, man or woman, who understands the people of the West would make such an assertion seriously. It is not to get rid of what we owe that we ask. It is something with which to pay that we ask, and we can pay with nothing but money. They are now compelling us even to put gold into our contracts. They are not willing to accept what we must accept for our toil and for what little we accomplish in this world, the lawful money of the country, but insist upon our paying what we have not, what they know we have not, what they know we are unable to get unless we get it from them at their price.

If the post-office system of this country, which is the most stupendous business establishment in the world, is an evidence of paternalism, then you may charge upon us that we are paternalists, but if the present and the past splendid management of that great business concern has been in the interests of the people, has saved us money and in every way been serviceable, then we want to introduce something of the same kind in our monetary affairs, so that the people may have money when they need it just the same as they can have postage stamps or postal currency or any other postal convenience when they need it; in other words, to get the needs of the people, the things which they need, close to them. That is what we want to do.

Now, take the railroads of the country. Is it paternalism, I ask my good friends, to restrict the corporate greed (if that is the proper word, and it is often used) of the railroad companies of this country? Is it paternalism to require that public mills

shall pay a certain toll upon the grain that that they grind for their customers? Is it paternalism to require that a ferryman shall not charge more than a certain amount of toll for passing persons across a stream? Is it paternalism for the State or the nation to go into the factories of the country and dictate what the people there shall do and what they shall not do? Is it paternalism for us to enact in our laws and to appoint commissions to see that our animals upon the public streets and highways are properly treated? Is it paternalism to require that the father shall treat his child humanely? Is it paternalism that the law-making power says to the managers of public inns and theatres and other buildings of that sort that they shall provide certain escapes in case of fire? Is it paternalism that we establish boards of health in order to take care of the health of the people? Is it paternalism that authorizes the public officers to go through your land or mine and make a drainway in order that miasma may be drained away and the health of the people saved? Are all these things paternalism? Is it paternalism to require that the citizens shall pay a certain rate of interest for the use of money and no more? If these things are not paternalism, then I protest that the remedies proposed in this bill, to which I shall call attention in a moment, are not paternalism.

But there is another very important matter in connection with this. I have been honored with the attention of a number of Senators to whose minds probably it has already suggested itself that we are proposing to override the rights of States under constitutional guarantees. But in answer to that we have saved in the Constitution to one body alone the authority to manufacture money. No State is permitted to make anything except gold and silver coin a legal tender in payment of debt. No State can authorize a bank to issue legal-tender money, nor can any county do it, nor any city, nor any corporation, nor any power, either on the earth or in the waters under the earth or in the heavens above the earth—only one power, and that the Congress of the United States. So when we ask for an increase of currency, when we ask for any relief that comes to us and must come to us through the channels of money, we go to the Congress of the United States, because we have no other place to go. It is the only place. It is our only resort, and hence we come here.

But this matter of the Government interesting itself in the welfare of its citizens in their private and individual capacity in the way of advancing money to them is not a new one. It is new, perhaps, in the United States, but it has been practiced to a greater or less extent in European countries for many, many years. Our own colonies in their early history issued paper money and loaned it to the people on the security of their land. That was done in the State of Pennsylvania, and Dr. Franklin has left his testimony to the effect that it was a very successful experiment. I do not hesitate to say that had it not been for the interference of the Government of Great Britain in our colonial finances there would have been no disasters in any of the colonies following the matter of the issuance of paper money.

But be that as it may, the experiment is not wholly a new one. The colony of Virginia, whose honored Senator I see looking

this way from the other side of the Chamber, issued paper money based upon taxes, and the money to pay them with was raised by taxation. That money, Mr. Jefferson said, remained at par, passed current, and was always regarded with much favor among the colonies.

COLONIAL PAPER MONEY.

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*, fourth edition, page 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 time 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*, volume 9, page 218.

But more than that, Great Britain about twenty years ago (the first act of the character to which I am about to refer was passed in 1871, known as the Irish land act) provided a land court, authorized to advance money to tenant farmers in Ireland to assist them in the purchase of homes. The act was amended and extended in 1881. Senators who wish to examine that act will find it in the English Law Reports for the forty-fourth and forty-fifth years of Victoria, page 194. Section 28 of that act reads as follows:

Any advance made by the land commission for the purpose of supplying money for the purchase of a holding from a landlord or of a holding or par-

cel from the land commission shall be repaid by an annuity in favor of the land commission for thirty-five years of £5 for every £100 pounds of such advance, and so in proportion for any less sum.

That is to say, the British Government supplied money to poor men in Ireland with which to purchase homes. After they, the tenant farmers, had paid one-fourth of the amount agreed upon, the land commission was authorized to advance the remaining three-fourths of the sum required, and the payment was simply 5 per cent of the principal continued through a period of thirty-five years. It may astonish some persons to know that a payment of 5 per cent of any sum, without touching the principal at all, simply paying the interest at 5 per cent for thirty-five years, compounded annually, amounts to more than four times the original sum.

Table showing what thirty-five yearly payments of \$5 each amounts to at 5 per cent interest, compounded annually.

Years.	Amount.	Interest.	Years.	Amount.	Interest.
One	\$5.25	\$0.25	Twenty	\$13.26	\$8.26
Two	5.51	.51	Twenty-one ..	13.92	8.92
Three	5.78	.78	Twenty-two ..	14.61	9.61
Four	6.07	1.07	Twenty-three ..	15.34	10.34
Five	6.38	1.38	Twenty-four ..	16.11	11.11
Six	6.70	1.70	Twenty-five ..	16.81	11.81
Seven	7.03	2.03	Twenty-six ..	17.76	12.76
Eight	7.38	2.38	Twenty-seven ..	18.65	13.65
Nine	7.75	2.75	Twenty-eight ..	19.58	14.58
Ten	8.14	3.14	Twenty-nine ..	20.56	15.56
Eleven	8.55	3.55	Thirty	21.58	16.58
Twelve	8.97	3.97	Thirty-one ..	22.67	17.67
Thirteen	9.42	4.42	Thirty-two ..	23.67	18.67
Fourteen	9.89	4.89	Thirty-three ..	24.99	19.99
Fifteen	10.39	5.39	Thirty-four ..	26.24	21.24
Sixteen	10.91	5.91	Thirty-five ..	27.58	22.58
Seventeen	11.46	6.46			
Eighteen	12.03	7.03	Total	473.57	298.57
Nineteen	12.63	7.63			

I found a little while ago while this question was being discussed in the British Parliament or before the British people an article in one of the Philadelphia papers relating to the same subject. I desire to read it. It is copied from the Philadelphia Press, and is as follows:

Mr. Gladstone's speech on the measure now before the House of Commons, setting apart a credit of \$30,000,000 to help poor men buy small farms, renders its passage certain. It would be hard to carry socialism farther in principle than it goes in this bill, which takes from the national treasury to aid local bodies in loaning money by which poor men are to buy farms. Such a measure would be s. outed in any American legislature, and nothing like it could pass here, where men still believe that the state has no business to loan money for private purposes; but this land bill passes unopposed in England.

So we see that Great Britain, with all that we regard as selfish in the fiscal policy of that country, has been doing measurably just what a large number of the people in this country are asking to have done here.

Some time ago, about six months, I think, I had the honor to introduce a resolution in the Senate asking that the Finance Committee may be instructed to inquire into the cost of lending

money, in order that we might ascertain the necessary expenses attending that business, so that the people might have that official data upon which to continue their reasoning in this respect. The resolution is as follows:

Whereas complaint is made that money, when loaned at legal and customary rates of interest, yields larger profit than is realized in industrial pursuits, the law thus affording to money a protection not accorded to any other kind of property; and

Whereas it is alleged that present methods of getting money in circulation through banks and loan agencies is unnecessarily expensive: Therefore, be it

Resolved by the Senate, That the Committee on Finance be instructed to inquire and report as soon as practicable what is the actual expense attending the business of money lending as it is conducted in the United States by bankers and other persons who lend money on short periods of time only—less than one year—and by loan agents, trust companies, and other institutions that lend on long periods—one year and more—including such as negotiate loans for others; also to inquire as to the amount of business done by the persons, companies, or corporations examined, and the proportion which the aggregate expense bears to the amount of money loaned.

In considering expenses the committee will include rent or use of buildings, insurance, taxes, fuel, light, stationery, postage, telegraphing, clerk hire, salaries of officers, and every other item which goes to make up the expense account, the object being to ascertain, approximately, the actual and relative cost of conducting business of lending money, without reference to the value of the money lent.

The committee is authorized to send for persons and papers and examine witnesses under oath touching any matter involved in the inquiry, and may by a subcommittee, visit any part of the country to take testimony to the end that the work may be done efficiently and without unnecessary delay or expense.

The necessary expenses of this inquiry will be paid out of the contingent fund of the Senate.

But until this time no report has been made upon the resolution, which was referred to the Committee on Finance. Therefore I am compelled to rely upon my own resources. I have discovered that it does not cost more than 1 per cent to lend money; I mean to say that all the necessary, legitimate expenses attending the labor of all kinds incident in the business of lending money, when it is carried on upon a large scale, does not exceed 1 per cent. The rate in this bill proposes an interest of 2 per cent, so that there is 1 per cent above that which is the actual cost.

Another very interesting matter is the cost of making paper money. Some weeks ago I addressed a letter of inquiry to the Secretary of the Treasury asking him for information as to how much it costs the Government of the United States to prepare its paper money and get it ready for issue to the people, and very kindly and elaborately he presents a number of tabulated statements, covering in all three pages of text and figures, showing that the average cost of making \$1 is just a trifle over six hundredths of 1 per cent. That is the cost of making paper money, which is just as good as any other money. The number of employes who would likely be occupied with the service under what is proposed in this bill would probably be from 3,500 to 4,000. That would dispense with the services of about ten times that number of very pleasant ladies and gentlemen whom the borrowers of this country are now keeping in luxury. The statement to which I refer is as follows:

TREASURY DEPARTMENT, OFFICE OF THE SECRETARY,
Washington, D. C., June 4, 1893.

SIR: In reply to your letter of the 21st ultimo, requesting information as to the per cent of cost in procuring the material and preparing and issuing paper money, I have the honor to submit the following statement:

There were printed and delivered to the Treasury of the United States by the Bureau of Engraving and Printing during the period from July 1, 1891, to May 1, 1892, United States notes, silver certificates, and Treasury notes as follows:

Class of work.	Face value.	Sheets.	Cost in Bureau.
United States notes:			
\$1.....	\$648,000	162,000	
2.....	72,000	9,000	
5.....	12,860,000	643,000	
10.....	11,480,000	327,000	
20.....	14,160,000	177,000	
50.....	800,000	4,000	
Total.....	40,020,000	1,282,000	859,915.15
Silver certificates:			
\$1.....	10,992,000	2,748,000	
2.....	6,584,000	823,000	
5.....	19,020,000	951,000	
10.....	22,880,000	572,000	
20.....	21,680,000	271,000	
50.....	6,000,000	30,000	
100.....	4,000,000	10,000	
Total.....	91,156,000	5,405,000	252,607.35
Treasury notes:			
\$1.....	3,212,000	803,000	
2.....	6,264,000	783,000	
5.....	19,300,000	955,000	
10.....	16,600,000	415,000	
20.....	14,980,000	187,000	
Total.....	60,336,000	3,153,000	177,303.00
Aggregate.....	191,512,000	9,840,000	489,826.10

In estimating the cost of producing the 9,840,000 perfect impressions stated above there should be added 5 per cent for sheets mutilated in printing, making the total number of sheets of distinctive paper consumed 10,332,000.

The expense of the Government mill in manufacturing that number of sheets, including cost of paper at 43½ cents per pound, express charges in shipping same, salaries of the United States superintendent and employés at the mill and miscellaneous expenses was \$45,601.80.

Expense in the division of loans and currency, Treasury Department, in receiving, examining, counting and issuing same to the Bureau for printing was \$2,665.91.

Expense of office of the Treasurer of the United States in sealing, separating and issuing United States notes, silver certificates and Treasury notes during period of ten months, from July 1, 1891 to May 1, 1892, was \$27,426.10.

Expense of shipment of notes at the rate of 15 cents per \$1,000, \$28,726.80 making the aggregate expense of producing and issuing 9,840,000 perfect impressions, each containing 4 notes, or a total of 39,360,000 notes, \$614,246.71.

Summarized as follows:

Expenses Bureau Engraving and Printing	\$489,826.10
Expenses Government mill	65,601.80
Expenses office Treasurer of the United States	27,426.10
Expenses division of loans and currency, Treasury Department	2,665.91
Cost of shipment of notes at 15 cents per \$1,000	28,726.80

Total..... 614,246.71

Money value of notes printed..... 191,512,000.00

Number of perfect notes produced..... 39,360,000.00

	<i>Per cent of cost.</i>	
Per cent of cost per dollar		\$0.0032
Cost per sheet of 4 notes each0024
Cost per note0130

Respectfully, yours,

CHARLES FOSTER, *Secretary.*

Hon. W. A. PFEFFER,
United States Senate.

In order to provide funds for carrying out the provisions of this proposed act the Secretary of the Treasury is authorized to prepare \$1.50 in paper money for every dollar's worth of gold and silver coin and bullion now in the Treasury not covered by special acts of Congress. As I estimate it, at the end of this year probably we shall have about \$500,000,000 of that sort of commodity, gold and silver coin and bullion. Add to that 150 per cent and you have \$750,000,000 more. We would have in all \$750,000,000, and that is enough, if I am not mistaken, with which to begin the necessary process of relief in this country. That is not adding a single dollar to the currency more than we would have had if the authorities under the act of 1878 had given us all the silver money that we were entitled to, and if in addition to that the banks had left in circulation all the notes that they had out in 1882, and in addition to that had given us such a reasonable increase as the business and population of the country were entitled to.

More than that, it would only give us \$2.50 upon \$1 of specie while we are now banking with our greenbacks at the rate of \$3.46 upon \$1 of specie, while, as I showed in the early part of my remarks, in 1882 we had \$7 of paper money out on \$1 of specie. Personally I care nothing about specie. I have confidence in the honor, the credit, and the integrity of the American people. If we were able to subdue the greatest rebellion known in human history in four years with our paper credit alone, we certainly can carry along our business during times of profound peace, when the country otherwise would be prosperous, upon a similar sort of credit.

But the people care something about specie. The people care something about gold and silver, and it is in respect to their wishes that I have constructed this bill, so that we shall not go outside of systems that are now being practiced and that we ourselves have indorsed time without number.

Then, in section 14 of the bill it is provided that after the taking-effect of the bill money shall not be taxable. That, perhaps, will seem like a novel proposition. After an inquiry sent six months or more ago to fifteen governors of States for information concerning how much money was taxed in their States, I received answers from eleven, and out of those eleven but four of them were able to give me the information required. The first one is Alabama. The amount of money assessed in Alabama is \$1,906,375. The total amount of assessable property in Alabama is \$263,776,624—a little over \$1 of money to \$263 of total property, \$1 in about \$260. Now I take Virginia, and I find in a total property valuation of \$391,798,609 the amount of money taxed is \$1,656,484, about \$1 in every \$337 of money. I come to Kentucky, and this is not quite an accurate statement upon the point at issue, for the reason that it includes money in possession or on

deposit with corporations with persons in or out of the State. It is not exactly what I wanted, but I give the total amount of money that appears upon the tax rolls of Kentucky for the year 1891. The amount is \$8,537,998, while the total amount of property is \$545,410,237, or about \$1 in \$70.

Now, I come to Kansas. I find that our total valuation in Kansas for 1891 was \$342,631,308, and that the total amount of our money assessed was \$1,749,386, about \$1 in every \$340. Those are the only four States from which I was able to obtain returns, because they do not tax their money separately, but in nearly all the answers that I received in letters from the State officers the statement was made that the amount of money in proportion to other property was really very small indeed. I submit the statement in detail:

SOURCES OF INFORMATION.

Kansas: Figures by auditor of State.
 Tennessee: Comptroller's report 1890, page 49.
 Massachusetts: Public Document No. 19, 1890, page 57.
 Kentucky: Figures by auditor of State.
 New York: Figures by deputy comptroller.
 Indiana: Report of State board of tax commissioners, 1891, page 217.
 Georgia: Report of comptroller-general, 1890, page 127.
 Virginia: Report of auditor of public accounts, tables 29 and 30.
 Iowa: Biennial report of auditor, 1891, pages 82, 83.
 Alabama: Report of State auditor, 1891, pages 230-231.
 Pennsylvania: Report of secretary of internal affairs, 1890.

STATES ASKED FOR INFORMATION.

Virginia,	Massachusetts,	Tennessee,	Illinois,
Nebraska,	Iowa,	Indiana,	Kansas,
Pennsylvania,	Missouri,	Kentucky,	New York.
Georgia,	Ohio,	Alabama,	

State.	Year.	Real estate.	Personal, including everything not otherwise enumerated.	Money.	Money, bank stock, credits, etc.	Total.	Per cent of money to total.
Kansas	1891	\$245,614,870	\$98,297,032	\$1,749,386	-----	\$342,631,308	.5
Tennessee	1890	232,870,813	*54,637,332	-----	-----	347,508,105	-----
Massachusetts	1890	1,639,137,897	513,013,315	-----	†40,989,504	2,151,134,626	-----
Kentucky	1891	391,639,294	†145,241,945	\$8,537,998	-----	545,410,237	1.5
New York	1891	3,397,231,679	382,159,067	-----	-----	3,779,393,746	-----
Indiana	1891	797,418,117	452,389,732	-----	-----	1,249,807,899	-----
Georgia	1890	225,054,915	152,311,899	-----	-----	377,366,784	-----
Virginia	1891	295,188,129	93,589,068	1,650,484	1,397,928	391,738,603	.42
Iowa	1891	376,181,278	133,765,623	-----	21,421,627	531,368,525	-----
Alabama	1891	158,262,563	95,884,758	1,900,375	7,722,928	283,776,624	.7
Pennsylvania	1891	2,035,571,641	23,329,068	-----	-----	2,058,899,703	-----

*Designated as "other taxables."

†Railroads, and other corporations, banks, and insurance companies excluded.

†Designated as "resident bank stock."

§Money in possession or on deposit with corporations or persons in or out of State.

So, Mr. President, when it would be provided by an act of Congress or by an act of the State Legislature that money should not be taxed, the amount of property that would escape taxation would be so small as that it would be hardly felt, but the vast amount of labor exercised in smuggling operations that it would save is enormous. People would have no difficulties then on their consciences as to where their money should be upon the day the assessor made his annual visit.

Concerning the rate of interest which the bill proposes to establish, I have already said all I wish to upon that point with one exception. I wish to read an extract from the *Chicago Inter Ocean* of a recent date:

There are 50,000 chattel mortgages in Cook County, Ill. Perhaps 50 per cent of these is for the purchase price of furniture, etc., the remainder is for loans on various forms of personal property, loans negotiable under the stress of dire necessity, brought about by loss of employment, sickness, death, and other forms of misfortune, loans on which interest is paid at the rate of 10 per cent per month. Not long since a friend overtaken by misfortune sought a loan of \$200 on household, watch, clothing, and other property worth at least \$1,000. He wanted it for a year, but was told he could have it no longer than six months. The charges were \$5 for drawing the papers, \$6 for examining the property, 10 per cent per month payable in advance. At this rate he will pay \$240 interest and \$10 extra for the use of \$200 one year. Such instances are not rare. The little all, the few household treasures of thousands are thus absorbed every year. While I write there are 30,000 people in Chicago on the verge of starvation, men, women, and babies, old age and helpless childhood. They want money, and a scheme which does not cover their necessities is unjust. Save them from the loan shark and the pawnbroker.—*Inter-Ocean*.

That condition of things exists to a greater or less extent in all the large cities of the country and it shows the imperative need of some sort of assistance that comes from the whole people. They can not give it in any other way than through their legislative authority. That same sort of assistance in which the whole people are interested must reach these classes or their condition is beyond hope.

Mr. PEPPER. In connection with this matter of the Government interesting itself on behalf of the people I found something very instructive sometime ago in a work entitled *Cyclopedia of Political Science and Economy*, by Mr. Lalor, and I gathered some facts from the recitals there. I find, among other things, that during the periods of war something over one hundred years ago which distressed a great many thousand people in the different countries of Europe, and especially during the period of what is known in history as the seven years' war, the farmers, the small proprietors, became wonderfully depressed in their financial conditions, and that at the end of the seven years' war the farmers in Silesia organized an association by which they were to assist one another in the purchase of farm animals and in obtaining loans to purchase supplies to carry on their different branches of agriculture, and to relieve them from the ruin and distress that had been occasioned by the war.

A man named Buring, a merchant of Berlin, conceived the idea that if the small farmers were to unite what little force they had left under wise management and under the protection of the laws they might be able to render one another very great assistance, for it was discovered, notwithstanding the waste of the country and the waste of their resources by war in other respects, that their

greatest burden was that of usury, the trouble, the difficulty in obtaining the use of money at rates that they could afford to pay; and then in connection with that the necessary expenses attending private operations in borrowing money, the examination of the property and the titles to property, and that sort of thing. So under the leadership of this man Buring an association was formed, and a number of others followed in rapid succession in the succeeding years. The general outline of it was that they should turn their mortgages into stock of the company, and that the company as an organized body should stand between the borrowers and the lenders until the company itself became able to lend.

The name given to systems of that kind under the French law and the present system in France is *Crédit Foncier*. I find that that system was established in Silesia in 1770; and in the march of Brandenburg in 1777; in Pomerania in 1781; in Hamburg in 1782; in West Prussia in 1787; in East Prussia in 1788; in Lüneburg in 1791; Esthonia and Livonia in 1803; Schleswig-Holstein in 1811; Mecklenburg in 1818; Posen in 1822; Poland in 1825; Kalenberg, Grubenhagen, and Hildesheim in 1826; Wurtemberg in 1827; Hesse Cassel in 1832; Westphalia in 1835; Galicia in 1841; Hanover in 1842, and Saxony in 1844.

The magistrates of Bremen instituted a land bank. The owner of real property has the right to deliver to commissioners appointed by the magistrates his titles to it, and these are made negotiable like bills of exchange. In Belgium and Switzerland similar institutions have been successfully operated. Their obligations have maintained through all crises—monetary, war, and revolutionary—a steadiness of value far beyond any other public securities whatever, either government or commercial. In 1848, when all public securities fell, these papers kept their value better than anything else. Prussian funds fell to 69, shares of the Bank of Prussia to 63, and railroad shares to 30 to 90 per cent, whereas the land-credit bonds, producing $3\frac{1}{2}$ per cent in Silesia and Pomerania, stood at 93, in West Prussia at 83, and in East Prussia at 96. In 1850 those producing $\frac{1}{2}$ per cent were at 102 in Posen and at 103 in Mecklenburg.

There were two classes of these associations, one wholly and exclusively private in their character while the other was largely assisted by government agencies. It is alleged by persons whose testimony is left on record that the effect of those land-credit institutions was remarkable in restoring agriculture to its earlier condition.

The last section but two of this bill provides for what is known in common parlance as the subtreasury plan of the Farmer's Alliance, but it is not precisely what the Alliance itself presented. It is my own personal view as to what their plan ought to be when perfected, and it amounts to this, that whenever in any State under laws duly enacted public warehouses are erected, placed in charge of public officers charged with the receipt of property, its inspection and the grading of it, and the publishing of its value, such property may be used as security for the loans of money; and in that case, in order to relieve the pressure that comes upon farmers during times of great stress when the crops are ready to move, and in order to relieve the persons res-

ident in towns and cities who are constantly within the power of the pawnbroker and the moneyshark, as the Inter-Ocean man expresses it, the Government may lend money upon these securities under certain restrictions mentioned in the bill.

Upon that I have something here from a very interesting report which was sent out a short time ago by the Department of Agriculture. It is in the miscellaneous series, report No. 3, Division of Statistics, relating to coöperative credit associations in certain European countries, in which I have found a very interesting detailed statement of what are known as credit unions or people's banks in various portions of Germany, in Italy, in Austria, in Belgium, in Holland, and in Russia. I will not occupy the time of the Senate in reading the statement but will incorporate it in my remarks:

[United States Department of Agriculture, division of Statistics, miscellaneous series. Report No. 3.]

COÖPERATIVE CREDIT ASSOCIATIONS IN CERTAIN EUROPEAN COUNTRIES AND THEIR RELATION TO AGRICULTURAL INTERESTS.

[Prepared under the direction of the statistician, by Edward T. Peters.]

THE GERMAN CREDIT UNIONS OF PEOPLE'S BANKS.

The most important of the coöperative credit societies of Europe are the credit unions or "people's banks" of Germany, which owe their origin to Dr. Hermann Schulze, of Delitzsch,* by whom the first society of this type was established in that town in the year 1850, and whose watchful care and untiring efforts did more than any other influence to promote their development and assure their success. His attention appears to have been first drawn in this direction by the hardships to which small tradesmen and other poor people were exposed from the difficulty of borrowing and the exorbitant rates of interest they were obliged to pay on such loans as they could obtain. Dr. R. T. Ely, in an article on these German unions published in the Atlantic Monthly of February, 1881, states that before the establishment of the Delitzsch society the interest which small tradesmen in that town were obliged to pay was enormous. He mentioned one man of this class who was carrying on a lively little business, who, in order to borrow 50 thalers for a few days to make purchases at the Leipzig fair, had to pay 1 thaler a day, or at the rate of 750 per cent per annum. "Schulze-Delitzsch reports," continues Dr. Ely, "that inquiry among small dealers and laborers has shown him that an interest of 1 thaler a month for a loan of 20 thalers was common enough, an interest of 60 per cent per annum."

But the plans of Schulze-Delitzsch looked much farther than the relief of special hardships affecting the poorer classes of borrowers. He aimed at placing the working classes generally on a more independent footing, and this not by invoking state aid in their behalf or by enlisting in their favor the efforts of philanthropists, but by increasing their opportunities and strengthening their incentives for saving, arousing within them the spirit of self-help and providing the agencies through which that spirit could be made practically operative. The associations which he founded were declared in his own summary of their general principles to be "based throughout on business principles," each association paying to its creditors and receiving in turn from its borrowing members bank interest and commission at the market rates, and allowing to its managers, especially those having charge of its funds, "remuneration according to their services."

* * * * *

THE RAIFFEISEN LOAN ASSOCIATIONS.

It is now proposed to give a brief account of the type of loan associations originated in Germany by Frederick William Raiffeisen, the necessary information being principally obtained from Emmanuel le Barbier's work on Agricultural Credit in Germany.†

Educated for the Prussian army, Raiffeisen was compelled by a disease of the eyes to leave the military service, and being transferred to the civil de-

* Designated as Schulze-Delitzsch, to distinguish him from others having the surname Schulze, who occupied seats in the national legislature while he was a member of that body.

† Le Credit Agricole en Allemagne. Berger-Levrault & Co., Paris & Nancy, 1890.

partment of the government he was appointed a supernumerary in the government of Coblenz. In 1843 he was secretary of the circuit of Mayence in the government just named, and was then appointed burgomaster at Weyerbusch, in that circuit. Here his attention was attracted to the wretchedness of the peasants, or small farmers, and his indignation was excited by the heartless extortions to which they were subjected by the usurers, and by cattle dealers and others who practiced usury upon them under disguised forms. During the winter of 1845-'46 he conceived the idea of forming an agricultural association by whose aid the peasants might free themselves from their dependence upon the parasitic middlemen, of whom they were the prey. His first task was to bring the people he desired to benefit to some comprehension of his plan. This in so poor and backward a country as that in which he was to operate was no easy matter, and his first association, founded in 1847, or some three years before Schulze-Delitzsch established the first of his credit unions, was not successful.

In 1848 he was appointed burgomaster at Flammersfeld, in the circuit of Altenkirchen, where he had the administration of thirty-three communes,* with an aggregate population of about 5,000. The holdings of the cultivators in this district were very small, and they themselves were generally extremely poor. Without farm animals of their own, they hired from the cattle dealers such as they needed, and were so dependent on this class of traders that they had to accept almost any terms offered them.

* * * * *

This association borrowed money on three months' time, and used it in buying farm animals, which it sold to its members on a five years' credit, the debt to be paid in five equal annual instalments. After a short time, however, the association simplified its business by ceasing to buy and sell live stock and, instead, lending its members the money wherewith to make their own purchases, the loans of money being for long terms, just as the credits for animals had been.

* * * * *

In a paper on agricultural credit, read at the international agricultural congress held at the Hague in October last, Mr. F. F. s'Jacob remarked that Italy was as much favored as Germany in the matter of agricultural credit, and this he attributed mainly to the action of the popular banks of that country. He said:

"Monsieur Luzzatti, the present minister of finance, has introduced into his country the system of small coöperative share banks which receive deposits, grant loans, and discount bills solely on behalf of their members.

* * * * * There are in Italy more than 700 coöperative credit societies, possessing a capital of 68,000,000 lire (\$12,738,000) and having deposits to the amount of 300,000,000 lire (\$57,900,000). There is scarcely an agricultural center of any importance without a popular bank or a branch of such an institution. Their action is powerfully seconded by the aid lent them by the savings banks in the great cities, which has been developed more rapidly than in any other country. Though seeking to place their funds where they will be safe, easily collectible, and sufficiently productive, these banks make it an object to pour back into the economic circulation the capital collected by saving.

"A part of it is invested in Government bonds and in provincial and communal securities, while another part serves to support the small lines of trade and agricultural industry by discounting bills and notes running for long terms. Thus the one savings bank of Milan, which has a capital of 60,000,000 lire (\$11,580,000) and deposits exceeding 300,000,000 lire (\$57,900,000) comes to the aid of petty trade by accepting the paper of the popular bank (of the same city) which makes loans to agriculture and the small industries. The notes of this (popular) bank, once indorsed by the savings bank, are readily accepted by the national bank of Italy. The same course is pursued in the rural districts where agricultural credit and commercial credit interact in the same manner. Thanks to the rapid extension of these popular banks, all solvent cultivators find similar facilities of credit to those enjoyed by the merchants in the cities, and that without being held to a three months' term."

* * * * *

RURAL COÖPERATIVE BANKS IN RUSSIA.

In a monograph entitled, "The Artels and the Coöperative Movement in Russia," by W. Louguinine, is found an interesting account of a form of coöperation which has apparently proved well adapted to the needs of the

* Gemeinden, the Gemeinde being a civil division corresponding approximately to an American township or an English parish.

smaller class of cultivating land-owners and the more thrifty agricultural laborers of that country, namely, the coöperative banks modeled in great part after the German peoples' banks already described. The emancipation of the serfs and the measures adopted by the Russian Government to promote their subsequent acquisition of land, created a large body of small agriculturists having an insufficient amount of capital for the advantageous cultivation of the land obtained by them and for which they were gradually paying, partly out of its produce and partly out of their earnings by their labor for larger proprietors.

In the case of loans on personal security the rates of interest exacted by the village usurers ran as high as 60 to 100 per cent per annum, and there was consequently a great need for institutions which in cases where money was temporarily required for productive uses, or to tide over exceptional difficulties, could supply it to trustworthy persons upon reasonable terms; and as coöperation in certain primitive forms had already existed for centuries in Russia and had demonstrated the existence of the spirit of association in that country among both the peasants and the laborers of the towns and cities, it is not surprising that relief should have been sought in this direction.

* * * * *

These banks are most numerous in northern and central Russia, a little less so in the south, and very much less so in the western provinces. As a rule the sums lent to members have been repaid quite punctually, but in cases where the borrowers have refused to pay, the banks had no recourse but to appeal to the local authorities, which sometimes failed to enforce their claims. The example of successful repudiation on the part of one debtor has sometimes proved contagious, producing an epidemic of dishonesty, but on the whole the losses have been very small. The results shown by the annual report for one year are cited as a fair example of the general experience.

This report showed that only one loan in fourteen was left unpaid at maturity; that of the total amount loaned only 1 ruble in 6,000 was paid by indorsers; that 1 ruble out of every 1,800 was obtained by sale of the debtor's goods, and that only 1 ruble in 2,300 was lost. So also has it been as between the associations themselves and their creditors.

As regards the loans which they obtained from the Imperial Bank it is stated, as the result of a pretty extended experience, that out of every 100 rubles borrowed by the association, the amount not paid when due was about 2 rubles, and the amount finally lost not more than 60 kopecks, or six-tenths of a ruble; and as the loans were made at 7 per cent, there remained an interest of 6.4 per cent, after deducting losses. It appears, too, that private lenders have had a like favorable experience in their dealings with these institutions, and it is said that they regard them with steadily increasing confidence—a fact which must result to their advantage in the form of decreasing rates of interest. It is worthy of especial note, too, that while the banks began almost exclusively with money advanced by the provincial authorities, their operations are now mainly carried on by means of money obtained from private lenders, coupled, of course, with their own capital, derived from the payments of their members.

* * * * *

The latest date for which returns are at hand for all the countries is the close of the year 1887. At that time Germany had 2,135 of the Schulze-Delitzsch credit unions, and probably about 800 of the Raiffeisen associations. The people's banks of Austria numbered 1,313, of which 118 were unregistered. The totals in Hungary and Italy respectively appear to be identical with the numbers making returns—at least, there is no indication to the contrary. The total number in Russia at the same date was somewhat above 900. Of the Schulze-Delitzsch unions the number which made returns for the date named was only 886, or about 41 per cent of the whole number. For Austria the number making returns as to their capital and business is estimated at 75 per cent, and 75 per cent of the 1,195 registered banks would be 896; while the numbers for Hungary, Italy, and Russia are, respectively, 488, 611, and 712. This gives a total of 3,623 that made returns for the close of 1887, exclusive of associations of the Raiffeisen and Wollemborg types.

The number of members actually returned is highest in Austria, but that is understood to include the membership of all the registered associations, and if allowance were made for the large number of the German Schulze-Delitzsch unions which did not make returns, their membership would be very much larger than that of the Austrian institutions. For Hungary no figures as to the number of members have been found. The actual figures furnished for the German societies are 456,276; for the Austrian, 513,756; for the Italian, 318,979, and for the Russian 193,945—making a total of 1,482,956. A

very moderate estimate for Hungary, for the unregistered societies of Austria, and for the German and Russian societies not making returns as to their membership—including among the former the Raiffelsen loan associations—would raise the aggregate membership to at least 2,250,000, and an estimate of 2,250,000 would scarcely be extravagant.

We have seen that in the German credit unions making returns about one-third of the members, if we include gardeners and rural laborers, belong to the agricultural class. The proportion of agriculturists in those not making returns is probably higher, since these will naturally consist to a greater extent than the others of unions located in the smaller towns surrounded by agricultural populations; while the membership of the Raiffelsen associations is mainly agricultural, as also is that of the Russian associations; and in the Italian popular banks the rural class appears to be more largely represented than in the Schulze-Delitzsch credit unions. In view of these considerations it is evident that considerably more than one-third of the members estimated to be embraced in all the associations must consist of farmers, gardeners, and others earning their livelihood by the cultivation of the soil. The number of this class of members can, in fact, hardly be less than 850,000, and it may not fall far short of 1,000,000.

It will be remembered that the date to which these figures refer is December 31, 1887. The paid-in capital and reserve funds, with the deposits and other borrowed capital of the institutions making returns for the same date, are given below:

Countries.	Paid-in capital.	Reserve fund.	Capital including reserve.	Deposits and other borrowed funds.	Total capital employed.
Germany	\$26,330,226	\$5,770,262	\$32,100,488	\$191,655,893	\$123,756,381
Austria	9,815,250	3,822,600	13,637,850	77,310,360	90,948,210
Hungary	7,737,712	512,325	9,250,037	6,640,802	15,890,839
Italy	15,875,435	4,218,594	20,094,030	82,551,285	102,645,315
Russia	2,488,459	453,569	2,942,028	3,522,433	6,464,461
Total	63,247,083	14,777,350	78,024,433	271,680,773	349,705,205

A study of that matter is very interesting indeed. The writer shows a large number, thousands, of that sort of institutions, many of them largely under the control of local government, some of them under the central government, but all of them doing great good by way of reducing rates of interest and assisting farmers, mechanics, and other persons of limited means.

Further, upon this matter of the Government in any way taking part with the people in supplying them with means to help themselves, and that is all that this plan does mean, last fall, I think it was in the consular reports for October, 1891, No. 133, is a report from Consul-General Crawford at St. Petersburg, in which he gives a very interesting account of the method by which the Russian Government assists the farmers of that country in utilizing their grain as security for the borrowing of money. I will ask that that may go in with my remarks.

GOVERNMENT LOANS TO RUSSIAN FARMERS.

[Report by Consul-General Crawford, of St. Petersburg.]

In obedience to instructions from the Department, I have prepared the following report upon the system now in practice in Russia of making advances on farmers' grain stored in warehouses or delivered to officials of the several railroads of the country. Inasmuch as the rules and regulations touching this important question are not published for public distribution, I am indebted to the Imperial ministry of finance for an official copy of the "Laws Governing Advances on Cereals on Account of the Imperial Bank of Russia," from which I have been courteously permitted to make the following summary for the use of the Department:

1. Advances on grain may be made by any railway company authorized by the imperial ministry of finance.
2. The amount to be advanced is in direct ratio to the prices current for cereals at the nearest market place, and must not exceed 60 per cent of the value of the grain as thus estimated. In case the loan is granted for a period of six weeks or less, an advance of 80 per cent of the estimated value may be obtained.
3. The rate of interest on these loans is fixed by the Imperial Bank, and is usually 6 per cent, varying, however, a little from this rate according to the condition of the grain and the nature of the security. This interest is paid in advance and for the length of time it has been actually granted.
4. In addition to the regular interest, as above stipulated, the borrower is charged: (a) 2 per cent per annum for a sinking fund, but the percentage for the sinking fund must not exceed one-third of 1 per cent of the total loan; (b) a sum not exceeding one-third of 1 per cent as remuneration to the railway company for the trouble of negotiating the loan.
5. Loans are granted usually for six months, or without fixing the time in advance; but loans may be made for longer period, as the necessity of the case demands. In the latter case the loan must be settled not later than one year from the date thereof.
6. The owners of the grain stored in the warehouses, or their legal representatives, are entitled, under the control of the railway company's agent, to inspect the grain from time to time and to take measures in order to protect the same from being damaged or to demand that such measures be taken by the railway company on their account. In case of need, the railway company may take these measures on account of the owner, without being requested by the latter, and charge the expenses thereof to the owner.
7. The natural loss in weight resulting from the above operation is fixed by the regulations issued by a council of officials appointed by the several railway companies.
8. The grain is returned by the railway company on repaying the advances made and other charges, as mentioned above.
9. If the sum advanced is not repaid when due and there is no good reason to grant an extension, the grain is sold by the railway company at public auction.
10. Such sale may be made imperative under the following circumstances and regulations: (a) If the stored grain shows signs of being irreparably damaged; (b) if the fear is entertained that the value of the grain stored in warehouses can not cover the charges for storage, the amount advanced, and other expenses. The receiver of the loan must in all cases be informed at least seven days in advance of the date of sale.
11. The railway company, after deducting the expenses of the public sale, covers all its own charges, *i. e.*, the amount advanced, charges for storage, and other charges allowed by the Government, before all other liabilities of the owner, even if he be bankrupt, can be recognized.
12. Such railway companies as are authorized to make advances on grain are entitled (a) to grant loans from their own means not being previously advanced by the Imperial Bank; (b) to build or hire warehouses for storing such grain for a period of six months, charging for storage a certain percentage, which is fixed for each depot by the ministry of ways and communications, not exceeding one-third of 1 copeck per pood per month, and to engage special agents for the purpose of selling grain on behalf of the owner, charging a commission therefor not exceeding 1 per cent of the total amount received.
13. The railway companies must bear the entire responsibility for the advances made on behalf of the Imperial Bank.
14. If the amount due to the Imperial Bank is not paid in seven days after the sale of the goods or within seven days after the loan expires, the railway company must pay, besides the interest to the day of settlement, a fine of one-half of 1 per cent a month for the amount overdue.
15. The reserve fund, mentioned above, may be used, by permission of the ministries of ways and communications and of finances, as a gratuity to railway officials and to cover any loss sustained by the railway company in the operation of the loan.
16. The railway company may make advances (a) on grain intended for transportation and on grain stored in warehouses at the starting point, charging for storage not more than one-third of 1 copeck per pood per month; (b) on grain received by the railway company for transport, whether stored or loaded upon the cars at once or not; (c) on grain arrived at the place of destination and stored there in warehouses until sold or consigned, the charges remaining in all cases the same.
17. Advances can not be made on grain which is already hypothecated or upon which any unsettled charges whatever are resting.
18. In fixing the highest percentage for advances on grain the prices cur-

rent at the place of destination are taken as the basis of such calculation; provided, however, that such place of destination is a market place. In making such calculation the usual expenses of transportation are reckoned as a portion of the sum loaned. The highest advances which may be made by any depot and for any kind of grain are fixed by the respective railway companies, they in turn being responsible to the Imperial Bank.

19. The charges mentioned in paragraph 4, viz. one-third of 1 per cent of the sum advanced, are entirely put into the reserve fund of the respective railway companies and placed to the credit of the Imperial Bank. This one-third of 1 per cent so advanced is thus divided: Two-thirds goes to the railway company at the starting point and one-third to the railway company at the place of destination for the management of the loan.

20. When an advance is granted, an indorsement to that effect has to be made both on the railway note and its duplicate, mentioning the date on which the advance is made, the rate of interest, and other charges on the loan. Besides this, the receiver of the loan gives a special receipt for the money advanced either on grain which is intended for transport or which has been received to be stored in warehouses. When the loan is repaid, the receipt and other papers are returned to the borrower.

21. In case of advances made at the place of destination, the railway companies are entitled to retain from the advance all their charges except those charged for the operation of the loan. An indorsement to this effect is made both on the railway note and on its duplicate.

22. The officers of the different railway companies are compelled to inform the other companies, as well as the Imperial Bank, of the amount of grain received in warehouses at the different railway depots, as well as to advertise this fact in the local newspapers, that all may know when a given warehouse is full and unable to receive any more grain.

23. The owner of grain which is intended for transport and is stored in warehouses may receive it back on demand on paying the usual fee for storage, viz. one-third of 1 copeck per pood per month, and on settlement of all legal claims relative thereto.

24. If the owner of the grain wishes it warehoused at the place of its destination, he must declare such intention in advance, and an indorsement to that effect must be made on the railway note and its duplicate; provided, however, if the warehouses at the place of destination are full, such a request can not be granted.

25. Cleaning, reshoveling, and screening of grain stored in warehouses must only be done under the supervision of the railway company. Before taking measures to prevent the warehoused grain from being damaged the railway companies must inform the owner or his representative of the necessity of such action.

26. Should the railway company be compelled to sell the hypothecated grain for reasons mentioned in paragraph 10, the order for the sale may be revoked if the advance, or a reasonable part of it, be repaid seven days after the receipt of the notice of the intended sale.

In addition to the general rules governing this question, as enumerated above, I have learned that no distinction is made between farmers and so-called middlemen. The loans are made only on the grain, and it is of no consequence who delivers it and negotiates the loan.

All such loans are made in paper rubles, the regular and only real currency of this Empire, and these paper rubles are taken from the regular governmental issue.

This scheme went into effect on June 14-26, 1888, and at the present day it is generally adopted throughout the country, and business is carried on under it on a very large scale. I should also add that the scheme gives great satisfaction to the farmers, many of whom declare that it has been an essential feature of successful farming in Russia.

J. M. CRAWFORD,
Consul-General,

UNITED STATES CONSULATE-GENERAL,
St. Petersburg, October 17, 1891.

I find another thing in connection with this matter. It is frequently suggested that our plan is similar to that which has been a long time in operation in the Argentine Republic, and that what we are really after is a duplicate of the inflated currency of that country, whereas nothing could be more unlike. The notes, or cedulas as they are called there, are simply certificates of the mortgage banks that certain property has been mortgaged. The holder of those cedulas goes out in the open market and sells

them the same as I would go out with railroad stock or shares in a mining company or canal and offer them to the public and raise money on them. Our proposition is to use money and not *cédulas* or notes.

ARGENTINE CÉDULAS.

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 guarantees to the holders the service of 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 guarantee 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 Argentina 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.

In Consular Reports No. 138, March, 1892, Mr. Consul Baker

reports again on Argentine affairs. Among other things, he says:

Besides these burdens of bonded and other indebtedness on the part of the nation, the provinces, and the municipalities, there is another form of Argentine indebtedness frequently heretofore mentioned by me in my reports, which is just now especially attracting attention on the part of the public. I refer to the bonds, or *cédulas*, which have within the last few years been issued on the security of landed property by the National Hypothecary Bank and by the Hypothecary Bank of the Province of Buenos Ayres, and for the payment of the interest on which the nation and the province are respectively responsible.

The amounts of these *cédulas*, when we consider the limited development of the country and the present condition of its available resources, approach almost to the fabulous. While there is no official information on the subject of a very recent date, I learn from reliable sources that the mortgage bank of the province and that of the nation figure in the *cédula* business about as follows:

Issued by the Hypothecary Bank of the Province.....	\$320,000,000
Issued by the National Hypothecary Bank	204,000,000
Total.....	\$524,000,000

The issues of the provincial bank are based on the mortgage of real estate in the province of Buenos Ayres, those of the national bank on real estate in all the different provinces and territories.

At the beginning of 1891 the provincial *cédulas*, which were originally put on the market at prices ranging from 80 to 70 cents to the dollar, were worth only about 45 cents in paper. They are now worth 33 cents in paper, equal to about 9 cents in gold to the dollar.

Mr. CHANDLER. Mr. President, I desire to ask the Senator a question, with his permission.

The PRESIDING OFFICER. Does the Senator from Kansas yield?

Mr. PEPPER. Certainly.

Mr. CHANDLER. The Senator's bill, in section 5, provides that the United States, through this local agency, shall loan money upon real estate to persons desirous of procuring a home or of preserving homes which belong to them. Section 18 provides that similar loans for short times shall be made upon any of the imperishable products of agriculture, as cotton, wheat, and tobacco and manufactured goods that will not deteriorate by storage for a few months. Section 11 provides that in order to supply funds for carrying out the provisions of this proposed act in making these loans, the Secretary of the Treasury may issue Treasury notes.

I desire to ask the Senator whether in preparing this scheme and submitting it for the consideration, as he says, of Congress and the people of the United States, he has examined the constitutional question. He has said that the bill is not open to the objection that it is paternalism, because other governments have done these things, and he cites the English acts and also the Russian acts. But the Senator is well aware that the English people have no written constitution, and that the Russian Empire has no constitution at all, while we are in this country blessed, as we suppose, by a written Constitution. The powers granted to the Federal Government under that Constitution are limited. I ask the Senator whether he has considered the question. Where do we find within the limits of the Constitution of the United States authority for the General Government to enter upon this very extensive scheme of lending money on real

estate and on personal property, even if these loans would relieve the great evils which afflict the country, as he says, and which he has so fully and elaborately depicted, although I think with some disposition to exaggerate those evils? Where, I ask him, is the constitutional power to do what he proposes?

Mr. PEPPER. It will afford me great pleasure, when the proper time comes to discuss that phase of the subject at length. Until the principle is established, or until the principle for which I contend is well understood, it is hardly worth while to spend much time upon the details. But this question is a preliminary one, and I thank the Senator for calling my attention to it. My answer will be very brief, but at some proper time I shall avail myself of an opportunity to discuss it more at length.

I have examined the constitutional questions, and I believe, having made such examination, that Congress has as much right, has as good a right and as perfect authority to lend its money to the people or (if the expression is a better one I prefer it) to lend the people's money to them, taking for security such as they now give to a private citizen and such as the Government enforces in favor of a private citizen, as security for the whole people, as it has to go down to the Baltimore and Ohio or to the Pennsylvania Railroad depot and through the fingers of a boy pick up a mail sack and throw it into a railway car and carry it to Boston.

Last autumn I was passing down one of the streets in the city of Chicago nearing a depot station. I saw a large wagon coming up the way. I wondered if we were going to have a circus. I stopped to see it turn, and in a moment it was backed against the sidewalk and three or four trucks were brought up and half a dozen men began unloading great sacks and taking them into the station. Every one of those sacks contained letters from different parts of the country belonging to private individuals. It was doing the private work of citizens. I find that that is going on in every part of the country. When I go to the post-office and ask for a 1-penny stamp I hand in my penny and receive the stamp. That is all there is about it. A stamp is provided through the Government by the people. I believe, and will be most happy to produce the authority when the time comes, that the lending of money to the people and the charge of interest upon it is no greater stretch of authority than the carrying of the people's property and their persons from place to place.

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

Mr. PEPPER. In just a moment, as I am upon this particular point. I say it is no greater stretch of authority for this reason: that money is as much an instrument of commerce as a railway car or a ship or an ordinary farm wagon, and that the regulator of the value of money, the price which the owners of money should charge others for its use, is no greater stretch of constitutional authority than it is to say how much a railroad company may charge for the use of a freight car.

Mr. CHANDLER. But I call the Senator's attention to this point: I find in this old-fashioned instrument here, the Constitution, that Congress has express power to establish post-offices and post-roads.

Mr. PEFFER. Certainly.

Mr. CHANDLER. I also find this clause: "The Congress shall have power * * * to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures." But I do not find it written anywhere here that Congress may issue Treasury notes or may raise money by taxation in order to loan that money to the citizens of the United States who want to borrow it upon their farms or upon their corn, or wheat, or tobacco. That is my trouble.

Mr. PEFFER. The Senator perhaps does not discover in that old instrument any authority for carrying the mails?

Mr. CHANDLER. I infer it from the power to establish post-offices and post-roads.

Mr. PEFFER. Yes, I presume so.

Mr. CHANDLER. From what power does this proposed legislation come? That is what I ask the Senator.

Mr. PEFFER. From the authority to coin money and to regulate the value thereof. That is one. "To regulate commerce with foreign nations and among the several States." Congress may determine the number of railway cars that shall be built and run over the rails. Congress may determine the rate of freight that may be charged. Congress may determine the sort of money that may be made. So the Supreme Court have determined. Congress may determine the rate of interest that may be charged for it. It has done it in repeated instances; in the case of the United States Bank twice, and in the case of the national banks to-day. But I do not care to go at length into that matter now; it will take up too much time of the Senate, and I have already occupied a considerable time.

Mr. CHANDLER. I will only take occasion to say that I agree with the Senator as to all those points, but as to raising money by taxation to lend to people on their farms and their merchandise, it seems to me that power is hardly deducible from any constitutional clause or any constitutional authority.

Mr. PEFFER. I have not said one word about raising money by taxation.

Mr. CHANDLER. Does the Senator think that if we can issue Treasury notes to make these loans to the people, which they very much need, we can raise money by taxation for that purpose?

Mr. PEFFER. When we come to that bridge we will walk over it together, I have no doubt.

Now, Mr. President, in conclusion permit me to express a profound appreciation of the courtesy extended to me by the Senate. I assure you, sir, I do not desire to be known for my much speaking. It would have been much more agreeable and altogether in accord with my inclinations to have listened while others spoke. But I can not, and have no desire to relieve myself of what I regard as a sacred duty.

Before God and my fellow-men, I believe the country is facing grave perils. The working people—that includes the farmers, the mechanics, the day laborer, the men and women who perform the manual toll, the men and women who have opened our farms, builded our cities, and opened the great arteries of trade—these, the most deserving people on earth, are in need of imme-

diate attention on the part of the lawmakers, and they are ignored. They appeal to their party leaders and are thrust aside with an insolence that will breed resentment. These people are loyal citizens of the Republic, and they are honest, brave men. When they turn upon their leaders—and they will unless their appeal is heard—their movement will be as that of a multitude whose numbers alone will conquer. The people aroused are a mighty host and can not be turned aside.

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