

LEGAL-TENDER MONEY.

S P E E C H

OF

HON. LELAND STANFORD,

OF CALIFORNIA,

IN THE

UNITED STATES SENATE,

WEDNESDAY, MARCH 30, '92.

WASHINGTON, D. C.
1892.

LEGAL-TENDER MONEY.

SPEECH

OF

Hon. LELAND STANFORD,

OF CALIFORNIA.

Senator STANFORD said :

Mr. President, before proceeding with the remarks I desire to submit, I wish to read the bill itself. It is very short and is as follows:

Be it enacted, etc., That the value of 25.8 grains of gold shall be the standard by which shall be measured and determined the value of a dollar, and all dollars shall be received and paid out in discharge of debts, both public and private, at par, measured by the aforesaid standard of value, whether the stamp of the Government making the dollar be on gold, silver, paper, or any other material.

SEC. 2. That the legal-tender value of each dollar issued by the United States shall depend alone on the stamp of the Government, and there shall be no obligation on the part of the Government to exchange one dollar for another.

Mr. President, the bill now under consideration, to determine the value of a legal-tender dollar, in order to be intelligently understood, should be considered in connection with two other bills introduced by me this session, Senate bills Nos. 1204 and 2468. In the remarks I am about to make I intend to refer to the principles involved in the three bills as shall seem to be necessary to explain the propositions I wish to establish.

The bill before the Senate proceeds upon the presumption of what seems to me to be a self-evident proposition, that

MONEY IS THE CREATURE OF LAW.

The Government declares what money is, and makes it, and does not allow anyone else to do so—not even the States. There can, therefore, be no reasonable doubt that legal money is entirely the creation of law. Its legal-tender quality exists by virtue of law and is in no manner dependent upon the material on which the will of the Government is expressed. Its value depends upon its purchasing power and the use to which it may be put in settling debts and balances and facilitating exchanges.

If the credit of the Government is impaired, its money will be affected to a certain extent, and then it is possible that the material used may in its commercial value, as a collateral to its legal-tender quality, determine the value of the money used. It is the material then that is valuable and not the legal-tender quality. Should the credit of the Government that issued the money not be at par, the value of the material used in its manufacture might become of great importance, but this could only happen in case the credit of the Government was impaired.

Taking this view of money it becomes important that the Government in issuing money, whether of gold, silver, or paper, should provide for its redemption and use, and that it should never issue it except upon perfect security or upon full consideration received.

Senate bill No. 1204, introduced by me some time ago and known as

THE LAND-LOAN BILL,

provides that the Government may loan money upon double the amount of landed security—that is to say, that it may loan \$1 upon \$2 worth of land and draw 2 per cent. interest on the amount loaned. The Government would then hold in its hands for the redemption of every dollar issued \$2 of security. In addition to this the Government would accept this money in payment of all public debts and declare it to be legal tender, and as such good for the settlement of all private debts. There can be no question but what paper money redeemable in this manner would be as

VALUABLE AS GOLD OR SILVER.

The paper money of the Government to-day loaned to the bankers without interest and without anything behind it excepting the Government's own indebtedness is accepted all over the country in business transactions at par with gold and silver money. If the credit of our Government needed any support it would be amply found in the \$2-mortgage security held for the redemption of each dollar whenever the borrower desires to take up his mortgage.

Money is valuable only in its use, and one dollar should be as good as another, and would be if this bill became law. The paper dollar with 200 cents of unquestioned value behind it would certainly be as good as the gold dollar with 100 cents backing; each is perfect. But neither gold, silver, or land, though having value, have any moneyed qualities independent of the act of the Government. It is admitted,

I think, that our Government, in this civilized age when the good faith of a civilized nation may be relied upon, with its 65,000,000 of people, its almost unlimited wealth, is entitled to and does possess the confidence of the people. It is consequently able, and it is its duty, to furnish to the people upon good security such an amount of money as may be necessary for the transaction of their business and to assure to every person credit according to their deserving.

Production itself depends upon the ability to exchange commodities. The power to exchange commodities depends very largely upon the medium that will settle balances and shall be accepted in the discharge of obligations where values are involved.

The bill I have called up for consideration provides a standard by which to measure

THE VALUE OF A DOLLAR.

Adopt the standard of measurement for the value of a dollar and the parity of metals becomes inconsequent, and as our money is money only within our own jurisdiction, we need not interest ourselves as to what material other countries may use for their money. With such a standard money in use will have a value which neither the abundance nor scarcity of money can affect. The quantity of money will affect the rate of interest. When scarce the money-lender has the benefit; when abundant, while its use is unimpaired, the business of the country has the benefit in the consequent lower rate of interest. Paper money, like gold and silver money, will be measured by the standard established by the Government. It will prove as important a measure in values as the yardstick is in the measure of length.

Thus, when the Government by virtue of its power to coin money declares what shall be the value of each dollar coined, measured by a commodity that has a very uniform value all over the world, it has determined the real value of a dollar. Of course, as its value is to be determined by a commodity the value of which may fluctuate, we can never have the same exactitude in the measure of the dollar that we can in a yardstick as a measure of length, but gold seems to be the most stable commodity known to the civilized world, and as such makes the best standard of measurement for values. Having a standard of value by which to measure the dollar, it would be unnecessary for the gold dollar to have 25.8 grains of gold in it, the legal-tender value of money being entirely determined by the standard of value adopted by the Government and not by the quantity in circulation.

In one sense,

MONEY IS A TOOL,

if not entirely so. Its importance can not be overestimated. A sufficiency of money means to everyone a credit according to their deserts for the transaction of every calling and enterprise that may offer. It means universal industry. It means to the provident and industrious freedom from want and ultimately all the comforts of wealth. To a great extent it means to the laborer emancipation through his ability to be his own employer. With an abundance of money unskilled laborers, mechanics, and other workmen will be able to carry on coöperative societies, because they will be able to obtain the credit they deserve, and even if employed by capital all cause for dissension between employed and employer will be removed, as coöperation will regulate the price of labor and be its perfect defense against inadequate compensation. To-day the employed ought to remember that his employer is of service to him, no matter how much he benefits the employer in return, for no man works for another excepting he is offered something better than he could do for himself.

All wealth is the product of labor, manual and mental combined. Nature has furnished the materials to supply every rational want of humanity, and where there exists among the provident poverty and distress, unless caused by the accidents of life, it must be on account of lack of intelligence in the use of the bountiful supplies at man's disposal.

Money is the great tool through whose means labor and skill become universally coöperative, and by which the strength and value of every individual contribute to a common maintenance. Money is the king of tools, stimulating and making possible the transaction of every industry and providing for every implement useful to man, from the spade, shovel, and pick to the labor-aiding steam engine that multiplies the power of one man a thousandfold. The insufficiency of money means the insufficient supply of tools.

If I am correct in this estimate of the importance of money, and that

THE VALUE OF MONEY

is determined by the standard erected by the Government as provided in this bill, viz., 25.8 grains of gold for each dollar, that the value shall only be measured by this standard, and that the Government shall never loan a dollar excepting upon full consideration, viz.,

\$2 of perfect security for each dollar loaned, such a thing as over-issue of money becomes an impossibility. The owner of the land will never want to borrow money on his property unless money is worth 2 per cent. or more, and to the extent of the 2 per cent., at least, every dollar used adds to the wealth of the country.

But this is not all. A dollar put into circulation does not stop at a single use. Its value must be measured by the number of times it is used. Ninety-seven per cent. of the business of the country is now done upon credit. When this is carefully considered we realize how important it becomes to preserve the Nation's credit unimpaired, and the only way in which this can be done, when the critical time arises, is by the use of money. Property will not supply the place of an impaired credit where money is needed; nothing but money will do that.

Under our present financial system, if it deserve the name at all, our Government is not able to create an additional dollar to supply a want. It does not possess the gold—in fact, the gold is not in existence to supply

THE DEMAND FOR MONEY;

and if it were, how unwise would be the policy for the Government to pay out 100 cents to make a dollar to perform the offices of settling balances and permitting exchanges, when a piece of paper costing a mere trifle answers just as good a purpose. The credit of our country when coined in legal tender is the best money. It is ours only.

During the war of the rebellion the Government issued many millions of paper money. The first issue of sixty millions was good for all debts, public and private. This did not depreciate at all, and was as good or preferable to coin, while the other money not so receivable became very much depreciated. Gold and silver are legal tender only when having the legal-tender stamp upon them; individuals by an understanding can make anything answer the purpose of money between themselves, but the evidence of money is the legal-tender stamp, and this they cannot supply.

It is the

DUTY OF THE GOVERNMENT

to be in condition to furnish the money that is needed by the people to prosecute their various callings at the lowest possible rate. As it is money may have too large an increment by a too high rate of interest. A single dollar may be loaned many times in the course of a

year and will draw a separate rate of interest each time it is loaned. As an illustration: A borrows to-day from a bank \$1,000 and pays it to B. B deposits it in a bank and the money is loaned again, and so on many times in the course of a year, the money every time it is loaned drawing its full rate of interest, which interest is so far a burden upon the industries of the country. Even should the Government loan its money at 2 per cent. while it supplies beneficially a want, to the extent of that rate of interest it is a burden to the individual but to the people as a whole there is no burden, for it is to them the individual pays the interest.

Objections to paper money have been made because of the misfortunes that have sometimes overtaken its use, but I think such comparisons unworthy of consideration, for the credit of governments is like the credit of individuals, one may be perfectly good, another worthless. The credit of our Government is beyond all question; and since money is the creature of the law a perfect Government credit is better than any substance for money, and the credit of our country will never suffer if used only upon full consideration.

The points I wish to make are: That the value of money is determined by its standard; that the Government gives to it its

LEGAL-TENDER QUALITY,

and that as the Government does not permit any other to make money, it is its duty, so far as lies in its power, to supply the amount needed; also that production itself and the consequent prosperity of the country are largely dependent upon an abundant supply of money.

I move to refer the bill to the Committee on Finance.

The motion was agreed to.