

REMONETIZATION OF SILVER.

SPEECH

OF

HON. M. C. BUTLER,
OF SOUTH CAROLINA,

IN THE

SENATE OF THE UNITED STATES,

Wednesday and Friday, October 4 and 6, 1893.

WASHINGTON.
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The Senate having under consideration the bill (H. R. 1) to repeal a part of an act, approved July 14, 1890, entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes"—

Mr. BUTLER said:

Mr. PRESIDENT: It seems to me that the proceedings which we have just had in the Senate are a pretty clear indication of the purpose of those Senators who have determined to force the bill now before the Senate through this body without, as I insist and as I think I shall show, that regard and that consideration for the rights of the minority of this body, if those of us who are opposed to it are in the minority, which is inconsistent with the dignity and character of this great body.

The Senator from Illinois [Mr. PALMER] yesterday evening, towards the close of the debate, insisted that the Senate should be put in a position to govern itself, and then occupied at least two hours of the time of the Senate in a very interesting and able address. Among other things that distinguished Senator said:

But is the discussion to end, and how and when? This controversy, from the standpoint of Senators who favor free coinage, is a very serious one. It ought to end, because if they are right it is important that the country should know it. The discussion ought to come to an end, also, because other countries which have been waiting upon the action of the Senate and which are interested in this question are awaiting our action. Is it not due, then, to our own country and to the world that this contest shall end, that the policy of the great American Republic shall be determined and fixed, and that the business of the country may adapt itself to the conditions which will follow any positive action on our part?

Then, again, the Senator said, in the course of his remarks:

What, then, Mr. President, ought the Senate to do? It ought to act; it ought to vote. The Senator from Indiana [Mr. TURPIE], who is always so perspicuous and clear, the other day said that this is preëminently a deliberative body.

Further on the Senator said:

I understand its retention is insisted upon as a means of compelling submission to something else.

The Senator from Kentucky [Mr. LINDSAY] interjected by saying, "Coercion."

Mr. PALMER. Yes, coercion; I take it that is the word. I do not apply that to Senators from the silver States, for I understand the proposition of the free-coinage Senators is simply this: This law in itself affords no ad-

vantage to us, but whatever may be its effect, the idea is that this law shall stand until those who ask its repeal submit to the passage of something else.

It seems, then, that Senators from the silver States are not embraced within the general, sweeping—I shall not say condemnation, but reproach, of the Senator from Illinois—and that those of us who are not from the silver States are attempting to coerce the majority into acceding to our wishes. Let me say in reply to the Senator, that the minority of this Senate are not attempting to coerce anybody, and I think I may safely say they do not intend to be coerced by anybody.

This Senate, sir, is not a town meeting. It is a great deliberative body, intended by the framers of the Government, as it has often done, to put a veto upon hasty, unwise, and improper legislation. The Senator from Indiana [Mr. TURPIN] affirmed the other day, with great clearness and perspicuity, that the Senate of the United States was the refuge of minorities. Might he not have gone one step further, and if he might not, may I be permitted to go one step further, and say that, in my judgment, it is the last refuge of minorities in this country?

This is not a Government of unrestrained numerical majorities. It is a Government of written law, to which the majorities of this or any other deliberative body are as amenable as minorities, a Government of written law, to which the President of the United States and his Cabinet are as amenable as the humblest citizen of this great Republic.

The founders of the Government realized from the experience of mankind that there was and is no despotism so oppressive as the despotism of a majority unrestrained. Experience in our day has proven it. This is not a body where some political boss or political hustler can crack his whip and compel the minority to conform to the wishes of a mere numerical majority. This is a body, thank Heaven, Mr. President, in which the minority can protect itself by virtue of the Constitution and laws made in pursuance thereof.

The junior Senator from Massachusetts [Mr. LODGE] told us the other day in a spirited address that the object of parliamentary bodies was to vote. The Senator from Illinois [Mr. PALMER] repeated that idea, and asked if we could not reach a vote, if the minority would not permit it, what was to be done?

Mr. President, the so-called minority on this floor to-day represent millions of American citizens and billions of property. Are we to be told that that minority must yield to the demands of the majority because they have concluded that the time for debate has ended and the time to vote has arrived?

I am asked, and the question has been asked over and over again, what, then, is to be done if we are not to reach a vote? I reply, compromise. Compromise is the solution of the struggle here to-day. But we are told that compromise means defeat—surrender to the minority. Why, Mr. President, this great Government under which we live is the result of compromise, and the founders of this matchless and incomparable form of government did not regard it a derogation of their dignity or patriotism or position to compromise the one with the other in order that the result which we are enjoying to-day might be reached.

It is of the very essence of our form of government, and I ap-

peal to the experience of every Senator upon this floor if the proposition which I am about to state is not literally correct, that there is not a measure which is contested in the Senate or in the other branch of Congress and becomes a law which does not become a law as the result of a compromise. I have seen my distinguished friend from Iowa [Mr. ALLISON], and my distinguished friend from Maine [Mr. HALE], and others upon this side of the Chamber in charge of important measures of legislation, contest, combat, resist amendments to their measures, and finally yield, and say, "By way of compromise, I will consent to that amendment;" and it goes in. When a committee of conference is appointed by this body to meet one of the other branch of Congress, what is the result? Almost invariably compromise between the committees of the two Houses. We all know that it is an open secret that amendments have been put on bills in this body in order to have something with which to compromise with a committee of the other body of Congress.

I will not say nine-tenths, but I think I am within bounds when I say that seven-tenths of the laws on the statute book to-day are the results of compromise between majorities and minorities and between the two Houses of Congress through their conference committees; yet when the suggestion is made that the solution of this contest is compromise, we are sneered at and told it is a surrender of millions of American people and billions of American property. So I feel inclined not to resent but to protest against the assumption of Senators who have said that the minority is defying the majority, obstructing legislation, and unnecessarily causing delay.

I have been here, Mr. President, a great many years, and I want to state as a result of my experience that in every great parliamentary struggle like the one now going on great good has resulted to the American people. They call it filibustering. I accept that. Some have said it was revolutionary. I believe the Senator from Illinois [Mr. PALMER] said so. Some have gone so far as to say it is treason when the representatives of sovereign States on this floor are exercising their constitutional rights in behalf of their constituents and their interests.

No, sir, there is no filibustering; and of the great debates which I have heard in this Chamber, the one through which we are now passing is, I think, among the ablest, if not the ablest, the most valuable that the American people have ever had. It has put the great masses of our people, the sovereigns, the rulers of this country, the people who do not come here through boards of trade and banking associations and chambers of commerce, but the great masses of the American people, to studying the public questions which are so profoundly important to them. I say, therefore, that this debate has not been a waste of time, but of infinite value and profit to the American people.

Mr. Calhoun in his Disquisitions on Government, which I think will be admitted by all authorities to be one of the clearest and most logical and most able ever written by man—I except none—Mr. Calhoun in discussing the difference between concurrent and numerical majorities says that the conservative principle in constitutional government is compromise; the conservative principle in absolute government is force. He consented to compromises. Just on this point let me read a brief

extract from the oration delivered by Mr. Lamar at the unveiling of the Calhoun statue in Charleston:

And here is presented a spectacle which can not fail to excite the pride and admiration of all true Americans. Henry Clay, the author of the American system, of which the protective policy was the most cherished principle; John C. Calhoun, the representative and champion of the reserved rights of the States and their sovereignty; Andrew Jackson, the stern, inflexible enforcer of the supreme power and paramount authority of the nation; each bursting the trammels of party, casting aside sectional animosity, disregarding pride of opinion and personal hostilities; each making concessions, and all giving their united tribute of intellect and patriotism to the good of their common country.

Referring to the celebrated compromise measures of Mr. Clay after the fierce nullification contest of which Mr. Calhoun was the impersonation, and the equally determined resistance of Andrew Jackson, exciting personal hostility and feeling; yet these great Americans came together and compromised their differences by the agreement and adoption of Mr. Clay's compromise measure.

And, sir, there is another authority of equal force and potency. Andrew Jackson in his bank veto uses the following language:

Experience should teach us wisdom. Most of the difficulties our Government now encounters, and most of the dangers which impend over our Union, have sprung from an abandonment of the legitimate objects of government by our national legislation, and the adoption of such principles as are embodied in this act.

REFERRING TO THE BANK ACT.

Many of our rich men have not been content with equal protection and equal benefits, but have besought us to make them richer by acts of Congress. By attempting to gratify their desires, we have, in the results of our legislation, arrayed section against section, interest against interest, and man against man, in a fearful commotion, which threatens to shake the foundations of our Union. It is time to pause in our career to review our principles, and, if possible, revive that devoted patriotism and spirit of compromise which distinguished the sages of the Revolution and the fathers of our Union. If we can not at once, in justice to interests vested under improvident legislation, make our Government what it ought to be, we can at least take a stand against all new grants of monopolies and exclusive privileges against any prostitution of our Government to the advancement of the few at the expense of the many, and in favor of compromise and gradual reform in our code of laws and system of political economy.

All through the political literature of this country will be found that spirit, and this is the first time in my recollection it has been resisted and put away, condemned as unworthy the American Senate.

A good deal has been said in this debate about the interference of the President of the United States with the action of this body. I am not here to defend that great American citizen; but I think I may be permitted to say that I believe great injustice has been done him, for I can not conceive that a man who has such an exalted opinion of the high office to which the American people have elevated him, who has such a correct conception of the relations which should exist between the different departments of the Government, would permit himself to interfere with an independent coördinate department by the improper exercise of his official position.

The President of the United States has the same right as any private citizen to his opinion as to the legislation of this body; but it has been whispered around, when a suggestion of compromise has been made, that the President will not accept a compromise. Whoever states that does that high official great injustice. It is none of his business what the Senate does. He can express his assent or dissent after this body has acted. I do not

believe that he has attempted to use his high office to influence legislation in this body.

The Constitution of the United States—it is very well to recur to occasionally, although I admit it is a little obsolete—a man who quotes it is sometimes looked upon as an old foggy; but it is instructive, and valuable, and useful to recur to this great chart. It defines with great clearness and distinctness the relation which should exist between the different departments of the Government; and as far as I have been able to find within its lids there is but one provision, which is section 3 of Article II of the Constitution, defining the duties of the President of the United States in his relation to the legislative branch of the Government.

He shall from time to time give to the Congress information of the state of the Union, and recommend to their consideration such measures as he shall judge necessary and expedient: he may, on extraordinary occasions, convene both Houses, or either of them, and in case of disagreement between them, with respect to the time of adjournment, he may adjourn them to such time as he shall think proper; he shall receive ambassadors and other public ministers; he shall take care that the laws be faithfully executed, and shall commission all the officers of the United States.

If there is anything which confers upon the President of the United States any other authority than is embraced in that provision, so far as his relations to the legislative department are concerned, I have failed to find it.

He did convene us in extraordinary session. He did communicate to us by message. He did recommend measures which he thought of advantage to the interest of the people. When his message was received and read from that desk, for the time being at least, his functions ceased and the responsibility was thrown upon you, sir, and myself, and upon you, upon our responsibility to our constituents, to our oaths under the Constitution, and to the people of this country, to enact such measures as our judgment dictated, and nobody else. I do not believe, as I said, that the President has attempted to influence the Senate improperly.

During the last spring, when pressed as we all were by our constituents in seeking public office, one of my friends wrote to me that such and such offices had not been filled, that this postmaster had not been removed nor such an one appointed. I ventured to write him a letter, which I will impose upon the Senate enough to read, in order to show what my position has always been, so far as the Presidential office is concerned, and what it is to-day. I said:

Let us see what some of his duties are under the Constitution. I am quite sure that a better understanding in that regard will aid very much in clearing up the political atmosphere, and recall to the minds of Senators and Representatives (and to the people) their proper constitutional relations to the executive branch of the Government. In section 2, Article II, of the Constitution, it is provided:

"The President shall be Commander-in-Chief of the Army and Navy, etc., and he shall nominate, and, by and with the advice and consent of the Senate, shall appoint ambassadors, etc., and all other officers of the United States; but Congress may by law vest the appointment of such inferior officers as they think proper in the President alone, in the courts of law, or in the heads of Departments."

This is the authority, and the only authority, under and by virtue of which appointments are made. If anybody can find in this provision any right or power in a Senator or Representative to dispense patronage, I should be very glad to have it pointed out. It may be said in reply to this that nobody has claimed such a right or power in a Senator or Representative, but that being representatives of the States and the people they have the right to recommend, and their recommendations should be potential with the Executive.

That they have the right to recommend nobody denies; any citizen of this country has this right; but that Senators and Representatives have the

right to dictate appointments, or that their recommendations should be conclusive and unquestioned, is denied. That their political favorites and friends should be selected in preference to the political friends and favorites of other people is also denied.

The recommendations of Senators and Representatives are entitled to consideration and respect and weight so far as they are judicious and wise. Why any Senator or Representative should complain that their recommendations and indorsements of applicants for office are not adopted by the Executive I can not understand. The theory of our Government is that the legislative, executive, and judicial departments, while coördinate, should be kept independent of each other. The framers of the Constitution wisely determined that the preservation of the whole could only be secured by the independence of each branch.

The Executive is held responsible under the Constitution for "all officers," and should, therefore, be allowed the fullest latitude in making appointments. The legislative is held responsible for "all laws," and should, therefore, be exempt in the fullest degree from the dictation of the Executive. This independence and responsibility can only be maintained by the freest exercise of their respective constitutional functions.

Now, I might paraphrase that language, for that was my honest belief, and I might say, I can not understand if such a thing exists, why any President or Cabinet officer should take offense because his or their recommendations are not carried out by the legislative department of the Government. I do not know that this is a fact, but none of us can shut our eyes or close our ears to what is constantly stated in this Chamber to the effect that the President of the United States will not accept a compromise, that compromise is defeat and surrender to the minority.

Now, Mr. President, if I believed the more liberal use of silver in our monetary system would impair the credit of the Government or affect injuriously any legitimate business interests, I would not hesitate to cast my vote and raise my voice against any measure for its more liberal use.

If I believed the existence of the act of July, 1890, for the purchase of four and a half millions of silver monthly had brought about the panic through which we are passing, or in anyway jeopardized the credit of the Government, I should find no trouble in getting my consent to vote for its unconditional and speedy repeal, but as I entertain different views on these points, I will not vote for repeal unless it is accompanied by a proposition to continue the coinage of silver in some form and make it a permanent part of the financial policy of the Government.

I am not at all enamored of the act of July, 1890. I concur in what has been said in derogation of it, and will not repeat the arguments which have been so elaborate and full in regard to it, but it is better than nothing. Nor will I enter into the argument in favor of the use of silver in connection with gold and our other kinds of currency; for that, too, has been ably and fully presented by Senators who have preceded me, and I could not hope to add anything to the force of the argument or stock of information on the subject. In my judgment, these arguments can not and will not be successfully answered. Those who contend that the Sherman act, as it is called, has imperiled the credit of the Government or destroyed confidence in our currency have failed to establish the correctness of that proposition. So have they failed to show that any business interests have been injured by it.

Now, first, Mr. President, as to the credit of the Government. It devolves upon those who have stated that the existence of the act of July, 1890, has imperiled or impaired the credit of the Government to show it.

I listened to the speech of my friend from Indiana [Mr. VOORHEES] upon this subject with great pleasure and instruction. The credit of the United States Government is as good or better, higher perhaps, than any in the civilized world to-day. The Senator from Indiana nods assent to that proposition. Then, and in what respect and where has the Sherman act impaired or imperiled the credit of the Government? It is collecting its revenues with relentless regularity; it is paying its obligations everywhere without default; and collecting its revenues and paying its obligations in the very money which is being derided upon the floor of the Senate.

Impair the credit of the Government! I repeat, sir, that those who make that contention should prove it, somewhere, somehow, not by unsupported statements, but point out the particular instance where the credit of this Government has been impaired by the existence of the Sherman act. Is there any man in this country, on this floor or elsewhere, of whom any Senator has any knowledge, who has refused to take any of the issues of the Government, whether Treasury notes issued on bullion, or silver dollars, or gold dollars, or gold certificates? Has any man refused to pay to the Government for any dues he may owe it any of this so-called dishonest and unsound money? In the absence of some proof that the Government has been injured, that its credit has been impaired or imperiled, I repeat that the statement is nothing more than idle talk.

Where is there an instance of any citizen of this country refusing, as I stated, to pay his dues to the Government in any of these issues? I do not think such a person can be found. If I owed you, Mr. President, \$10, you would take it as readily in silver as you would in gold, as readily in silver certificates as you would in gold certificates. Will some Senator, then, tell me in what respect the silver dollar is a dishonest dollar or that the silver currency is unsound currency. We have heard numberless lectures, we have been read homilies on the subject of sound money and honest money.

Those are very instructive for doctrinaires; but in reply to those who insist that they are more devoted to honest money than anybody else, I challenge the production of a single sentiment upon this floor by anyone, by my friend from Nevada [Mr. STEWART], who is looked upon as the extreme advocate of silver coinage, who has been termed and charged with being a silver lunatic and all sorts of pet names, or the honorable Senator from Kansas [Mr. PEPPER], who represents the so-called Populists, which has been uttered in favor of dishonest money. Has the Senator from Colorado [Mr. TELLER], the Senator from Idaho [Mr. DUBOIS], or my friend from Alabama [Mr. MORGAN], or any Senator advised the issuing or the coining by the Government of any but honest money and sound money?

Is it to be insisted that there is no sound money in this country except gold and paper? Will anybody stultify himself by making any such statement? If he does he must carry along with it the accompanying statement that the Government itself is dishonest in coining a dollar of silver or issuing one dollar of silver certificates.

Now, if any Senator is prepared to go to that extent and say the Government is dishonest, then he presents a distinct issue.

Mr. GRAY. Mr. President—

The PRESIDING OFFICER (Mr. BERRY in the chair). Does the Senator from South Carolina yield to the Senator from Delaware?

Mr. BUTLER. Yes, sir.

Mr. GRAY. I do not exactly understand the distinction the Senator from South Carolina means to draw between the Government and the people. The Government is just what the people make it. All its action is just what is authorized by the Congress of the United States. When we authorize the coinage of 50 or 60 cents' worth of silver, and say that it shall circulate on a parity with gold, that is abnormal so far that it is not automatic currency. We compare the silver with gold.

We admit that its bullion value as compared with gold is, say, 60 or 70 per cent less than gold, and we maintain it because the Government of the United States, as represented by the legislative branch, has declared that it shall be so maintained, and its executive officers in order to maintain it have in the past so managed the fisc of the country that the one is always exchangeable for the other at the Treasury of the United States.

Now, the Senator asks who doubts the credit of the Government. I want to remind him that the evidences are abundant, if he will take heed of them, that the only trouble now is the apprehension (whether he considers it reasonable or not) that the Government will not be able to maintain that parity by executive action if the purchase of silver under the purchasing clause of the Sherman act is continued. That is all there is in it. There is nothing very complex about it.

Mr. BUTLER. That, Mr. President, is very unsatisfactory, because at last the Senator simply states that it is his opinion.

Mr. GRAY. The Senator is stating his opinion.

Mr. BUTLER. No, I am not. I simply desire to maintain the credit of the Government. The Senator gets up and meets that proposition by saying that the opinion of some people is that the Sherman act does impair the credit of the Government. Silver may not be on a parity with gold, because the Government itself denounces and condemns it; discredits and tries to disown it.

Mr. GRAY. Oh, no; the Senator from South Carolina made a very broad challenge for anyone to explain what is meant by the credit of the Government not being good for every issue. That is what I have attempted to explain, and I think I have answered the Senator.

Mr. WHITE of Louisiana. May I ask the Senator from South Carolina a question?

Mr. BUTLER. Certainly.

Mr. WHITE of Louisiana. What does the Senator mean when he speaks of the credit of the Government? Unless we understand the method of using the term of course we shall always be liable to differ. What is the Senator's definition of the credit of the Government?

Mr. BUTLER. My definition of the credit of the Government is just the definition that I give to the credit of the Senator from Louisiana.

Mr. WHITE of Louisiana. What is that definition?

Mr. BUTLER. That the Senator's note will always be taken at par and nobody will question it.

Mr. WHITE of Louisiana. That is not a definition, unless I

tender a note for discount. If I did not tender a note for discount then, under the Senator's definition, I would not have any credit. Is that the argument?

Mr. BUTLER. I ask the Senator from Louisiana to give his definition.

Mr. WHITE of Louisiana. I would define credit to mean the received opinion among people versed in financial affairs as to a man's ability to carry out his obligations. That is credit.

Mr. BUTLER. Exactly, Mr. President.

Mr. WHITE of Louisiana. And when the Senator from Delaware says that the opinion of the financial world has reached a particular conclusion as to the ability of the United States to do a particular thing, if the Government continues a particular course, then, in my judgment, he maps out the crucial indicia of the failure of credit, if in the opinion of the world the credit does not exist and has failed.

Mr. BUTLER. Now, in reply to the Senator from Louisiana, will he or the Senator from Delaware tell me where any obligation of the United States Government has been discredited or refused? That is the crucial test. If either Senator will put his finger upon a single instance where the obligations of this Government have been refused or denied, then I will admit the force of what they say. In the absence of that, they simply meet my challenge by the general statement that the financial world apprehends it. What is the financial world? A few bankers in New York and Philadelphia and Boston and New Orleans? Is that the financial world which the Senator would have us believe has attempted to throw discredit upon this Government by doubting its ability to meet every one of its obligations?

In the absence of some proof, I repeat, it is idle talk to say that the Sherman act has impaired the credit of the Government, when Senators fail to sustain that proposition by a single instance where the Government has proven in default. As has been suggested to me by the Senator from Alabama [Mr. MORGAN], the people who use the money of the United States Government are just as much entitled to weight in their opinion as the so-called financial world of the Senator from Delaware and the Senator from Louisiana.

We have heard a great deal about the financial world. It is confined within a very limited horizon in this country. I want to say to my friends that all the wisdom and all the financial ability and all the patriotism in this country are not confined within that limited circle. My experience has been—and I say it without disrespect to anybody—that the most unsafe authority upon great financial questions before Congress in proposed legislation are the bankers of New York, Boston, and Philadelphia. It is no fault of theirs. They move in ruts and channels. Their horizon does not extend beyond the city in which they live. I am not saying this by way of any reproach upon those gentlemen. They are as honest as you and I, but from the very nature of their calling they are the most unsafe advisers I have talked with upon a great financial question, involving the interests of all the people of this country.

So at last, when my two distinguished friends from Louisiana and Delaware are driven to the wall they reply by saying the opinion of the financial world is that the Sherman act will bring discredit upon the Government. If I, sir, were inclined I might

say something not exactly savage, but disagreeable. I will not do that because I am incapable of it; but if I felt inclined to go back to the argument which the Senators have produced I would say the only assault upon the credit of this Government has been made by the very men they bring here as authority for their statements.

The only complaint I have heard, and I have listened to them all, about the so-called silver legislation comes from men who are the owners and holders of large capital, large investments, who know nothing and care less about the great body of the people of this country. So, in the very nature of things, I take it for granted if I occupied their position the chances are I should feel just as they do. In the very nature of their calling they become selfish and sordid, not unpatriotic, not illiberal, but, as I say, unsafe advisers in great questions of legislation.

Mr. GRAY. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Delaware?

Mr. BUTLER. Yes, sir.

Mr. GRAY. If the Senator will allow me, as he seems to be addressing his remarks to me as a representative of the great financial world of which I spoke—

Mr. BUTLER. Oh, no, Mr. President.

Mr. GRAY. I want to say to him I never had a complaint from a banker; I never came in contact with a so-called financier in regard to the present troubles in our country; but I have seen in the town in which I live hundreds and hundreds of workmen walking the streets because their employers were unable to give them an opportunity to earn bread for themselves and their families by reason of the disordered monetary condition of the country. Those are the sources from which I have my information; and that does make me anxious, that does give me concern, whether it gives concern to the Senator from South Carolina or not.

Mr. BUTLER. Mr. President, I am incapable of imputing any improper motives to the Senator from Delaware. I know he is just as honest and sincere in his belief as I am. But on his own statement just made, that there were thousands of laborers in his own town who were thrown out of employment because the employers could not get the money to give them work, I ask the Senator from Delaware where is that money? What became of it? Why did they not have it?

Mr. GRAY. I did not say it was because they could not get the money; that was a temporary inconvenience that was passed through, but by reason of the monetary disturbance contracts were not being made which furnished work to these very people.

Mr. BUTLER. What monetary disturbance? What has caused it. It is because, I repeat, Mr. President, that that very class of men made up their minds to bring this panic on, and having done it, having nothing else to go upon, they took the Sherman act as a scapegoat, and it got away from them. [Applause.] Now they come to Congress and say, "We can not employ labor because the monetary disturbances," which they themselves have created, "were brought about." When those of us who have been insisting for years and years upon this floor and elsewhere that there was not currency enough in this country to supply the wants of legitimate business in our respective

States we have been met with the allegation that there is plenty of currency.

Some insist, I believe the Senator from Louisiana [Mr. WHITE] said, that there is too much—\$1,600,000,000—of currency; and now, when we insist that we shall be allowed to have this small recognition of the currency of the people in the Sherman act, we are met with the statement that there is so little money in the country that the people can not employ labor. What has become of it? Hoarded, it is said. Where does the power rest to hoard money in that way? Who has the power to shut up that much currency in one night? I think I could answer, but it is not incumbent upon me to do so now. But I may state that, wherever that power exists, it is the duty of Congress to ferret it out and dethrone it.

It is the duty of Congress to dethrone that power. You may strike down habeas corpus, you may destroy the Bill of Rights, you may take away trial by jury and other muniments of American liberty, and people accustomed to freedom will live and get along somehow, after some fashion, but if you put the people of this or any other country at the mercy of a privileged moneyed class you had better take the hot winds of the desert and let them sweep over them, for destruction will follow as certainly as the day follows the night. England has destroyed the people of Ireland in that way; Russia has destroyed the people of Poland; Turkey has destroyed the people on the Danube, and the same power will destroy the masses of the American people if that power is not sought out and dethroned and destroyed. There is no escape from it.

I do not say that this power is to be found in the national banks, but is somewhere, and panic, distress, destruction of fortune and happiness of home have resulted from that power somewhere to lock the currency of the country up in one night, in a jiffy, and bring about a panic. I think it is proper I should state that there is not a sentiment in my heart or an impulse which leads me to sympathize with any movement to deprive any man of his right in his property otherwise than by due process of law. I have no sympathy with any communistic feeling, or any anarchism, as it is called. I believe in the preservation of the rights of person and property.

But, Mr. President, when you give control, such as has in my judgment been exercised to bring on this panic, to any set of people, you approach the condition brought about in France by Louis Napoleon, who established under the rule of universal suffrage the direst despotism of modern times. He said—I believe it was he—"The Empire is peace," and he formed his battalions to enforce peace. He issued his plebiscitum—or somebody did—in France for the exercise of the right of suffrage by the French people. They marched up to the ballot box between an avenue of bayonets. When the result was announced he said, "I am the Emperor of the French by virtue of the exercise of the privilege of universal suffrage by the French people." The Empire was peace. The empire of money in this country, they will tell us, is peace; but it is the peace under and by virtue of which the shackles of dependence and slavery will be forged for, as the Senator from Nebraska [Mr. ALLEN] said, the great silent masses of the people of this country.

Now, Mr. President, having disposed of the proposition that

the credit of the country has been destroyed, as was urged by the Senator from Delaware and the Senator from Louisiana, I will now proceed to another inquiry. It is said that the business interests of the country are imperiled and injured by the Sherman act and the liberal use of silver currency. Pray tell me, Mr. President, what are the business interests of this or any other country? The man who turns the furrow or tends the forge and forms and shapes the machinery of the world, the man who handles the reaper and binder, who tends the machinery in great establishments, is not in business, according to the theory of some; that is not business. Oh, no, he must take what he can get; he has no voice in business. It is only when the product of his genius and toil gets into the hands of the manipulator, the middleman, and the stock gambler that it becomes business. Then it is all business. But the man who produces is not in business; he does not require much money; but the financial world, of which my friend speaks, is to determine what is business. We have heard a great deal about business. The men of whom I have been speaking are not heard in this Chamber as the men who represent the great financial world are heard. Through the newspapers and their meetings and conclaves and consultations they communicate with this body and the other; but the great laboring masses of this country must be content to turn the furrow and handle the plow and the hoe, and that is not business.

It has also been insisted that the adoption, if I may so express it, of a silver policy will put this country upon a silver basis. Let me say in passing that I think a much greater calamity than that could overtake us, to wit, putting it on a gold basis. I say, with great respect, it is the most absurd of all the propositions which have been presented in this argument that the purchase of four and a half million ounces of silver a month and the existence of the Sherman law or the free coinage of silver would put this country upon a silver basis. Mr. President, how is that possible? Here is a country the value of whose products in 1892 was \$12,217,230,000.

The value of farm animals.....	\$2,480,000,000
The value of corn crop, 1,628,400,000 bushels.....	642,000,000
Wheat crop, 515,949,000 bushels, value.....	322,000,000
Oat crop, 661,000,000 bushels.....	209,250,000
	<hr/>
	3,653,250,000

This does not include rye, barley, potatoes, hay, or cotton, which would probably run the value of all farm products for 1892 to more than.....	\$4,500,000,000
Gross earnings of railroads for 1892.....	1,000,000,000
Manufactured products, 1890.....	6,230,000,000
Mineral products, 1890.....	587,230,000

Making a total of 12,217,230,000.

How much of that could we spare for a more liberal tariff and commercial policy? If one-third of it, how can it be said that the purchase of four and a half million ounces of silver a month is going to put this country on a silver basis? That pretension was made when the Bland-Allison act was under discussion.

We heard it stated over and over again that if we passed the Bland-Allison act for the limited coinage of \$2,000,000 a month it would drive gold out of the country and put us on a silver basis. That was fifteen years ago. Instead of putting us on a silver basis and driving gold out of the country the fact is that the stock of gold steadily increased under it. May I ask the Senator from Nevada [Mr. STEWART] what was the stock of gold in this country accumulated under the operation of the Bland-Allison act? Was it not six or seven hundred million dollars?

Mr. STEWART: It ran up to \$700,000,000 under that act.

Mr. BUTLER: It ran up to \$700,000,000 under the Bland-Allison act. My friend from Indiana [Mr. VOORHEES] tells me that it ran up from \$230,000,000 to seven hundred and odd million dollars in twelve years.

Mr. COCKRELL: Seven hundred and five million dollars was the highest amount.

Mr. BUTLER: And yet we were told during the progress of that debate—I think the Senator from Ohio [Mr. SHERMAN] said so—that if we adopted the Bland-Allison act it would drive gold out of the country and put us on a silver basis.

Mr. SHERMAN: I do not wish to interrupt the Senator, but I wish to state that I was not a member of Congress at the time the Bland-Allison act was considered. Precisely what I did say when summoned before a committee of the House of Representatives was read the other day by the Senator from Colorado [Mr. TELLER]. As a matter of course, I could not have stated what the Senator supposes.

Mr. BUTLER: At any rate, it was said in all directions that we should drive gold out of the country. Instead of that, the stock of gold steadily increased; and I want to say right now, that soon after I came into the Senate, heeding the admonitions of able financiers, I opposed—I am not sure whether I voted against it or not—I am inclined to think I opposed that act; but I discovered in the course of a couple of years that it was an entire mistake, that the stock of gold was increasing, and finally reached to over \$700,000,000. The statement was made when the act of July 14, 1890, was passed that the existence and execution of that law would drive gold out of the country; and yet it is a fact, I believe, that as long as silver was coined under that act, gold remained stationary and did not go out, and as soon as the coinage was stopped it began to go out.

Those are two facts which stand for themselves, I do not undertake to say that that was the cause of the ebb and flow of gold. There may have been others, the conditions abroad, the desire of foreign governments to get a large stock of gold, and various other reasons perhaps, but those are two facts which can not successfully be denied. So that the proposition I stated—that the continuance of the use of silver as a part of the currency of this country will drive gold out of the country, is to me the most absurd and untenable of them all, and I say that with perfect respect.

A great many causes have been assigned for the panic which we are now going through. I have my theory about that, and among the causes as potential and persuasive to my mind and judgment is this: That investors discovered that industrial and corporate enterprises were being very largely overstocked and bonded far beyond their earning capacity or value, and when

they ascertained that fact they began to put their concerns into the hands of receivers, and they have been going through liquidation, and that process is now going on. That, of course, involves an immense amount of capital. I think that is one cause.

The controlling reason why the South has escaped perhaps better than any other portion of the Union, is the fact that we sail closer to the wind than other parts of the country. We have become so poor that we have struck bedrock and had mighty little to pay off. I think that is one of the causes.

I think another cause—and I should like to have the attention of the Senator from Delaware [Mr. GRAY] and the Senator from Louisiana [Mr. WHITE]—is the so-called financial world, to wit, the bankers in the great financial centers, had loaned the money of their depositors far beyond the bounds and limits of prudence. It was illustrated by what a gentleman told me in Philadelphia in regard to the banks of that city. He said they had a line of deposits from \$60,000,000 to \$70,000,000 annually, and when the flurry began and the depositors demanded their money, a trust fund, the banks could not respond beyond the extent of \$10,000,000. He stated further that they had loaned the money in inconvertible securities and then they jumped on the Sherman act. They found themselves hampered by their own imprudence in loaning the money of their depositors far beyond, as I say, the bounds of prudence; and say the Sherman act has caused the panic. That, in my opinion, is another cause for the want of confidence which the honorable Senator from Delaware says exists by reason of the existence of the Sherman act.

Mr. GRAY. What was the Senator's statement?

Mr. BUTLER. The bankers had loaned out the money of their depositors, and when the depositors called for it the bankers could not produce it.

Mr. GRAY. Mr. President, I understand that banking—and I suppose the Senator admits banks to be one of the necessary parts of the machinery of modern life—is conducted for the purpose of loaning deposits and thereby circulating the money, which would otherwise lie dormant and useless in the stockings and strong boxes of those who would hoard it.

Mr. BUTLER. I am not making any complaint about the banks loaning the money of depositors.

Mr. GRAY. Then I did not quite understand the Senator.

Mr. BUTLER. What I say is—and I derived my information from a very prominent gentleman of Philadelphia—that the loan of deposits in the banks of Philadelphia ran up to fifty or sixty million dollars annually, and when this flurry came the depositors became alarmed about the safety of their deposits, and it was ascertained that the banks could not produce more than ten millions. The point I made was that that was loaning the deposits far beyond the bounds of prudence. That was all. I do not deny that all the banks loan deposits legitimately.

Mr. GRAY. That is what they are for.

Mr. BUTLER. Precisely. I am not making any complaint about that, but I am stating as a fact that the banks exceeded the bounds of prudence in the loaning of those deposits, and then the depositors became alarmed.

Mr. GRAY. I do not want to interrupt the Senator.

Mr. BUTLER. It is not the slightest interruption.

Mr. GRAY. But he stated his opinion and quoted the opinion

of a banker of Philadelphia. Let me just as a matter of evidence, for what it is worth, quote the opinion of Mr. Charles S. Smith, president of the Chamber of Commerce, if that does not disqualify him as a witness.

Mr. BUTLER. Oh, no.

Mr. GRAY. In an article in the current number of the North American Review, which I take from the New York Evening Post, Mr. Smith says:

I deem it proper at the outset to state that the recent panic was not the result of overtrading, undue speculation, or the violation of business principles throughout the country. In my judgment it is to be attributed to unwise legislation with respect to the silver question; it will be known in history as "the silver panic," and will constitute a reproach and an accusation against the common sense, if not the common honesty, of our legislators who are responsible for our present monetary laws. Observers abroad and clear-headed financiers—

They are a proscribed class, of course—

at home predicted with absolute certainty the disasters which have overtaken us, and no great prophetic vision was required to anticipate the conditions which have so recently prevailed throughout the United States.

Let me add to that bit of evidence, such as it is, that, as one who has been observant and trying to get the best information that was obtainable as to the condition of the country and the sources of this panic, I have come to the conclusion, upon such evidence as has been presented to me, that there never was a time when banking was conducted within more conservative limits than it has been within the last eight or ten months. I give that as my opinion.

Mr. BUTLER. I have given my authority, and I might cite other instances. I am not saying this reproachfully of any bankers. I have nothing against the bankers. As the Senator from Delaware very properly and correctly says, they are necessary; but I was giving my authority. I am not at liberty to give the gentleman's name, but he is a man of great prominence, and he stated that as a fact and as a friend of the banks; and I said to him, "You are giving away the whole case." I think that is one of the additional reasons.

Another reason is that the manufacturers of this country had inflated their business perhaps beyond the legitimate bounds of prudence under the stimulus of the McKinley act, and the verdict of the American people dazed them, put them on notice that they had extended their manufacturing operations beyond what was prudent and discreet under existing circumstances. I think that has had a great deal to do with bringing on this trouble. But how we are to cure the trouble by still further contracting and curtailing the currency is a financial problem which I should be glad some member of the great financial world would settle for me. It is entirely beyond my comprehension.

I have stated, Mr. President, that we have heard lectures and homilies on the subject of sound money. It is a very easy matter for a man to say "I am in favor of sound money, honest money." There is no trouble about saying that. Any of the economic writers of this or any other age would perhaps insist upon the same thing; but they fail to tell us what sound money is and what money is unsound. So the farmer wants a sound horse, but if he has work enough for four horses he certainly can not get along with one, however sound he may be; and as a matter of fact, perhaps he had better have four horses, not quite

so sound if they are necessary to support his family and discharge his obligations. The artisan wants a sound hammer, but if he has employment for four hammers one would scarcely be enough. So it is with sound money. We all want honest, sound money, and enough of it.

We have been told repeatedly, in this body and elsewhere, that we ought to vote for the speedy and unconditional repeal of the Sherman act—I believe that is the language—because the Democratic platform provides that we shall do so. We have heard a great deal on the subject of platforms and how little attention appears to be paid to the declarations of political faith by party conventions; that they are simply adopted to catch votes, and as soon as the votes are caught and availed of, they can be repudiated at will. I should feel very much humiliated, Mr. President, if I supposed the great party of which I am and always have been a member should commit itself to that line. Party platforms are pledges of party faith, and ought to be lived up to with the fidelity that a man of honor lives up to his word, and I recognize the binding force of the seventh section of the last Democratic platform, which contains this provision:

We denounce the Republican legislation known as the Sherman act of 1890 as a cowardly makeshift, fraught with possibilities of danger in the future which should make all of its supporters, as well as its author, anxious for its speedy repeal. We hold to the use of both gold and silver as the standard money of the country, etc.

The Senator from Texas [Mr. MILLS] in commenting upon that provision said, after stating that the President stands with both feet on the Democratic platform:

Let us examine the declarations of the platform on the subject of coinage and see who is on and who is off. Turning to the seventh article again, it says:

“We hold—
“Hold,” is a very significant word. It means to retain, and retain firmly, something already in possession—

“We hold to the use of both gold and silver as the standard money of the country, and to the coinage of both gold and silver without discriminating against either metal, or charge for mintage; but—

But what? “But” is a disjunctive conjunction, the grammarians tell us. A disjunctive conjunction disjoins and conjoins. Words are the signs of ideas—the vehicles of thought. The thought, the idea that was being conveyed by these words, was arrested by the interposition of that little word of three letters. The idea was disjoined, while the sentence was conjoined. The idea was the equal treatment of both metals in our coinage laws. That idea was arrested and a condition was prescribed that limited the declaration. What was that condition?

“but the dollar unit of coinage of both metals must be of equal intrinsic or exchangeable value.”

Mr. President, the Democratic platform was intended for the plain, common mind, and it was not designed that it should be subjected to overmuch refining to explain its provisions. It was intended for ordinary mortals like the Senator from Indiana and myself. “That idea was arrested,” says the Senator from Texas, by a little word of three letters, “but.” I submit it is about time that idea was released from arrest. I think it has served its time in arrest, and that it ought to be released and put in operation, so that when we are called upon to repeal the act of July 14, 1890, we ought to go further, and if not, why not? In the graphic language of a statesman from Texas at a Republican national convention, “What are we here for?” I had supposed that the President had summoned us in extraordinary session not only to consider this, but all cognate questions, and if not,

why not? We have the whole year before us. The President in his message does not say anything to the contrary. In the final clause of the message he says:

I earnestly recommend the prompt repeal of the provisions of the act passed July 14, 1890, authorizing the purchase of silver bullion, and that other legislative action may put beyond all doubt or mistake the intention and the ability of the Government to fulfill its pecuniary obligations in money universally recognized by all civilized countries.

The President of the United States did not attempt in his message to restrict this Congress to the repeal of the Sherman act. There is not a line or a syllable in it which would leave that inference; on the contrary, the paragraph which I have just read indicates clearly that we ought to go on and perfect that financial system which would establish the credit of this country with all civilized countries. Why should we not proceed to perfect it?

The Senator from Texas goes on to say:

If the fundamental condition of equality of the two metals in the markets and the mints does not exist, then it must be produced "through international agreement, or by such safeguards of legislation as shall insure the maintenance of the parity of the two metals and the equal power of every dollar, at all times in the markets and in the payment of debts."

Here—

Says the Senator—

Here is a clear recognition of two opposing opinions as to the proper method of reaching bimetallicism; one by international agreement and the other by national legislation.

If there is anything better established than another in the Senate it is that international agreement is now impossible. So the only other alternative is national legislation; and yet the Senator from Texas tells us that he will vote for the unconditional repeal of the Sherman act and leave it to fate to determine what shall be the financial policy of this country.

I insist that it is no part of the proper discharge of a political and official duty that the Senate shall stop with one single provision of that part of the Democratic platform, but should go on in an orderly, proper, and conservative way to perfect that great financial policy to which the President of the United States refers.

Mr. President, there are one or two other propositions I should like to discuss, but I am very much fatigued, and the Senator from Kentucky [Mr. BLACKBURN] informs me that he is ready to proceed. I shall therefore yield the floor to him with the purpose, if it can be done properly without interfering with other Senators, at some subsequent time to discuss another branch of the argument which I had prepared, but which I shall defer.

Friday, October 6, 1893.

Mr. BUTLER. Mr. President, I trust that my brother Senators will not hold me responsible for the inconvenience to which they have been put by the roll call, for it was not made at my suggestion. I confess to have been a little bit dazed by the large and enthusiastic and wild audience which I got up to address a moment ago, but I had made up my mind to get along with it the best I could. [Laughter.] That audience having subsided, and coming down to be an orderly body, I hope that I may be tolerated whilst I complete the observations which I left off the other day.

When I yielded the floor to the Senator from Kentucky [Mr. BLACKBURN], who kindly relieved me, I had reached that point in my argument where I desired to submit some observations in support of the amendment which I had the honor to offer to the pending measure, which I shall now read:

SEC. — That section 8412 of the Revised Statutes of the United States, the same being section 122 of the national-bank act, imposing a tax of 10 per cent upon the amount of notes of any person or of any State bank or State banking association used for circulation and paid out by them, be, and the same is hereby, repealed: *Provided*, That such State banks of circulation only as secure their circulation by coin or approved State or municipal bonds shall receive the benefit of this act.

After consultation with several Senators, notably the Senator from Tennessee [Mr. HARRIS], in whose judgment I have great confidence, I shall take the liberty of striking out the proviso, as I believe I have a right to do under the rules.

The amendment was provided for in that much derided and, as I insist, much-neglected document known as the Democratic platform. Immediately succeeding the section which provides for the repeal of the Sherman law and for bimetallism, section 8 is in this language:

We recommend that the prohibitory 10 per cent tax on State bank issues be repealed.

It would seem, therefore, that as a part of the measure now pending before the Senate it would be entirely appropriate to adopt this amendment, as it is germane and in the line, as it seems to me, of what is proposed by that repeal. The only argument I have heard against this proposition was submitted the other day by the Senator from Massachusetts [Mr. HOAR]. In the course of his remarks he said:

That currency should be national. It is the function of the National Government to see that it is provided. It never has been and never will be provided by the States.

Mr. Madison declared that "it is the duty of the Government to establish a national currency."

The Senator from Massachusetts further said:

We are asked why we will not trust the function of regulating this matter to the States. I answer very frankly that I am unwilling to trust the matter of regulating these matters to the States. We have tried the experiment, and it failed.

* * * * *

I remember myself, in 1853, waiting for ten or fifteen minutes at the ticket office at the station in Baltimore, where there was a crowd, while the railroad official consulted a book to know the value of the different bills which were offered him to pay for tickets, and made a reduction of 3 per cent on one man's bill, of 5 per cent on another, and 10 per cent on another. I was somewhat gratified when I held out to him a \$20 gold piece in one hand and a \$20 Massachusetts country bank bill in the other, and he preferred the bill to the coin.

That last declaration of the Senator from Massachusetts would seem to have given away his case. I have just read where he said that the attempt to provide a currency by any other than national authority had been a failure; and yet in a very few moments thereafter he admits that a bill of a country bank of the State of Massachusetts was preferred by the railroad official to the twenty-dollar gold piece.

Sir, I admit that it is the duty of the National Government to furnish a currency; and the Supreme Court has held, if I am not mistaken, if my memory is right, in the case of *Veazie Bank vs. Fenno*, that the power of the Federal Government to issue a currency and the power of the State government to authorize the

issue of a bank currency were concurrent powers. There is no proposition in this amendment, or anywhere else which I have heard, which suggests even the idea of the destruction of any portion of the national currency; but the effect of this repeal will be, in my judgment, to authorize the State banks to supplement the national currency by a local currency of their own.

It is said the States can not be trusted to discharge this duty; that if the National Government takes the taxing power off of the State banks we shall have what are commonly called wild-cat banks and wild-cat currency, a currency which will not be uniform, which will not pass from one State into another, which will not answer in the regulation of exchanges between the several States, and so on.

I should be very glad if the Senator from Massachusetts, or some other Senator who opposes this measure, would indicate in what part of this Republic a wild-cat bank can find a habitat? Will one be established in Ohio? Would wild-cat banking be permitted in the State of my distinguished friend from Rhode Island [Mr. DIXON]? Would wild-cat banking be permitted in the State of Kentucky, which my friend [Mr. BLACKBURN] so ably represents, or in Louisiana, or in Colorado, or in Nevada, or in California?

Mr. SHERMAN. The Senator refers to the State of Ohio. The experience of the State of Ohio up to the year 1850, when the present constitution was adopted, was so disastrous, so ruinous to all the business interests of the country, that the people of Ohio prohibited the State from authorizing any bank circulation to be issued by State authority.

Mr. BUTLER. Then, as I understand the statement of the Senator from Ohio, that State will not be affected at all by this repeal?

Mr. SHERMAN. It will not. It would not have the power to charter a bank and issue paper money.

Mr. BUTLER. The State of Ohio will not be affected at all, and I am very much obliged to the Senator from Ohio for giving me that information.

I have no doubt that there are a number of other States in the Union where State bank circulation would not be permitted. I think, if I am not misinformed, the State from which the honorable Senator who now presides over this body [Mr. DOLPH in the chair] does not permit under its constitution such banks of circulation. I am informed by my friend from Texas [Mr. COKE] that a similar law prevails in that State; that State bank circulation is not permitted in Texas, and perhaps that is so in other States.

Mr. FRYE. Would not the Senator from South Carolina expect that the other States would use the currency issued by the State banks in other States?

Mr. BUTLER. I think very likely they would.

Mr. FRYE. Then we should be all equally interested.

Mr. BUTLER. Not equally, perhaps, but somewhat interested. I shall come to that before I get through.

The Senator from Ohio tells us that up to 1850 the experience of that State with State-bank circulation was so disastrous that the State in its constitutional convention provided that no State banks of circulation should be again permitted. Does that Senator forget—does he not recognize the wonderful changes which

have taken place in the business methods of this country and the whole world since that day? Why, sir, in my own State we had banks of circulation which were entirely satisfactory to our people and answered all the purposes of business as thoroughly and completely as do the national-bank issues of to-day. I do not think that is an extreme statement.

For instance, there was a bank known as the Exchange Bank of Columbia, which is 56 miles from my residence. Its circulation passed current everywhere over that State without the slightest question, and I am nearer to-day to the city of San Francisco in a business sense than I was in 1860 to the city of Columbia, not having telegraphic communication between the two places, and I can be informed to-day more readily of the condition of a bank in San Francisco or Portland, Me., or Galveston, Tex., or, as is suggested by my friend from Kentucky, Portland, Oregon, than I could in 1860 of the condition of a bank in the city of Columbia or the city of Charleston.

I want to give my friend from Maine one piece of information. In 1878 I happened to be in the city of New York discussing the terrible financial conditions brought on by the then political condition of the State of South Carolina, and suggested that in the desperation to which the people had been reduced, they were seriously contemplating absolute out and out repudiation of the debts which had been heaped upon them. I had this conversation with Mr. August Belmont, the agent of the Rothschilds in this country. He turned to me, and said: "Sir, your people can not afford to repudiate for this reason: The credit of your State was so strong and so good up to 1860 that it would be unwise to resort to this desperate method even to relieve yourselves of the condition of things you say exists. I tell you a bill of the Bank of Charleston passed current anywhere in Europe as well as any money in the world, and you can not afford to repudiate."

Mr. President, why did that circulation pass current anywhere in this country and Europe as well as any other? Simply because the business and financial world understood what was a fact, that that bank was conducted upon safe and conservative and prudent business principles, and the holder of one of the bills of that bank was as satisfied that he would get his money if he presented the note for payment, as we are today if we present a bill upon any national bank in the United States.

So I submit that all the conditions of this country have changed. There is no place where a wildcat bank could live forty-eight hours. It would be boycotted and advertised in all parts of the civilized world inside of twenty-four hours. Wildcat banking was carried on and tolerated on what was then known as our frontier. We have no frontier now. I can communicate with the capital of the State of my friend from Colorado [Mr. TELLER] today in, I think, not less than an hour.

Then it would require months and months to do so. I admit that system of banking was objectionable in some localities; but never so in my State, never so in Louisiana, never so in New York, and I do not know, but perhaps that statement is true as to Kentucky, Tennessee, and North Carolina. It is impossible that any State in this Union could permit for one hour the existence of a bank which was not conducted upon conservative, prudent, and business principles.

You may tell me that banks will fail under the State-bank

system. In reply to that I say, Mr. President, banks will fail as long as men are dishonest. Banks fail to-day; they have failed by the hundred in the last three months with all the circumspection and supervision and guardianship of the National Government. The national banks themselves have tumbled and failed, carrying down with them the destruction of millions of property; and it is a very curious thing in looking over the financial history of this country to find that disastrous panics have been more frequent under the national-bank system than under any other which has ever existed in this country. Panics appear to have become almost epidemic, occurring in 1873, 1883, 1890, and 1893 with the regularity of time; and yet we are told that the national banking system is the best this country has ever had. I frankly admit, Mr. President, have admitted it before and admit it now, that in one sense it is the safest. It is the safest for the bill-holder beyond all question up to the present time, because the Government of the United States is behind it with all its credit and power and money.

Mr. ALLEN. Is the national-bank note any better than the greenback?

Mr. BUTLER. The Senator from Nebraska asks me if the national-bank note is any better than the greenback. I tell him no, but the greenback is a Government issue. The national-bank issue is in one sense a Government issue, and yet may be considered, strictly speaking, a bank issue, guaranteed by the Government, as the Senator from Mississippi [Mr. GEORGE] suggests; and I say in the face of all that care and caution, panics for the last twenty years have been more disastrous, more far-reaching, and more oppressive than—I think I am within bounds when I say, ever before in the history of this country.

My friend from Kentucky [Mr. BLACKBURN] suggests that a national-bank note is not a promise to pay money, but a promise built on a promise. That may be and is true, and yet the fact remains that every holder of a bill of a national bank has up to this time been protected against loss. That I admit. I want to say now that I have no prejudice against the national banks; I have nothing to say against them except when they abuse the great power the Government has put at their command. I think it a dangerous depository of power, and our present condition conclusively proves that if any proof were necessary. I think it a dangerous, a very dangerous, depository of power.

Mr. ALLEN. I should like, with the consent of the Senator from South Carolina, at this point to make a suggestion which I think enters into this discussion.

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Nebraska?

Mr. BUTLER. Certainly.

Mr. ALLEN. It is a question upon which I should like to have the Senator's opinion. I ask whether the Senator is willing that the repeal of the State-bank tax shall be a conditional repeal, with provisions controlling the volume of money to be issued by the State banks and directing proper safeguards for it, and what he thinks as to the power of the General Government by an act of Congress to vitalize that issue and make it a legal tender?

Mr. BUTLER. I have not given that branch of the subject

consideration; but I will tell the Senator very frankly that, in my view, I should prefer the unconditional repeal of the 10 per cent tax on State banks of issue, and leave to the States themselves the question of what steps they will take to secure the circulation for the billholder and the depositor; and, at last, that is all there is in banking. There is no legerdemain about it, and no need to surround it with mystery and confusion. The only question, as a business proposition, is, will the billholder be secure—will the banks take such steps as will secure the men who hold its circulation? That is all. The next is, will the bank provide a sufficient reserve to secure the depositors? That seems to me about all there is in successful banking.

Mr. FRYE. Will the Senator allow me?

Mr. BUTLER. Yes, sir.

Mr. FRYE. Ought not the Senator to go one step further, and say that one of the principal objects to be served would be to have such a currency that it should circulate all over the United States and relieve us from the enormous amount of money which we were compelled to pay for exchange in the old days?

Mr. BUTLER. I am coming to that after awhile. Of course, that is purely and simply a matter of opinion as to whether that would be so or not, but I confess to the Senator very frankly that I am not at all concerned about the uniformity of the currency. I have my own opinion upon that subject, and I believe under the improved conditions of banking—if I may say, the improvement in the science of banking, in business methods—if he had a bank in the State of Maine and would protect the circulation, as I have no doubt the State of Maine would require it to be protected, I should receive it in South Carolina without the slightest hesitation; and I have no doubt that if the State which I have the honor in part to represent would permit banks of circulation, that that State would throw safeguards around the circulation in such form and in such manner as to make it perfectly secure in the hands of the Senator from Maine, even in his own State.

That is my judgment about it. It is matter of opinion. Of course, all depends at last on what steps the States will take to require that. If the Senator desires my opinion upon that subject, I should be in favor of applying the principle of the national banking act to every State bank; that is, by the State itself. I can see no good reason why a State may not authorize the Senator from Maine, the Senator from Kentucky, and myself, or any other three gentlemen, or a dozen, or fifty gentlemen, who choose to deposit \$50,000 or \$100,000 in the Treasury of the State, or \$100,000 of the State bonds, or of approved municipal bonds, or of coin, and authorize us to issue circulation upon that—I can see no reason why we should not do it just as well as a national bank, requiring the same examination, the same reserve, the same supervision. Why may not the States do that? I have heard no argument against it, except the bare statement of opinion that they are not to be trusted.

As was suggested by the Senator from Kentucky, the want of uniformity does not disturb me in the slightest, because the currency issued in my State would be used by the people of that State, and if it accomplishes their business purposes what right has the rest of the world to say one syllable upon the subject? I can not understand why it should do so. So, Mr. President, I

repeat I can not understand why there should be apprehension that a State would not protect the credit of its own citizens and its own credit by requiring a conservative system of banking.

I think there is no longer any dispute about one fact. It is a gratifying indication to me that our friends in the East, New England and New York and the great financial centers are beginning to realize the fact that when we have said in the past there is not currency enough in our section of the country we were sincere. We knew what we were talking about. I say it is a gratifying indication that gentlemen from that section are beginning to realize that fact and are attributing our clamor in that direction—if you choose to so call it—to something else than a desire to destroy the credit of the Government, which has always been charged upon us. No longer than yesterday or the day before a member of a banking house in State street, Boston, informed me when he came down to this capital four weeks ago from the very atmosphere of national banks, as he expressed it, he was imbued with the idea that gentlemen like myself and the Senator from Kentucky [Mr. BLACKBURN] and the Senator from Mississippi [Mr. GEORGE] who have been insisting upon this policy for years were in earnest and that our presentation of that condition was influenced by something else than a desire simply to flood the country with an unsound, dishonest currency.

Now, let me state a circumstance, which is sometimes a more potential fact than any argument anybody can offer. In the little town where I live there are two banks of \$60,000 capital each. They had loaned a certain amount of money to two young gentlemen of character and position and credit who had rented a large plantation, and they had borrowed the money for the purpose of supplying their laborers, buying plantation supplies, etc. About the month of July, which is in our country, I might say, the crisis of the cotton crop, they discovered that they did not have money enough by \$150 to carry out the plans which they had made in the making of that crop. They came to me and said if they could not get that \$150 their year's crop would be jeopardized.

I went to the president of one of the banks, whom I happened to know intimately, and said to him, "You may with perfect safety loan these young men \$150 more. I have seen their crop, I have seen the condition of their animals, and it would be perfectly safe for you to do so." He said, "Why, sir, I would loan them \$150 without the slightest hesitation, but if even Vanderbilt or Astor were to come to my bank to borrow \$10 I could not accommodate him, because I have not the currency." He had literally crawled on his belly in New York and in Charleston begging and imploring the loan of a little more currency to accommodate his customers, and could not get a single cent.

Mr. GEORGE. Was that in July of the present year?

Mr. BUTLER. No; two years ago. There was a legitimate business transaction. There was no kite-flying about that; there was no speculation; and yet those two citizens of absolutely unimpeachable personal credit could not borrow \$150 to complete their crop. Now, that is, as I said, an illustration in a small way, but it was to me an object lesson. What was true of those two young men is true in thousands of instances all through the South and West.

Mr. President, I believe if Congress would take its hand off of the States in that respect, and permit the localities to determine the quantity of circulation which should be allowed in their respective communities, that difficulty would be removed. What is true of farming is true of every other character of business that you can think of. When I mentioned this fact to a gentleman in New York, he said, "Why, that is not so much evidence of a want of currency as of a want of capital." I replied to him, "My friend, there is just where you are mistaken. The credit of those two young men was capital to them. Their farm animals was capital; their farming implements was capital; their crop was capital; that the local banker would be perfectly content to have taken as security; but in New York, or Boston, or Philadelphia, or Baltimore it would not have been entertained for one moment as sufficient security for the loan of \$150. There is our trouble."

I am quite well aware, Mr. President, that the repeal of the tax on State-bank circulation will be opposed by the national banks and by other banks in great financial circles. I am quite well aware of that, and the reason is perfectly obvious. The tax was imposed, as my friend from Kentucky said the other day, as a war measure. It was imposed in the interest of national banks. It was imposed to destroy the State banks, and it succeeded in doing it. I hold that Congress has no constitutional power to impose a tax unless revenue is the object, and not one dollar of revenue is raised under and in pursuance of this law.

The Supreme Court of the United States sustained the constitutionality of that provision of law upon the ground that having the constitutional power to coin money and to regulate the value thereof and to issue currency, Congress had the correlative power of doing anything which would drive out of existence all competition with the circulation of its own currency. That is the ground upon which the Supreme Court sustained the law.

Mr. GEORGE. It was a question of competition.

Mr. BUTLER. It was a pure question of competition, as the Senator from Mississippi has stated. It employed the taxing power to destroy the State banks of circulation in order to make way for the National-bank circulation, and that is all there was in it. The opinion sustaining the constitutionality of that act was not a unanimous one, and the reasoning of Mr. Justice Davis and Mr. Justice Nelson in their dissenting opinion was far more satisfactory to my judgment than the opinion of the Chief Justice, who delivered the opinion of the court in the case of *Veazie vs. Fenno*. The Supreme Court put it entirely upon that ground.

Now, that is not in one sense using the taxing power to destroy. It was using the taxing power to give the circulation to the national currency—its own currency. That object has been accomplished. The national banks must go out of existence by 1907 unless some other security for their circulation is furnished. We have been in Congress struggling for years to find some substitute for the bonds that are being used as security for the national-bank circulation, and none has ever been agreed upon, and, in my judgment, none ever will be. Why, then, permit this statute to remain upon the statute books? What policy is to be subserved by it? What constitutional right of the Government

is subserved by it? Absolutely none. It remains a menace to the States and a check upon their prosperity.

As I said, I have no doubt that the national banks and the other banks in commercial centers will oppose this measure to repeal the State-bank tax. I have no doubt the money power of this country and of England will do it. But, sir, I think we have about reached a period in our history when this country should make another declaration of independence of Great Britain, a financial declaration of independence, as we more than one hundred years ago made a political and commercial declaration of independence.

The Senator from Pennsylvania [Mr. CAMERON], in his crisp and sententious style, by which he conveys so much in a few words, illustrated this in his able argument the other day. He said:

I want to say nothing harsh or offensive, but here we are on delicate ground, and I must, in the least unpleasant way possible, explain why our people have so invariably followed this course.

Which he had just elaborated.

Americans are a sensible race, and far from vindictive or narrow. They have good reasons for all their acts, and especially for their fundamental principles. The reason for their attitude toward England is that, ever since America was discovered, England has been controlled by its moneyed interests; and all Americans, at all periods of their history, have believed that the moneyed interests of England were selfish, cruel, and aggressive, as well as sordid, to a degree that made them dangerous to all the world and fatal to the weak.

I think nobody who is familiar with the history of England will deny that proposition.

Like the honorable Senator from Pennsylvania I do not desire to say anything harsh about England, but it is universally conceded that in her dealings with the weaker races she is cruel and oppressive. She never hesitates in carrying out the policy which has been hers for centuries of sustaining her moneyed, privileged classes, of destroying everything and everybody she can that comes in her way. She sends her armed forces to India, where there is great wealth, and she kills, she destroys. It is true she claims to do it in the interest of humanity and civilization. She hears of wealth in central Africa or central Asia; she sends an army and destroys and takes it, so long as her privileged classes and her moneyed classes are benefited by it.

I think, therefore, Mr. President, we have reached that period in our history when we should declare our independence of the financial policy of Great Britain and adopt one of our own, in the interest of our own people, without regard to whether it is agreeable to her or not.

Recurring to the inquiry made of me by the Senator from Maine [Mr. FRYE], I stated, as I said, as a mere matter of opinion for what it is worth, I do not believe, after a very few years, there would be any difficulty in regulating exchanges between the different States, and I have so much confidence in the power and willingness and ability of the States to maintain their credit, I believe they would make the currency of their respective State banks so safe that it would circulate anywhere in this country without trouble, just as was the case in my own State. Prior to and up to 1860 bills of the Bank of Charleston were shipped by the twenty-five and thirty thousand dollars at a time to Missis-

issippi and Alabama and other Southwestern States for the purchase of cotton.

Mr. GEORGE. Will the Senator allow me to make a statement on that point?

Mr. BUTLER. Yes, sir.

Mr. GEORGE. Mississippi, like Ohio, had a flood of wild-cat money in 1830, and it produced such disgust against State banks that no banks were allowed to be chartered. There was a provision in the constitution of the State against them. We had no banks, and we depended for our currency mainly upon the State of South Carolina. The banks of South Carolina had agencies all over the State to whom they furnished their bank bills, which were circulated in Mississippi freely and without loss to anybody. That was the condition of affairs up to 1860.

Now, let me make another statement, and then I will quit. There was such a prejudice that there was not a bank chartered, it was prohibited by the constitution, and yet now in Mississippi there are some forty or fifty State banks, without, of course, the power to issue notes, and they have gone through the present crisis, every one of them, without a single suspension.

Mr. BUTLER. As I stated awhile ago, prior and up to 1860 there never was any trouble. I suppose in the great crisis of 1857 there was a suspension of what are called specie payments. As I now remember the policy of the State, where an association of capital, say \$100,000 in coin, was got together an application was made to the State Legislature for a charter to enter into the banking business, and the charter was ordinarily granted, where there was \$100,000 of coin, to allow the bank to issue \$300,000 of currency circulation—three for one. Of course that would not be permissible now. And when that \$100,000 of coin was put up nobody inquired whether it was gold or silver. Nobody cared. Some of the banks had Spanish dollars, Mexican dollars, American silver dollars, gold dollars. The two metals never separated.

Nobody, as I said, inquired or cared whether it was gold or silver coin; but there was \$100,000 of coin and \$300,000 of circulation out against it. As I stated awhile ago, in the great panic of 1857 and perhaps in 1837 there was a suspension of what are known as specie payments, but I never heard of any bill-holder losing anything. Of course when the war came there was a general tax of 16 per cent imposed, because it is more than 10 per cent. This tax of 16 per cent was imposed and they all closed; but up to that time I venture the assertion, not upon accurate information, but I venture the assertion at least, that not one dollar was ever lost by the bill-holders of State banks in my State.

I am now going to advert to a fact which I trust will not be misunderstood, because I have no purpose whatever in advertising to it except to state it as a fact in support of my argument. I have stated that there is not currency enough in my section of the country for the transaction of legitimate business. I have stated that our local banks are compelled to go to the financial centers for currency to transact their business, and they get it or not, as the banks in New York, Boston, Charleston, Baltimore, and elsewhere choose to allow them to take it out, and upon their own terms or not at all. That is the fact. Let it be borne in mind that of the one hundred and sixty-odd million

dollars appropriated annually for pensions in this country nine-tenths of it is disbursed in the North. I do not think I exaggerate when I state that every three months \$40,000,000 is disbursed north of the Ohio and Potomac Rivers among the people of the North.

I have an estimate made here by which it appears that the South has contributed \$350,000,000 to pay those pensions, a constant drain upon the resources of that people. I am not making any complaint of this. It is the result of the fortunes of war, and I abide it, Mr. President.

Of the large appropriation bills made by Congress I think I am safe in saying that seven-tenths of them are disbursed in the North.

Is it surprising, then, that we in the South with this constant drain, none of it returning directly, should be poor? Is it not amazing, Mr. President, that we have lived and survived, to say nothing of the progress and development we have made? These are public facts of which legislators must take notice in dealing with a question of this kind. Is it, I say, surprising that we have a scarcity of currency? The reply perhaps would be from some quarters, why do you persist in your policy? Why do you not in the South build ships and machinery and so on? Why do you not get your share of the contracts for the supply of the military and naval establishments of the country and all the great appropriation bills of \$500,000,000? That is a question very much easier asked than answered.

Now, my appeal to Senators is, with that state of facts overhanging us in the South, why not permit my State, if she chooses, to establish her own banks in her own way for the accommodation of her own people and give her an equal—not an equal, because she can never have that, but a living chance to develop her industries and enrich her citizens by having access to the means by which it can be successfully done?

The Senator from Massachusetts [Mr. HOAR] says that the National Government a one must furnish the currency. I have shown that the power to issue currency between the States and the National Government is concurrent and not exclusive in the National Government. State banks of circulation were in existence prior to the Constitution and remained in existence up to 1860.

On this subject I may aptly quote again from the speech of the Senator from Pennsylvania [Mr. CAMERON]. He said:

I propose further, for the benefit of the poorer and weaker States, especially in the South, to repeal the tax on State-bank circulation; a measure which is intended to give them a free hand in moving their own crops, developing their resources, and relieving them from their servitude to the great capitalist cities. I look to no effect, or but little, from this step, as far as the North is concerned.

I find in the September number of the Forum an extremely instructive article by Mr. A. S. Michie, president of the Royal Bank of Scotland, and as it is so instructive on the point I am now discussing, I fear I shall weary the Senate by the copious extracts I shall read from it. The article is headed:

THE SCOTCH BANKS, THEIR BRANCHES AND CASH CREDITS.

He says:

While in England there is a bank or branch bank to about every 10,000 of population, in Scotland there is one to about every 4,000.

How is it, allow me to ask my friend from Mississippi [Mr.

GEORGE], in his State of a million population? How much circulation have you there of the national banks? I can tell you how much there is in my State, approximately with one million of population. I think \$300,000 would cover all.

Mr. GEORGE. I do not think there is so much in Mississippi.

Mr. BUTLER. The Senator from Mississippi tells me he does not think there is as much in his State. In England there is a bank for every 10,000 of population; in Scotland one to every 4,000 inhabitants.

The depositors in Scotch banks who have not more than £100 to their credit, on deposit receipt or on current account, comprise about three-fourths of the whole number. The result is that the aggregate banking deposits of a comparatively poor country, with few sources of natural wealth, and with a population of little more than 4,000,000, exceed £33,000,000.

Which is \$465,000,000 in Scotland alone. Then he goes on to describe the character of the deposits, etc. Then Mr. Michie says:

The total amount of the note issues for the last year, as is shown by the individual statements issued by the ten large banks, amount to £6,512,000.

Or \$32,560,000.

Mr. GEORGE. They are not government banks?

Mr. BUTLER. They are Scotch banks, entirely separate and distinct from the government.

It will be advisable to explain the basis upon which this circulation rests. Until 1844 note issues in Scotland were free and unrestricted; but in that year, in common with the issues in all other parts of the kingdom, they were restricted by the passing of the far-famed Bank of England act, 7 and 8 Victoria, cap. 32, known colloquially as the "Bank act." That act is an "Act to regulate the issue of bank notes, and for giving to the governor and company of the Bank of England certain privileges for a limited period." The tenth clause enacts that from and after the passing of the act no person, other than a banker who on the 6th day of May, 1844, was lawfully issuing his own bank notes, shall make or issue bank notes in any part of the United Kingdom.

Then he goes on and explains—

By that act (8 and 9 Victoria, cap. 33) it was provided that every bank claiming to be entitled to issue notes should, within a month of the passing of the act, give notice of such claim to the commissioners of stamps and taxes. The claim being on inquiry found valid, the commissioners were required to ascertain the average amount of notes in circulation during the twelve months preceding May 1, 1843, from returns made by the bank in pursuance of an earlier act passed a few years before. That average having been ascertained, the commissioners were required to grant a certificate accordingly, and the sum so certified thereupon became the "authorized issue, of the bank."

Now, mark you, Mr. President—

Against this authorized issue no coin was required to be held. The act, however, allowed the bank to issue as many notes beyond the authorized limit as it pleased, provided it held gold and silver coin (of which not more than one-fourth was to be in silver) for the excess.

Mr. GEORGE. That is, beyond the authorized issue?

Mr. BUTLER. Yes; that is, beyond the authorized issue—beyond what they were required to have as a reserve of gold and silver.

A recent statement in the London Gazette exhibits a total authorized note issue for a period of four weeks of £2,767,350, and a total average circulation (*i. e.*, of notes actually in the hands of the public) of £7,127,921.

Over \$35,000,000 of note issues in the hands of the public.

The difference between these two sums is the amount which the banks are required by the act to hold in coin.

Not gold, but to hold in coin.

But, inasmuch as the coin actually held is £5,469,494, it is plain that more

than a million pounds are kept above what is necessary. It has, however, always been the policy of the banks in this respect to keep well on the safe side of the law, particularly as any infringement of the act entails a heavy penalty.

Then it goes on to give an account of the number of one-pound notes out.

Thus, the authorized issue is £2,676,000, against which, in the terms of the act, no coin is required to be held. This sum may be regarded for the purpose of explanation as a deposit by the Government free of interest.

* * * * *

Notes in circulation means, according to the act, notes in the hands of the public only. But in addition to the notes in the hands of the public, there are notes in the hands of the banks themselves, forming the bulk of their till money. The statement already quoted shows that the notes in circulation amount to £7,128,000; and if as much again (an estimate probably far within the mark) be added for the till money held by the banks at their one thousand offices, it will be seen that notes to the amount of at least £14,250,000 are actually in existence.

There is \$71,200,000 actually in existence in Scotland.

But the Scottish banks have always maintained, when successive governments have shown signs, more or less plain, of laying hands upon the privilege of issue enjoyed by the issuing banks of the United Kingdom and creating a government issue in its stead—

I beg to call especial attention to this—

that the matter affects the public more than it affects themselves. If the banks concerned were to be deprived of their issues and were obliged to substitute gold or Government notes for their own notes as till money, it would mean that they would be forced to close many of their branches because of the impossibility of their being able then to conduct them at a profit. It would mean also that they would have largely to restrict (in the case of the Scotch banks, to the extent probably of several million pounds) the accommodation which they have been in the habit of extending to their customers. It certainly would be a great mistake for any government to tamper with the paper currency of Scotland, which has so admirably served the needs of the country and added to its wealth for so many generations. Through it the public have never lost a penny. Even during such terrible panics as those of 1857 and 1878 the public and the other banks freely accepted the notes of the failed Western and City of Glasgow banks.

Now he goes on to explain another extremely interesting feature of this system of banking:

Having seen of what the liabilities of the banks consist, let us turn to the other side of the account and note the nature of the assets which are held to meet them. As practically all the obligations to the public are repayable on demand, it is to be expected that a large portion of the assets will be kept in so liquid a condition as to meet any probable combination of adverse circumstances which might cause a "run." Hence it will be found that assets to the extent of £50,000,000, or nearly 10 shillings in the pound, could be convertible into cash within a fortnight and be made available to meet such a run. The bulk of the remainder of the assets consists of bills discounted, advances on cash accounts, and other loans on securities. These amount to nearly £82,000,000. As all the banks do not separate these items in their accounts, it is difficult to say in what proportions they stand.

Now, here is the system, to which I wish to call attention particularly:

Next in point of magnitude probably come the cash credit accounts, and as this form of advance has always been a unique feature of Scottish banking, it will be advisable to devote a few words to the subject. The system was originally designed by the directors of the Royal Bank, so long ago as 1728, primarily to promote the development of trade, and secondarily the circulation of their notes, which was a matter of some consequence in the days of free issues. The directors of that bank were evidently timorous as to their new device, for they minuted several resolutions about it, and hedged it around with every safeguard. But the fact that one bank after another adopted the system, and that it prevails to the present day—

Now, mind you, since 1728—

and the further fact that under it losses have very rarely arisen, prove the

soundness of the principle and the sagacity of those old-time bankers. The system is very simple, and is especially adapted to the needs of a man in business who has money coming in day by day.

Now, I want to call the attention of the Senate especially to what follows as sustaining the position which I have taken in regard to the necessity of permitting at least the States in my section of the country, if they choose, to establish these banks for the accommodation of local business men.

Such a man--

That is, a man who has money coming in from day to day--

Such a man may be well-to-do and able to give security (readily marketable securities are, of course, preferred) for the credit he desires; or he may be penniless, with no capital but his character, and be able to offer no security but the guaranty of two friends. In either case, he goes to the bank and arranges a cash credit for a specific sum. When it is established by the banker, he may then check against it whenever it suits him. He may draw as little of it or as much of it as he pleases, but he must never exceed the maximum sum arranged for. Interest is charged to him day by day only upon the sum of which he is found to have availed himself each day. The cash credit is of the nature of a permanent arrangement, and so long as confidence is maintained and everything works smoothly, it may, and often does, exist for years.

Then it gives the rate of interest charged.

It is not too much to say that--

Says this gentleman--

It is not too much to say that the cash credit system has largely contributed to the wealth of Scotland. It has been the means of affording to many able and energetic but poor men the necessary funds wherewith to develop many of the natural resources of the country and to create numerous industries now existing. It is a fact that a large proportion of the richest men of the day had the foundation of their fortunes laid either in their own or in previous generations through the instrumentality of this simple system. And the same process is still going on. Many men throughout the country, with the aid of money so borrowed on the personal security of two or more friends, are now building up splendid business, which also must eventually lead to fortune.

But the system is not without its dangers, and a special watch must be kept upon it and a firm hand must control it. When hundreds of such credits are established, each for a certain specified sum, it is not enough that the banker keep in view only the aggregate amount which happens to be drawn out at the moment, or even what his experience tells him is the usual average aggregate amount so drawn out. He must keep chiefly in view the grand total of the sum of the credits so established, as it is to the full extent of that sum that his customers have the right to draw. Times of crisis or panic, when money is scarce and difficult to obtain, and when the banker has most need to husband his resources, are precisely the times when his cash credit customers are most apt to draw their credits in full. Hence it is incumbent upon every prudent banker to grant such credits with the greatest circumspection, not only as regards the safety of each, but also as regards the entire aggregate. But in an experience extending over nearly one hundred and seventy years the banks have found the system to work in the main with perfect satisfaction, and to be rarely attended with loss.

* * * * *

In conclusion, it may safely be said that the banking history of Scotland has been in the main of a most creditable kind, and has been attended with the most beneficent results to the nation. There are unfortunately some stains on its fair name, and the failures of the Western Bank and the City of Glasgow Bank will readily occur to the mind. But these failures were in no sense due to the system, but to an inconceivably wanton disregard of the most elementary rules of prudent banking and to the fraudulent bolstering-up of helplessly bad accounts. Happily, such failures have been rare, and when they have occurred no one has been less inclined to minimize the gravity or the disgrace attaching to them than the Scottish banker himself.

Now, Mr. President, I say that the experience we have derived from reading that article sustains me in asking of Congress to repeal the 10 per cent tax on State-bank circulation and permit the people in those localities to avail themselves of the

same facilities which have been found so admirable and excellent in Scotland.

Mr. ALLISON. May I interrupt the Senator just a moment?

Mr. BUTLER. Certainly.

Mr. ALLISON. I have been called out of the Chamber and I did not hear the entire exposition of the Scotch banking system by this writer. Does he state, what is the fact, that every stockholder in a Scotch bank is liable to the full extent of his property for every obligation?

Mr. BUTLER. I do not think that fact is stated.

Mr. ALLISON. That is the gist of the success of the Scotch banking system, that every stockholder is absolutely liable for every debt of the bank.

Mr. BUTLER. I am very much obliged to the Senator for that information. This gentleman does not state that.

Mr. ALLISON. I did not know whether it was stated in the article or not.

Mr. BUTLER. At least I do not recall it just now. But that is so much in its favor.

Mr. ALLISON. I understand that. It is in its favor.

Mr. BUTLER. I believe that my State, with the State of the Senator from Iowa, would require just as safe and conservative a method of banking as Scotland does. I have no doubt that under the guidance and aided by the experience of the honorable Senator from Iowa, Iowa herself, if she chose to go into the banking business, would require every stockholder to be held liable for the entire amount of his property for the stock he had in the bank. Why can not the American people imitate the Scotch in that respect? Why can not each locality be allowed to have banks, establishing this cash credit system, where a man's personal credit, with the aid of two friends, as this writer says, may be capital by which he can lay the foundation of abundance and even fortune for himself and for his family? What is there in our people which can not be trusted as the Scotch people have trusted theirs, that a State which you trust in so many other vital points can not be trusted to regulate the currency for its people?

Mr. SHERMAN. If I do not interrupt the Senator, and I do not wish to do so if it disturbs him—

Mr. BUTLER. Not at all.

Mr. SHERMAN. I have been listening to his argument, and I understand him to say that the Scotch banks have a currency equal to \$71,000,000.

Mr. BUTLER. Seventy-one million two hundred thousand dollars.

Mr. SHERMAN. And Scotland has a population of 4,000,000 inhabitants?

Mr. BUTLER. Yes, sir.

Mr. SHERMAN. Making a circulation of over \$17 to each inhabitant. Now, I will ask the Senator this question: As the United States now circulate in the form of money about \$1,500,000,000 (it is about \$1,700,000,000 now, but we will put it at \$1,500,000,000, as it was a year ago) with 65,000,000 people, we have over \$25 to an inhabitant, and every dollar of that money is guaranteed by the whole people of the United States, because back of the bank notes are the bonds of the United States and back of all our securities of every kind are the obligation of the Gov-

ernment and the whole of the property of the United States. I ask the Senator whether on the whole the present system is not even better than the Scotch banking system, because it furnishes a larger amount of currency per capita and it also furnishes a currency of unquestioned credit and responsibility. I remember that only three or four years ago one of the largest banks in Scotland broke, I think in Edinburgh, or perhaps it was in Glasgow.

Mr. BUTLER. It was the Bank of Glasgow. This writer refers to that failure.

Mr. SHERMAN. That failure ruined some of the principal people of Scotland. The policy of holding the stockholders to a liability like that is absolutely ruinous to the people who happen to be engaged or who are interested in a failing bank. I read that article in The Forum; I am familiar with it. It seems to me the Senator's illustration is not a good one, and that we have already a system in every respect better than the Scotch system, with a larger circulation per capita and unquestioned security.

Mr. BUTLER. Now, let me show the Senator from Ohio how very delusive and misleading his statement is in regard to this country. Of course I do not mean to say that he does not pretend to state what is not true, but if it were the truth that we had \$25 per capita distributed equally and fairly all over this country I should not open my mouth on the subject of currency; I would not ask the Senate to take this tax off in order to enable the people of South Carolina to determine how much currency they wanted per capita. But I remember, what the Senator himself must know, that there is no more misleading or delusive statement ever made in a deliberate body than that, because you take the amount of currency in circulation and divide it into the population and state that therefore there is \$25 per capita. I will state for the information of the Senator that there are not \$2 per capita in my State in circulation.

Mr. SHERMAN. That is a point upon which I wish also to call the attention of the Senator. Money can not be distributed according to the population. Money is distributed according to the business resources and wants of the people. Now, take South Carolina. That is an agricultural State. There is no large manufacturing production there. It needs less money and has less money—

Mr. BUTLER. Exactly.

Mr. SHERMAN. Take the Highlands of Scotland. The best people who ever existed live in the Highlands; yet you may roam from Aberdeen all around northern Scotland and you will probably find scarcely any money there at all, while in Edinburgh and Glasgow there is plenty of money.

Mr. BUTLER. Of course I am not informed as to how that money is distributed, but I take the statement of this gentleman. He is the president of the Royal Scotch Bank. He is evidently an intelligent man; he evidently knows what he is talking about; and he says there is \$71,000,000; that there is a bank in every small town in Scotland; and that men with their personal credit alone sometimes, with the assistance of two friends, go into these banks and establish a cash credit system and build up their fortunes.

Mr. SHERMAN. Precisely.

Mr. BUTLER. Now, I ask the Senator from Ohio if he can

put his hand upon a single national bank in the United States that would establish such a system of credit as that of a man who had no security to put up to sustain his loan?

Mr. SHERMAN. I think that the national banks are as well distributed among the people of the United States as the banks of any other country in the world. It is a free system where everybody who desires to do so can start a bank on the same terms. I was rather surprised to hear the Senator from South Carolina state that there are but few banks in South Carolina.

Mr. BUTLER. All I know is that in my part of the country (I do not know how it is in Ohio) no bank will take a note that can not be rediscounted in the city of New York; that is, a note of any duration or for any great amount. There may be exceptions, but this as a rule is true.

Mr. SHERMAN. Oh, my dear sir, I do not know how it is—

Mr. BUTLER. That is a fact, and it is of that I complain, that which I think would be obviated if the States were allowed to charter banks of circulation. How would it affect the people in Ohio if South Carolina should reestablish her State banks of circulation? How would it injure them? Why can not the people of that State make as good security for the circulation as the national banks? I would compromise with the Senator on \$10 per capita in my State if that amount could be steadily assured.

Mr. SHERMAN. As the Senator asks me a question, I will answer him. In the first place, money in order to be available must have sufficient credit to circulate over the United States. It would not do to confine it merely to the people of the State of South Carolina. That is not the kind of money we want. We want money of universal circulation. Now, another thing, you can not make that money a legal tender in the payment of debts.

Mr. BUTLER. Of course not

Mr. SHERMAN. You can not do it because the Constitution plainly forbids that. Therefore it must be depreciated when compared with money that is practically convertible.

Mr. BUTLER. May I ask the Senator if national-bank circulation is legal tender?

Mr. SHERMAN. Not except among their own banks.

Mr. BUTLER. Of course not.

Mr. SHERMAN. But it is in practice easily convertible in United States notes. No distinction is made between them. Then, and there is the great safety and the strength of the national banks, behind the notes issued by these private banks in every part of the United States there is the bounden obligation of the Government, the bonds of the United States, and at any time when the banks wish to retire, they can by giving up their greenbacks withdraw their circulation.

Mr. BUTLER. I have no doubt about that. I have stated that over and over again in this argument, I think. There is no question about the safety of the national banking currency. They have United States bonds behind them; they have the credit of the Government behind them; there is no question about that; but my complaint is that the system which prevails under this Government to-day gives advantages to one locality which other localities can not command. I have never questioned the soundness of the national banking system. I admit all that is said in their favor; but if the national banks secure

their circulation by United States bonds and the credit of the United States Government, why can not a State require its banks to secure its circulation by State bonds which are selling at a premium, and by the credit of the State. Why can not that be done? Why can not that currency be made just as secure as national-bank circulation? The national-bank circulation is not a legal tender. No State has a right to make any money a legal tender except gold and silver, under the Constitution.

Mr. President, I want to take issue with the Senator on another point, if he will permit me. I do not, as I said to the Senator from Maine, regard the circulation of such bills all over this country as so important. I think the fact that they are local can be utilized by the business men of the locality, where the local bank can determine the character and quality of the security that it shall require, which a remote national bank can not do. I say that is one of the arguments in favor of the reestablishment of the State banks of circulation. As to the fact that the currency is not uniform, Mr. President, how many laws of Ohio are not uniform with the laws of other States of the Union? Take the testamentary laws, the laws of evidence, the corporation laws, the divorce laws, and many otherst—hey are not uniform.

The forms of trial are different for person and property. As I said on a former occasion, it is this diversity of the laws of the several States and the uniformity of the national law that give such strength and power and durability to our form of government. The fact that they are not uniform has no terrors for me; and yet, sir, I am the last man upon this floor to advocate any measure which would put out a spurious, unsound, unsafe currency for the people in the transaction of their business. But I have that faith in the States which justifies me in urging this with all my power.

I want to say right here, in its relation to the silver question, if I represented a silver State upon this floor, interested naturally in the disposition of that product, I would contend morning, noon, and night to have the State-bank tax repealed. Why? Because the demand for silver as security for the circulation of those banks and as a reserve for their depositors would be so great that no government would dare hesitate to admit it to free coinage; and when once admitted to free coinage, in my opinion, the local banks of the States would absorb every dollar that could be coined for twenty years with the mints at full capacity, and the silver question would be settled in a manner that could not possibly be detrimental to any interest, for at last what is gold or silver fit for except as security for paper money in circulation? It is fit for nothing beyond the quantity required for current expenses in use among the people.

I believe that if this tax should be repealed and the States felt inclined to embark in the banking business again, it would settle the silver question; for at last there is only one trouble, in my mind, about the free coinage of silver, and that is its effect upon our relations with foreign governments. If a man owes \$100,000 in Liverpool and pays it in silver, he is allowed only the bullion value of it. It is true he is allowed only the bullion value of his gold; but that does not enter into this question, in my judgment, in such importance as to prevent the adoption of free coinage, because our exchanges are not settled by money; they are not paid by the actual delivery of the money. England settles her

exchanges with this country, and we settle ours with England, by bills of exchange, and not a dollar passes. Yet we are told if we go to the free coinage of silver we shall be put upon a silver basis. So, I say, that is another argument in favor of the repeal of the tax.

Mr. MANDERSON. Will the Senator permit a question?

Mr. BUTLER. Yes, sir.

Mr. MANDERSON. I do not exactly understand whether the Senator means that if the State banks were to commence business as banks of circulation they would enter into the purchase of silver as bullion and then embark on a career of free coinage, or whether he means that they would purchase silver as the basis of their circulation. Which would it be, does he think?

Mr. BUTLER. I thought I was making my position plain.

Mr. MANDERSON. I perhaps ought to have understood the Senator, but I did not. He can explain his position in a moment.

Mr. BUTLER. I thought I had explained awhile ago what I meant. What I said was that if the State banks would resume business as banks of circulation, in my opinion the acts of incorporation or charter or whatever you choose to call them, would require each of the banks to keep in their vaults a certain amount of coin—I do not say gold or silver, but a certain amount of coin—for the security of their depositors. In the State of Louisiana up to 1860 they were required to keep 33 per cent.

Mr. MANDERSON. However, that was for the security of depositors. What I desire to get at is what shall be the basis of the circulation. Shall it be upon coin or bullion in their vaults, or shall it be upon State, municipal, and county bonds?

Mr. BUTLER. I think that is a matter which the State would settle for itself. For instance, if the Senator and I chose to go into the banking business in Nebraska the State might require us to put up \$100,000 of coin, without specifying whether it should be gold or silver, and upon that basis permit us to issue \$100,000 of currency or \$150,000 of currency. They might require that, or they might require us to buy \$100,000 of State bonds and deposit those in the State treasury, and upon that we would be allowed to issue \$100,000 of currency.

Mr. MANDERSON. Does not the Senator think the course which would probably be pursued would be to have the circulation based upon the State, county, and municipal indebtedness within the State?

Mr. BUTLER. Possibly.

Mr. MANDERSON. Then, if that were the case—

Mr. BUTLER. Not entirely.

Mr. MANDERSON. If that were the case to any large degree, would not the State-bank circulation based upon credit probably prevent the use of silver instead?

Mr. BUTLER. I think not. I do not think any State would permit a State bank to issue circulation without having a certain proportion of coin as security for its depositors. I know what was the case in my State, as I said awhile ago. I do not remember the exact amount now, but there was the old Bank of Hamburg, 21 miles from my house. My recollection is that it had \$100,000 of coin, and they were allowed to issue \$300,000 worth of currency.

That system, of course, would not be permissible now. The

\$100,000 of coin was the redemption fund for the issue. Nobody asked or cared or thought about whether the coin was silver or gold, and nobody ever heard of the two metals parting company. There were very few American dollars in those days, and I remember as a boy seeing from that bank and the Exchange Bank of Columbia, Mexican dollars and Spanish dollars and a few American dollars and gold dollars. They laid in the vault, and there never was any question about the parity of the two metals; and there would not be now, Mr. President, if this Government were to treat silver in the same way. I think quite likely that many of the banks might require coin as security for their circulation. If I am right in that conjecture, I say it would settle the silver question, because the demand for silver coin as security for the circulation would be so great that too much could not be coined in this country.

But, Mr. President, I have consumed a good deal more time than I expected or than I ought to have done. I think myself that we can afford to trust the States to build up such banks on a strong and enduring foundation. Trust the States, Mr. President, and strengthen them in prosperity and contentment. They will stand as strong, imperishable pillars of this great national fabric and superstructure. The best way to strengthen them, the best way to revive prosperity among them is to trust them and take the strong hand of the Government from the power of the State so that she may develop her resources in her own way.

I do not know that I can better conclude what I have said than by reading an extract from the farewell address of Andrew Jackson in regard to the system of banking generally, for it was thoroughly well understood that he was opposed to it. I admit, sir, that some system of banking is, if you choose to so call it, a necessary evil of our modern life, and my object would be to put that system within the reach of all the people, so that every man, rich or poor, high or low, would be entitled by his character, by his credit to have access to money for the development of his business, for the improvement of his prospects in life or of adding to his comfort, the education of his children, and the general welfare of his family, and the system ought to be so conducted that he may have access to it.

General Jackson in that memorable document which appears to have wound up his political career, says at page 958:

It is one of the serious evils of our present system of banking that it enables one class of society—and that by no means a numerous one—by its control over the currency to act injuriously upon the interests of all the others, and to exercise more than its just proportion of influence in political affairs. The agricultural, the mechanical, and the laboring classes have little or no share in the direction of the great moneyed corporations; and from their habits and the nature of their pursuits they are incapable of forming extensive combinations to act together with united force.

Such concert of action may sometimes be produced in a single city, or in a small district of country, by means of personal communications with each other; but they have no regular or active correspondence with those who are engaged in similar pursuits in distant places; they have but little patronage to give to the press, and exercise but a small share of influence over it; they have no crowd of dependents about them, who hope to grow rich without labor, by their countenance and favor, and who are, therefore, always ready to execute their wishes.

The planter, the farmer, the mechanic, and the laborer all know that their success depends upon their own industry and economy, and that they must not expect to become suddenly rich by their fruits of their toil. Yet these classes of society form the great body of the people of the United States; they are the bone and sinew of the country; men who love liberty and desire nothing but equal rights and equal laws, and who, moreover, hold the great

mass of our national wealth, although it is distributed in moderate amounts among the millions of freemen who possess it.

But, notwithstanding the overwhelming numbers and wealth on their side, they are in constant danger of losing their fair influence in the Government, and with difficulty maintain their just rights against the incessant efforts daily made to encroach upon them.

That was a solemn truth, Mr. President, when it was uttered, and it is as true to-day as it was then.

