

THE CURRENCY QUESTION.

LETTER TWELFTH.

DEAR SIR:—

Side by side with the question of protection, and equal with it in its importance, stands that of the Currency, to which I propose now to ask your attention.

Had it been possible, on the 4th of March, 1861, to take a bird's-eye view of the whole Union, the phenomena presenting themselves for examination would have been as follows:—

Millions of men and women would have been seen who were wholly or partially unemployed, because of inability to find persons able and willing to pay for service.

Hundreds of thousands of workmen, farmers, and shopkeepers would have been seen holding articles of various kinds for which no purchasers could be found.

Tens of thousands of country traders would have been seen poring over their books seeking, but vainly seeking, to discover in what direction they might look for obtaining the means with which to discharge their city debts.

Thousands of city traders would have been seen endeavoring to discover how they might obtain the means with which to pay their notes.

Thousands of mills, factories, furnaces, and workshops large and small, would have been seen standing idle while surrounded by persons who desired to be employed; and

Tens of thousands of bank, factory, and railroad proprietors would have been seen despairing of obtaining dividends by means of which they might be enabled to go to market.

High above all these would have been seen a National Treasury wholly empty, and to all appearance little likely ever again to be filled.

Why was all this? The laborer needing food, and the farmer clothing, why did they not exchange? Because of the absence of power on the part of the former to give to the latter anything with which he could purchase either hats or coats.

The village shopkeeper desired to pay his city debts. Why did he not? because the neighboring mill was standing idle while men and women, indebted to him, were wholly unemployed.

The city trader could not meet his notes, because his village correspondents could not comply with their engagements. The doctor could not collect his bills. The landlord could not collect his rents; and all, from laborer to landlord, found themselves compelled to refrain from the purchase of those commodities to whose consumption the National Treasury had been used to look for the supplies upon which it thus far had depended.

With all, the difficulty resulted from the one great fact already indicated in regard to the laborer. If *he* could have found any one willing to give him something that the farmer would accept from him in exchange for food—that the farmer could then pass to his neighbor shopkeeper in exchange for cloth—that that neighbor could then pass to the city trader in satisfaction of his debt—and that this latter could then pass to the bank, to his counsel, his physician, or his landlord—the *societary circulation* would at once have been re-established and the public health restored.

That one thing, however, was scarcely anywhere to be found. Its generic name was *money*, but the various species were known as gold, silver, copper, and circulating notes. Some few persons possessed them in larger or smaller quantities; but, the total amount being very small when compared with that which was required, their owners would not part with the use of them except on terms so onerous as to be ruinous to the borrowers. As a consequence of this, the city trader paid ten, twelve, and fifteen per cent. per annum for the use of what he needed, charging twice that, to the village shopkeeper, in the prices of his goods. The latter, of course, found it necessary to do the same by his neighbors, charging nearly cent. per cent.; and thus was the whole burthen resulting from deficiency in the supply of a medium of exchange thrown upon the class which least could bear it, the working people of the country—farmers, mechanics, and laborers. As a consequence of this they shrunk in their proportions as the

societary circulation became more and more impeded, while with those who held in their hands the regulation of the money supply the effect exhibited itself in the erection of those great palaces which now stand almost side by side with tenement houses whose occupants, men, women, and children, count by hundreds. The rich thus grew richer as the poor grew poorer.

Why was all this? Why did they not use the gold of which California had already sent us so many hundreds of millions? Because we had most carefully followed in the train of British free trade teachers who had assured our people that the safe, true, and certain road towards wealth and power was to be found in the direction of sending wheat, flour, corn, pork, and wool to England in their rudest form, and then buying them back again, at quadruple prices, paying the difference in the products of Californian mines! Because we had in this manner, for a long period of years, been selling whole skins for sixpence and buying back tails for a shilling! Because we had thus compelled our people to remain idle while consuming food and clothing, the gold meanwhile being sent to purchase other food and clothing for the workmen of London and Paris, Lyons, Manchester, and Birmingham!

Why, however, when circulating notes could so easily be made, did not the banks supply them, when all around them would so gladly have allowed interest for their use? Because those notes were redeemable in a commodity of which, although California gave us much, we could no longer retain even the slightest portion, the quantity required abroad for payment of heavy interest, and for the purchase of foreign food in the forms of cloth and iron, having now become fully equal to the annual supply, and being at times even in excess of it. That demand, too, was liable at any moment to be increased by the sale in our markets of certificates of debt then held abroad to the extent of hundreds of millions, the proceeds being claimed in gold, and thus causing ruin to the banks. To be out of debt is to be out of danger, but to be in debt abroad to the extent of hundreds of millions is to be always in danger of both public and private bankruptcy. *The control of our whole domestic commerce was therefore entirely in the hands of foreigners who were from hour to hour becoming richer by means of compelling us to remain so dependent upon them that they could always fix the prices at which they would buy the skins, and those at which they would be willing to sell the tails. As a necessary con-*

sequence of this, the nation was not only paralyzed, but in danger of almost immediate death.

Such having been the state of things on the day of Mr. Lincoln's inauguration, let us now look at the remedy that was then required. Let us, for a moment, suppose the existence of an individual with wealth so great that all who knew him might have entire confidence in the performance of what he promised. Let us then suppose that he should have said to the laborers of the country, "Go into the mills, and I will see that your wages are paid;" to the millers, "Employ these people, and I will see that your cloth is sold;" to the farmers, "Give your food to the laborer and your wool to the millers, and I will see that your bills are at once discharged;" to the shopkeepers, "Give your coffee and your sugar to the farmer, and I will see that payment shall forthwith be made;" to the city traders, "Fill the orders of the village shopkeeper and send your bills to me for payment;" to the landlords, "Lease your houses and look to me for the rents;" to all, "I have opened a *clearing house* for the whole country, and have done so with a view to enable every man to find on the instant a cash demand for his labor and its products, and my whole fortune has been pledged for the performance of my engagements;" and then let us examine into the effects. At once the societary circulation would have been restored. Labor would have come into demand, thus doubling at once the productive power of the country. Food would have been demanded, and the farmer would have been enabled to improve his machinery of cultivation. Cloth would have been sold, and the spinner would have added to the number of his spindles. Coal and iron would have found increased demand, and mines and furnaces would have grown in numbers and in size. Houses becoming more productive, new ones would have been built. The *paralysis* would have passed away, life, activity, and energy having taken its place, all these wonderful effects having resulted from the simple pledge of the one sufficient man that he would see the contracts carried out. He had pledged his credit and nothing more.

What is here supposed to have been done is almost precisely what *has* been done by Mr. Lincoln and his Administration, the only difference being, that while in the one case the farmers and laborers had been required to report themselves to the single individual or his agents, the Government has, by the actual purchase

of labor and its products, and the grant of its pledges in a variety of shapes and forms, enabled each and every man in the country to arrange his business in the manner that to himself has seemed most advantageous. To the laborer it has said, We need your services, and in return will give you that which will enable your family to purchase food and clothing. To the farmer it has said, We need food, and will give you that by means of which you can pay the shopkeeper. To the manufacturer it has said, We need cloth, and will give you that which will enable you to settle with the workman and the farmer. To the naval constructor it has said, We need your ships, and will give you that which will enable you to purchase timber, iron, and engines. In this manner it is that domestic commerce has been stimulated into life, the result exhibiting itself in the facts, that while we have in the last three years increased to an extent never known before the number of our houses and ships, our mills, mines, and furnaces, our supplies of food, cloth, and iron; and while we have diversified our industry to an extent that is absolutely marvellous; we have been enabled to lend, or pay, to the Government thousands of millions of dollars, where before, under the system which made us wholly dependent on the mercy of the "most wealthy capitalists" of England, we found it difficult to furnish even tens of millions. The whole history of the world presents no case of a financial success so perfect.

In the physical body health is always the accompaniment of rapid circulation, disease that of a languid one. Now, for the first time since the settlement of these colonies, have we had experience of the first. Every man who has desired to work, has found a purchaser for his labor. Every man who has had labor's products to sell, has found a ready market. Every man who has had a house to rent, has found a tenant. And why? Because the Government had done for the whole nation what Companies do for localities when they give them railroads in place of wagon roads. It had so facilitated exchange between consumers and producers, that both parties had been enabled to pay on the instant for all they had had need to purchase.

Important, however, as is all this, it is but a part of the great work that has been accomplished. With every stage of progress there has been a diminution in the general rate of interest, with constant tendency towards equality in the rate paid by the farmers of the East and the West, by the owner of the little workshop

and by him who owns the gigantic mill. For the first time in our history the real workingmen—the laborer, the mechanic, and the little village shopkeeper—have been enabled to command the use of the machinery of circulation at a moderate rate of interest. For the first time have nearly all been enabled to make their purchases cash in hand, and to select from among all the dealers those who would supply them cheapest. For the first time has this class known anything approaching to real independence; and therefore has it been that, notwithstanding the demands of the war, capital has so rapidly accumulated. The gain to the working people of the Union thus effected, has been more than the whole money cost of the war, and therefore has it been that all have been able to pay taxes, while so many have been enabled to purchase the securities offered by the Government.

Further than all this, we have for the first time acquired something approaching to a *national independence*. In all time past, the price of money having been wholly dependent on the price in England, the most important intelligence from beyond the Atlantic was that which was to be found in the price of British securities on the Exchange of London. With each arrival, therefore, we were, to our great enlightenment, and that too by means of flaming capitals, informed that Consols had risen or had fallen, our railroad shares then going up or down because the Bank of England had seen fit to purchase a few Exchequer bills, or had found it necessary to part with some of those it previously had held. In all this there has been a change so complete that the price of British Consols has ceased entirely to enter into American calculations. The stride, in this respect alone, that has been made in the direction of independence, is worth to the country more than the whole money cost of the great war in which we are now engaged.

The time had come to make it, the course of Britain having recently been in a direction that limits the circulation and insures a rise in the rate of interest. The Bank of England is limited to £14,000,000 as the amount of notes that may be issued in excess of the gold actually in its vaults. All other banks being limited to the amount that existed on a certain day in 1844, and some of them having since that time gone out of existence, the result exhibits itself in the fact that the total machinery of circulation supplied by the banks is less now than it was twenty years since. As a consequence of this, and in despite of the extraordinary

influx of gold from California and Australia, the rate of interest charged for the use of such machinery has been for some years past higher than that paid in any of our Atlantic cities, the fluctuations in regard to paper of the highest character having been between six and ten per cent. By the last accounts it had fallen to $5\frac{1}{2}$, and that is now, as English journalists advise us, as much to be regarded as the normal price of money as was 4 per cent. before the discovery of California mines. The danger of dependence upon the British money market, always great, has now been much increased; and it must become greater with every year, so long as British banking operations shall continue to be governed by that wonderfully absurd system for which the British people stand to-day indebted to the financial ignorance of Sir Robert Peel.

Great and obvious as have been the benefits derived by the country from the system inaugurated under the administration of Mr. Lincoln, they are, as we are assured, counterbalanced by their tendency to produce inflation, and thus to increase the price of gold. How little truth there is in this, I propose to show in another letter, and meanwhile remain, my dear sir,

Very truly and respectfully yours,

HENRY C. CAREY.

HON. SCHUYLER COLFAX.

PHILADELPHIA, Feb. 13, 1865.