sweetness is jest as agreeable when you're poor as poison as when you've got a fine house left to you; so when he asked should he call again, I told him he could please himself; 'twouldn't make no difference to me, anyway. There was a time when I'd have gone through fire and water for that man, but, bless you, I wouldn't look out the window to see him go by to-day. Folks do live through a sight of suffering."

Some weeks later Mr. Denen made his reappearance. "I come," said he—"if you will pardon me—to offer you a situation. I need a competent"—here Miss Perry left the room, fully persuaded that an important proposal was about to be made—"I need a competent copyist. If you can accept it, you will oblige me."

"Mr. Denen," said Estelle, "I am deeply grateful to you, but I do not need a situation any longer."

"Then you are going to be married?"

"No, I have no such prospect."

"What do you hear from Dr. Carruth?"

"Nothing, Mr. Denen. I shall *never* hear any thing more from him."

"Do you mean—"

"I mean that he has broken the engagement."

"Miss Estelle!"

"There! don't look at me in that way. I don't deserve commiseration; I am beautifully resigned."

"But you loved him?"

"I never did. You libel me."

"You astonish me. You loved some one else, perhaps?"

"I might have loved some one else if some one else had loved me."

"Oh, let us give this shadow a name, Estelle!" moving nearer. "If Reed Denen had loved you, you would have loved him, Estelle?"

"Yes, I believe—I would."

"And now what better had you to do than to accept my offer?"

"Nothing, it seems. But I have made a discovery."

"So have I. You have discovered that you love me?"

"That's an old story. Listen."

"When you speak every drop of my blood listens."

"Last week I wanted a pair of gloves. I had no money; I had grandpa's shoe-buckle instead. I took it into a jeweler's to get the value of the silver—"

"What, sell an heir-loom that has been in the family for centuries!"

"An old paste shoe-buckle? But I have not sold it. It is as good as a fairy story, Reed. The old buckle that has tossed about the house nobody knows how long, and has survived the careless regard of generations, has cast off its disguise at last, and declared itself not paste, but diamonds!"

"And why did you not tell me before?"

"Because I knew you were such a silly fellow that, if I should tell you, I should never, never hear that sweeter fairy story—and I like your story the best. This was what Grandpa Derringer meant in his will, I think—that the shoe-buckle would buy houses and land and bank stock."

THE FIRST CENTURY OF THE REPUBLIC.

[Eleventh Paper.]

MONETARY DEVELOPMENT.

EMIGRANTS are never of the capitalist class, while the great need of settlers in a new country is capital. All forms of capital are required, and the only question is what make-shift will do to-day, and what requirement can be postponed until the morrow. Value money is that form of capital which, under such circumstances, seems to be the most dispensable; but it can not be disposed of, any more than a community could sell all its wagons, boats, scales, measures, and other tools of transportation and exchange, unless some substitute is provided. Hence various substitutes are adopted whenever they can be devised, and the monetary history of the United States from the first colonization until now is a history of experiments with cheap substitutes for money.

Barter currency was adopted very generally in the colonies from the first, rates at which goods should exchange being fixed by law. Taxes were collected in kind, and fees were established in barter. In New England the aborigines had a currency of beads made from clam shells (wampum or peag, or wampumpeag), which the whites adopted and used among themselves and with the Indians, the rates being fixed by prices demanded in wampum by the Indians for furs, and by the prices which the furs would bring in England. Wampum became overabundant, depreciated, became broken, and was abolished as a nuisance about 1650. In 1652 a mint was established at Boston, which went on coining "pine-tree" coins for over thirty years, although, as the mint was illegal, its coins were all dated 1652 to conceal the continuance of its operations. The charge for minting was exorbitant, and the English mint law of 1663 having made the importation and exportation of coin free, and the law of 1666 having abolished all charge for coining, the Massachusetts mint law served to drive the precious metal away. The coins were called shillings, etc., but were twenty-five per cent. below sterling of the same denomination, giving par of silver 6*s.* 8*d.*, New England currency, per ounce. This became the standard, but the barter currency being still legal, the silver coins which were not exported (and there was a severe law against exportation) were all clipped.*

In 1704 a proclamation of Queen Anne fixed the rates of Spanish and other foreign coins for the colonies. The Spanish dollar, or piece of eight, was rated at 4*s.* 6*d.* Hence sterling was changed into dollars at two-ninths of a dollar for a shilling, or 4\frac{4}{9}$ for £1, which remained the "par" until January 1, 1874. New England currency being twenty-five per cent. worse, £1 in New England currency was $3 33. A Spanish dollar, or piece of eight, in New England currency was 6*s.*

In 1686 a bank was proposed in Massachusetts, but its history is obscure. In 1690 paper notes were first issued by that colony to pay for an unfortunate expedition against Canada.† The issue was moderate at first, and canceled year by year. In 1704 the redemption was postponed two years, and after that there was no stopping. Issues were made to pay the expenses of government, and other issues to loan on mortgage, carrying out the scheme for getting rich by printing and borrowing, which starts up every generation over again. There were special "hard times" in Massachusetts in 1715, 1720, 1727, 1733, 1741, 1749. Rhode Island, Connecticut, New York, and New Jersey first issued bills in 1709 for the second expedition to Canada. In 1714 New York issued £27,680 in bills of credit as a "back-pay grab." Pennsylvania first issued paper in 1723. Franklin urged more issues, and wrote in favor of them.‡ Maryland issued bills in 1734, to be redeemed in sterling in three payments, at fifteen, thirty, and forty-five years. These payments being discounted, exchange rose to 250. Virginia used tobacco-warehouse receipts as currency until 1755, when she issued paper, and pushed it to great excess. North Carolina was a very poor colony, and her currency was greatly depreciated, although not over £52,500 in 1740. South Carolina issued for war purposes in 1702. Rice was a barter medium.

The only colony which ever resumed was Massachusetts. In 1745 the New England colonies made an expedition against Cape Breton, and took Louisbourg. The issues to pay for this rose to £2,466,712, nominal value in New England currency, in Massachusetts alone. Parliament ransomed Cape Breton, and Massachusetts imported her share of the ransom in silver and copper, redeemed her notes at eleven for one, and became "the silver colony." In 1751 Parliament forbade legal-tender non-interest-bearing notes for New England, at the prayer of Massachusetts, and in 1764 for all the colonies. Gold circulated by weight, not being legal tender until 1762, when a law was passed in Massachusetts making it a tender at 2½*d.* silver per grain. This was five per cent. more than it was worth, and silver being unjustly rated, was exported, and became scarce.

Issues within the act of Parliament continued to be made in the older colonies, and in 1775, when the representatives of the New England colonies met to prepare for war, Massachusetts agreed to allow their bills to circulate in her territory, because they had nothing else.

The First Continental Congress met at Philadelphia September 5, 1774. Its first measures were not military, but renewed the commercial war which the colonies had tried before, which was believed in long afterward, but which always accomplished harm to the enemy at the expense of tenfold harm at home in local and class bickerings. Trade was thrown away just when wise policy dictated to keep it, and even fight for it. After December, 1774, nothing was to be imported from any part of the British Empire; and after September, 1775, nothing was to be exported to the same. English goods were needed for the army, and came by way of the European continent and the West Indies; and lumber and tobacco went out the same way.

The Second Congress, May 10, 1775, set about making war, but it had no power to tax, and therefore no power to borrow. New York proposed bills of credit of the old kind, to be redeemed by taxes, and this plan was adopted. The first issue was ordered June 23, 1775—promises to pay 2,000,000 Spanish dollars. The issues were apportioned among the colonies on an estimate of population, and they were called upon to redeem the quotas assigned them by taxes. Rhode Island, Massachusetts, and New Hampshire alone did this entirely; New York, Pennsylvania, New Jersey, Maryland, and Virginia did so in part. The issues went on, however, and in January, 1777, the depreciation

* A mint was established in Maryland in 1661, but nothing is known of its history.

† Among the authorities on the colonial currencies should be mentioned the following: Hutchinson's *History of Massachusetts Bay* (very intelligent and correct on finance); Douglas's *Summary* (unequal, but valuable); Holmes's *Annals*. Other old histories are generally occupied with other than financial interests. Arnold's *Rhode Island* takes full account of trade and finance. A pamphlet published at Boston in 1740, and republished in Lord Overstone's tracts, 1857, *Discourse concerning the Currencies of the British Plantations*, is of great value. Special works are Felt on Massachusetts currency, Bronson on Connecticut currency, Hickox on New York currency, and the collection in Phillips's *Colonial and Continental Paper Currencies*. These last all pursue chiefly the antiquarian interest. Bronson's is the only one which shows a knowledge of financial science.

‡ See vol. ii. of his works.

began, although it was not admitted by Congress until September.*

During 1777 all means of coercion by public officers and private committees were used to enforce the legal-tender character of the bills and to keep down prices. Some crimes were perpetrated in the name of liberty in this connection. In September, 1779, the issues were $160,000,000, and Congress promised that they should not exceed $200,000,000. The depreciation was twenty-eight for one (silver, 2800). In March, 1780, silver was at 6500.† Congress recognized a depreciation of forty for one, and recommended the repeal of all tender laws, and issued six-year six per cent. notes. The Register of the Treasury made a report to Congress in 1828,‡ in which he put the sum of the issues at $241,000,000 of the first tenor. Jefferson says $200,000,000,§ and he puts the value at $36,000,000 in specie. He estimated the cost of the war at $140,000,000. Another statement from a Treasury report of 1790 gives $357,400,000 old tenor and $2,000,000 new tenor. These were partly re-issues. The same report estimates the cost of the war at $135,100,000 in specie.‖ In fact, as John Adams wrote to Niles,¶ the history of the Revolution [especially of its finances] is lost beyond recovery. The bills went on depreciating, being really only negotiable paper, until the spring of 1781, when Morris took charge of the finances on condition that he might conduct them in specie. Then the notes became waste paper. Some were redeemed at one hundred for one in Hamilton's funding scheme. These notes were a greater obstacle to independence than the British arms; so much so that the enemy counterfeited them as a war measure. The French money was a greater aid to independence than the French fleets and forces. After the paper money had exhausted the patience of the people, Congress had to collect taxes in kind to supply the army. It could not have been worse off for money at the outset, and would have had enthusiasm to help. The miseries of those days were enhanced by the failure of the crops of 1779 and 1780.

The war was now carried on by loans from France, Holland, and Spain, which were obtained on French credit. Specie brought by the French and English came into circulation as soon as the paper was dropped, and trade with the English was winked at because specie was obtained by it. So much for non-intercourse.

In 1780 a company of gentlemen in Philadelphia took government bills of exchange, and issued notes to purchase supplies for the army. December 31, 1781, they were incorporated by resolution as the Bank of North America, Congress having finally organized, November 1, under the Articles of Confederation. The validity of this act being questioned, the bank obtained a charter from Pennsylvania in 1783 for ten years, with a monopoly; capital, $400,000. In 1785 the State charter was repealed, on account of political and business jealousy. In 1787 it was renewed, without the monopoly. This was the first bank which issued convertible notes. It was of great use as a fiscal agent of the government, and very successful in its operations. Gouge says that it put on false pretenses of strength, but its history is so obscure that it is impossible to verify or refute these charges.

The peace found the finances of the Confederation and of the States in confusion. The Confederation was a shadow which no longer had dignity. It could not collect revenue or adjust its accounts, which were found in inextricable confusion, showing recklessness and carelessness, or worse, as a result of the numerous boards and officers among whom the responsibility had been divided. The States were likewise struggling with paper issues, which they retired by taxes, heavy in nominal amount, but small in value. In Massachusetts Daniel Shays led a body of armed men to Worcester, and from there to Springfield, to prevent the court from sitting. This body was dispersed by force, but leniently treated.

In the same year (1786)* Rhode Island issued paper, as a measure of bankruptcy, with a stringent tender law. In 1789 the paper was at fifteen for one, and the State debt had been called in, and either paid in this currency or forfeited. Then the assumption by the general government being assured, the State stocks were returned to the holders who had been paid off, and in 1791 and 1795 they all participated in the stocks allotted to the State.†

The war-protected industries were now prostrated. Commerce was restricted by

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* Monographs on the Continental currency have been published by Henry Phillips, 1866, and J. W. Schuckers, 1874. See also the article in *Harper's Magazine* for March, 1863. On the social effects, see Pelatiah Webster's *Essays*, 1791. He gives the depreciation from a merchant's books. Another table is given in *Niles's Register*, November 23, 1833.

† In 1780 and 1781 an officer's mess bill included sugar at $14, $16, and $18 per pound; twist, $10 per yard; three brushes and a blackball, $95; a black silk handkerchief, $75; eggs, $12 per dozen.—*Niles's Register*, August 5, 1826.

‡ Twentieth Congress, First Session, State Paper 107.

§ Works, ix. 259.

‖ Pitkin, *A Statistical View*, etc. (New Haven, 1835), p. 27.

¶ *Register*, January 18, 1817.

* In a speech in the Senate, March 24, 1838, Judge White, of Tennessee, described the currency of "Franklin" (East Tennessee and West North Carolina) at this time as consisting of raccoon-skins. Counterfeiting consisted in attaching raccoons' tails to opossums' skins. The collectors practiced this fraud on the Treasury.

† Arnold's *Rhode Island*, ii., at the end. Richmond, *The Revolutionary Debt repudiated by Rhode Island*.

the English navigation laws from its old path to the British West Indies, contrary to Pitt's policy.* The commercial treaty proposed by Adams in 1785 was refused, and so both from within and without the necessity of union and nationality was enforced.

The first measure of Congress was for taxation. The act of July 4, 1789, specified protection as one of its objects. It laid duties of five per cent., fifty cents per ton on foreign ships, and ten per cent. discriminating duty. Thus the United States failed to take the enlightened position on foreign trade which consistency with their other doctrines seemed to prescribe. Other acts followed on an average every other year for the next thirty years, by which the duties were increased and extended.

September 2, 1789, the Treasury Department was established,† and Alexander Hamilton was appointed Secretary. He made a report on the finances January 14, 1790. The Confederate debt was $42,000,000 domestic and $11,000,000 foreign, and the debt of the States $25,000,000. The Confederate domestic debt, including officers' half-pay commutation (a very unpopular thing), was funded at par, the market price being 15. The State debts were assumed, and funded against strong opposition, the location of the capital on the Potomac being assured in order to gain the consent of Virginia. Pensions and the funding of crops of exchequer bills had been two great abuses in England for a century, and were regarded with dread here.

Hamilton next proposed a national bank, which was established by act of March 3, 1791, with a capital of $10,000,000, $8,000,000 subscribed by individuals (one-quarter in specie, three-quarters in United States stock), and $2,000,000 by government. Its charter was for twenty years. It issued no notes under $10. Eight or ten years later the government sold its stock for twenty-five, twenty, and forty-five premium. A bubble speculation followed the founding of the bank.‡

March 3, 1791, an excise was laid on spirits, which led to a rebellion in Pennsylvania in 1794. In 1794 other direct taxes were laid, and in 1797 stamp taxes. July 14, 1798, direct taxes were apportioned on land, houses, and slaves. These taxes were all repealed in 1802.

Questions of coinage were taken up as early as 1781. January 15, 1782, Robert Morris made a report (said to have been prepared by Gouverneur Morris) proposing a coinage.* July 6, 1785, the "dollar" was adopted. August 8, 1786, a mint law was passed, which was modified October 16, 1786. During 1790 both Hamilton and Jefferson† prepared papers on coinage, and September 2, 1792, the mint law was approved. Silver was first coined in 1794, and gold in 1795. The silver dollar was to weigh 371.25 grains pure metal, and the gold dollar 24.75 grains pure metal, thus rating the metals as 15 to 1. Silver was to gold in England as 15.2 to 1, and here it was probably as 15.5 to 1. Little gold circulated here before 1820, and after that none. The silver dollar having less value than the gold dollar, was the only one which debtors paid.

The calamity of Europe in the wars from 1791 to 1815 was the opportunity of America. It could not be enjoyed without experiencing the usual fortune of neutrals, nor without in its final results showing that the best gain of a nation comes not from the quarrels of its neighbors, but from their peace and prosperity. We were led to try another commercial war, and finally to undertake actual hostilities "for free trade" (*i. e.*, of neutrals during war) "and sailors' rights," being forced to this by votes from south of the Delaware, while the ships and sailors in the North and East asked only to take their own risks. April 14, 1814, the restrictive acts were finally repealed. Daniel Webster characterized the whole system in a sentence when he said it was "pernicious as to ourselves, and imbecile as to foreign nations."‡ The idea was by withholding trade to get a consideration in hand, viz., the promise to restore it, and then to offer this to either belligerent to induce him to relax his hostile regulations. Mr. Canning treated this with thinly veiled contempt. His position was, If it is a threat, I do not notice it; if it is something to sell, I decline to buy.

The embargo and war had "encouraged domestic industry," and had come to be considered by some as beneficent forces. Commerce had developed in an unexampled manner. The customs revenue fluctuated greatly, but rose from $3,400,000 in 1792 to $13,300,000 in 1811, actual receipts, long credit being given from the time of importation. Lands figure as a source of income from 1796; $21,000,000 were due on arrears (credit being given) in 1820,§ of which $14,900,000 were canceled before 1830 by surrendering lands. The Post-office was established May 8, 1794. A single letter cost six cents for thirty miles; over 450 miles, twenty-five cents. Between 1794 and 1830

* Pitkin, 189.

† A full history of the finances would include tonnage, post-office, and tariff. These, however, are excluded, except in cases where they affect the finances generally, from the present account. The only attempt to deal thoroughly with the financial history of the United States is Von Hock's, *Die Finanzen und die Finanzgeschichte der Ver. St.* (Cotta, Stuttgart, 1867.)

‡ *Niles's Register*, May 9, 1835.

* Sparks's *Diplomatic Correspondence*, xii. 81. *American State Papers*, vii. 101.

† *American State Papers*, vii. 105; xx. 13.

‡ Speech in the House, April 6, 1814.

§ *Niles's Register*, February 5, 1820.

the Post-office produced revenue except in 1808, 1820, 1821, 1822, 1823, 1828, 1829, 1830.* Between 1837 and 1874 it produced revenue only in 1837, 1848–1851, and 1865.†

January 1, 1791, the foreign debt was $12,800,000; the domestic debt, $62,600,000; total, $75,400,000. The act of August 4, 1790, set apart the surplus revenue from duties to pay the debt. The act of May 8, 1792, appropriated the revenue from lands to that purpose. The act of March 3, 1795, increased this fund, and named it the "sinking fund." The act of April 29, 1802, raised the sinking fund to $7,300,000 per annum. Two acts of November 10, 1803, raised loans of $13,000,000 to pay for Louisiana, and increased the sinking fund to $8,000,000 per annum. By the treaty of January 8, 1802, in fulfillment of section six of Jay's treaty, the United States agreed to pay £600,000 (at $4 44) to discharge ante-Revolutionary debts of Americans to Englishmen. The foreign debt increased until 1795, but was extinguished in 1810. The domestic debt increased until 1801. The Louisiana purchase carried it to its maximum in 1804 (January 1, total, $86,400,000). It was reduced to $39,000,000 September 30, 1815.‡

A bankruptcy law was passed April 4, 1800, but it was repealed December 19, 1803.

The following table shows the development of banking,§ the Bank of the United States being omitted:

Year.	No.	Capital.	Circulation.	Specie.
1791	3	$2,000,000	....	....
Jan. 1, 1811	88	42,600,000	$22,700,000	$9,600,000
" 1815	208	82,200,000	45,500,000	17,000,000

Banks at this time were political engines. Niles often says that the old United States Bank gave favors only to black-cockade Federalists in and after 1798. Pitkin says that bank was Federalist, and finds it natural that the Jeffersonian Democrats would not recharter it. McDuffie‖ repeats the assertion of political character in the old bank. Clay said that its stock was largely held by foreigners and noblemen,¶ which proves that it brought capital here which, at that day, would not otherwise have come. The charter expired March 3, 1811. The recharter was lost in the House, January 24, by one vote, and in the Senate, February 20, by the casting-vote of the Vice-President. The bank closed up its affairs, and paid back its capital at 108½.* A large number of State banks at once sprang up. February 12, 1820, Secretary Crawford estimated the paper in circulation in 1813 at $62,000,000, and the specie at $8,000,000; the paper in 1816 at $99,000,000, and the specie at $11,000,000. For the latter year Gallatin estimated the banks at 246, with $89,800,000 capital, $68,000,000 circulation, $19,000,000 specie.†

Duties in 1804 were twelve and a half, fifteen, and twenty per cent. The "Mediterranean Fund" was then raised by addition of two and a half per cent. April 3, 1812, in preparation for war, an embargo was laid for ninety days. The exportation of specie was forbidden, all duties were doubled, an additional duty of ten per cent. was laid on foreign ships, and a tonnage duty of $1 50. This made the duties twenty-seven and a half, thirty-two and a half, and forty-two and a half per cent. The Mediterranean Fund expired in 1815, and the duties were twenty-five, thirty, and forty per cent. until July, 1816. July 22, 1813, a direct tax of $3,000,000 was laid. July 24 excise taxes and licenses were laid, which were extended by acts of January 18 and February 27, 1815, but an income tax was defeated January 18, 1815. Another direct tax of $6,000,000 was also laid. On December 23, 1814, postage was raised to twelve cents for one sheet less than forty miles; this was repealed February 1, 1816. The internal taxes were repealed in 1817.

The loans contracted were:

Date of Act.	Interest.	Amount authorized.	Amount issued.	Rate.
March 14, 1812....................	6	$11,000,000	$7,860,500	Par.
February 8, 1813..................	6	16,000,000	18,159,377	88
August 2, 1813....................	6	7,500,000	8,498,581	88¾
March 24, 1814....................	6	25,000,000	15,661,818	80
March 3, 1815 (for funding interest-bearing Treasury notes)	6	12,000,000	9,745,745	90 to par in Treasury notes.
February 24, 1815 (for funding non-interest-bearing Treasury notes)	7	....	3,268,949	Par in Treasury notes.
Total funded debt on account of the war.................			$63,144,972	

Five and two-fifths per cent. Treasury notes outstanding September 30, 1815.......	$14,686,600
Non-interest-bearing Treasury notes, about..	1,500,000
Temporary loans..	1,150,000
Total cost of the war, ascertained to September 30, 1815, about.....................	80,500,000

These items, with the temporary loans, made the debt for the war $80,500,000, and

* Pitkin, 338. † Postmaster-General's Report, 1874.

‡ Treasury Report, 1815.

§ Gallatin, *Considerations on the Currency and Banking System of the United States* (Carey and Lea, Philadelphia, 1831). Others give four banks in 1789, counting one in Maryland.

‖ Report on United States Bank, April 13, 1830.

¶ Clay's report against the first bank (Senate, March 2, 1811) would have made a good Jackson document in 1832.

* Pitkin, 421. The last dividend was in 1834 (*Niles's Register*, September 13, 1834).

† The best account of this period is given by William Gouge, *History of Paper Money and Banking* (Philadelphia, 1833). Historically very correct and trustworthy, but theoretically marred by indiscriminate hostility to banks. See also Condy Raguet's *Currency and Banking*, 1840, Appendix H.

the total public debt, September 30, 1815, $119,600,000.*

These loans were contracted at 80–90 in paper, depreciated twenty per cent., and after 1814 all the income of the government was in the same paper.†

March 19, 1813, Governor Snyder, of Pennsylvania, vetoed twenty-five bank charters; March 21, 1814, forty charters were passed over his veto. Banks multiplied on every hand, especially in the Middle States, where they speculated in government stocks. The system was generally to deposit stock notes for the capital, issue notes even beyond this, and loan them on accommodation paper. Bridge and other companies in this way got their capital from the public.

The New Orleans banks suspended in April, 1814; the banks of the District during the invasion, August 27; those of Philadelphia, August 30, 1814; those of the Middle and Southern States, within a fortnight later; those of Ohio and Kentucky paid specie until January 1, 1815; the only one in Tennessee went on until July or August, 1815; a few in Maine stopped early in 1814; the rest in New England did not suspend at all.‡ Banks now multiplied faster than ever, and the old ones increased their issues. The notes required elaborate quotations, and brokers had a rich harvest in negotiating them. *Niles's Register* from 1814 to 1820 is filled with complaints and objurgations about the "shavings." The Secretary of the Treasury found the greatest embarrassment from this state of things. The New England people paid all their dues to the government in Treasury notes worth 90. The government had to pay in New England in specie all that it owed there, while it nowhere received a specie revenue. At the same time the Boston merchants found that the Baltimoreans had the advantage of them in trade, for while the Bostonians paid duties in Treasury notes at 90, the Baltimoreans paid in their own bank-notes at 80. So little was the "exchange" understood that the Secretary (Dallas) complained because he got bids for the loan of March 3, 1815, which "varied according to the arbitrary variations of what is called the difference of exchange." The object of this loan was to fund Treasury notes. The Secretary fixed the price of his bonds at 95, either in Treasury notes or "cash," *i. e.*, bills of suspended banks. The result was that the large subscriptions were made where the currency was most depreciated, and were made in "cash." Where the currency was about at 95, the subscriptions were paid half in "cash," and half in notes. Where the currency was worth more than 95, the subscriptions were all in Treasury notes. The Secretary's own table shows this at a glance.*

In the disorder of the currency, Eppes (on behalf of Jefferson) proposed a government paper money fundable in stock, such as was issued in January, 1815, and never circulated. Dallas, the Secretary of the Treasury, October 17, 1814, proposed a national non-specie-paying bank. Calhoun proposed a bank on Treasury notes, but which should never suspend specie payments. Dallas's scheme passed the Senate, but was defeated in the House by the double vote of the Speaker (Cheves). A plan for a bank to be prohibited from suspending passed, and was vetoed January 30, 1815. Dallas's paper scheme passed the Senate again, but was defeated in the House by one vote on February 17, the day the news arrived of the Peace of Ghent. It was heard of no more.

At the next session Calhoun re-introduced the bank, the charter being Dallas's work. It was passed April 10, 1816. The bank was to have $35,000,000 capital, $7,000,000 to be subscribed by government in five per cent. stock, $28,000,000 by the public, of which $7,000,000 was to be in specie and $21,000,000 in six per cent. United States stocks. It was to pay a bonus of $1,500,000 in one, two, and three years. It was to issue no notes under $5, and was forbidden to suspend under twelve per cent. penalty. Votes were to be given at elections of bank officers by an intricate limitation, varying according to the number of shares held, and directors could serve only three years out of four.

This bank was to correct the currency and to control the exchanges, which no bank can do or ought to do. It was to be the financial Providence of the country, bring exchange to par, and keep it there in an immense sparsely settled country with defective means of communication. Its capital was far too large, and there was no reason for putting part of the capital in stocks. Finally, there was no reason why the government should have shares in it.

April 30 Congress voted that specie payments ought to be resumed February 20, 1817, and that government ought to accept only specie or its equivalent in payment thereafter. The banks refused to resume before July, 1817. The stock of the Bank of the United States was taken in July in such a way that a Baltimore clique, taking advantage of the rule about voting, got votes enough to control the organization.†

* Treasury Report, 1815, with review of the finances of the war. See also Treasury Report for 1827, and a letter of Gallatin in *Niles's Register*, February 21, 1846, on the finances of the second war.

† Crawford's Report, February 12, 1820.

‡ Gouge's *Journal of Banking*, quoted in Macgregor's *Commercial Statistics*, iii. 987.

* This report (1815) was very correctly criticised by Mr. Nathan Appleton: *On Currency and Banking* (Boston, 1841), Appendix D.

† The story is told here consecutively. The doings inside the bank were not made known until the inquiry in 1819 and Cheves's report in 1822.

By subscribing as attorneys they got 22,187 votes out of 80,000, and they subscribed only $4,000,000 out of $28,000,000. In November the stock was at $42.50 for $30 paid. The organization took place October 28, fifteen directors being Democrats and ten Federalists. The directors allowed, December 18 and 27, discount on the pledge of stocks, by which the specie payment in the second installment (January 2) was evaded. Wild stock-jobbing now began, especially among those inside. After February 20 all stock was discounted at par (65 paid). "The discounts, the payment of the second installment, the payment of the price to the owner, the transfer, and the pledge of the stock were, as it is termed, simultaneous acts." August 26, 1817, they voted to discount on the stock at 125. The third installment was partly paid in bank-notes because government stock was at a premium in notes. August 28, 1818, the bank refused to receive or pay its notes except at the offices specified on the note, and also refused to collect drafts, etc., except for exchange rates, thus abandoning the attempt to "equalize exchange." In April, 1819, it refused to transfer funds for the government except at exchange rates, thus disappointing another expectation in regard to it.

The bank was going on just after the prevailing fashion. Instead of restraining, it joined the race. The Secretary in 1817 said that he had paid off *all* the United States stock in the capital of the bank, and he paid off $13,000,000, which seems, therefore, to be the amount paid in, instead of $21,000,000. The rest was bank-notes or stock notes. This redemption turned the whole capital into a shape demanding use, and led to a prodigious expansion of credit. The State banks agreed to "resume" if the bank would extend its discounts at New York $2,000,000, Philadelphia, $2,000,000, Baltimore, $1,500,000, Virginia, $500,000. There never was any resumption in fact.* August 8, 1817, the president and cashier were authorized to discount $500,000, and subsequently to discount $2,000,000, between discount days, in their discretion. September 30 they were authorized to renew notes so discounted. The stock was then at its highest, 155–156½. From July, 1817, to December, 1818, the bank imported $7,300,000 in specie, at an expense of over $500,000. Congress appointed an investigating committee, on the rumor that things were not all right, and because the bank had not helped the currency. They reported† January 16, 1819, exposing the facts here detailed. The president of the bank and the managers at Baltimore resigned. March 6, 1819, Langdon Cheves became president. He found the bank bankrupt, but already engaged in vigorous efforts to contract its obligations. These measures were continued. The loss at Baltimore was $2,000,000, the whole loss $3,000,000. February 25 Congress refused to order a *scire facias* for the forfeiture of the charter.

Maryland, Ohio, and Kentucky had attempted to tax the bank, but the tax was declared unconstitutional.* In Ohio a tax of $100,000 was collected by force September 16, 1819, but ordered restored, after long litigation, in September, 1821.†

Meanwhile the commerce, industry, and finance of the world had been finding their way back to the ordinary natural forms and channels of peace, and away from the unnatural developments of war. This did not take place without shocks and confusion throughout the commercial world. The United States had, for insufficient reason, plunged into the general *mêlée*, and the result was that not only was their commerce first unnaturally distorted and then crushed, but also their home industry had sought unnatural developments, and their finances had been thrown into confusion. In 1816 paper money yet prevailed in Europe, and was depreciated more than ours. The exchanges were favorable to the United States, and a golden opportunity was offered for resumption. In 1819 efforts were being made all over Europe to resume, and masses of metal were moving from country to country. In the midst of this state of things came the real, though not publicly known, break-down of the bank. Its efforts to recover itself prostrated the whole industry of the country. Prices, which had risen fifty or one hundred per cent. since 1814, fell even below the former level, and a grand liquidation set in, which ran through some three or four years.

In 1820 exchange on England rose to 105 and 106, which carried off gold, the par of gold being 102.72, or, with expenses, 105. Par of silver was 106 (at 15½ to 1), or, with expenses, 108. In fact, silver was then depressed to 16 for 1 by the demand for gold in England, and it took 110 to draw silver from here. Exchange rose at a leap from 106 to 110, and then to 112—rates which the living generation could hardly remember. Every gold coin here was drawn away, for there was no such profit on any thing else exported. The re-adjustment was not complete before 1822 or 1823, and it was not brought about without great suffering.‡

In 1823 land was worth forty or forty-five per cent. less than in 1806, and sixty or seventy per cent. less than in 1817;§ thousands

* Crawford's Report, February 12, 1820.

† See the report and documents in *Niles's Register*, vols. xv. and xvi., series 1.

* 4 Wheaton, 316.

† Final action and history of the case, 9 Wheaton, 739.

‡ Valuable reports on coinage, etc., by Lowndes, H. R., January 26, 1819, and J. Q. Adams, February 22, 1821.

§ *Niles's Register*, August 23, 1823.

in actual suffering; families living on one dollar per week;* women earning six and a quarter cents per day. The distress was all used as an argument for protection.

The indiscriminate rage of men like Gouge and Niles against "banks" dates from this period. Niles again and again speaks of banks just as one would speak of gambling hells. There were three kinds of paper afloat in 1819: first, notes of incorporated banks with more or less pretense to solvency; second, notes of banks which had no other reality than a counting-room, books, and a plate—their notes were circulated at a distance, and when they came home the bank ceased to be; third, counterfeits in enormous quantities, though they differed from the second kind only in stealing a name some one else had invented, instead of inventing a new one. The amount afloat can not be guessed at. Niles† said the number of banks was put at 397 on unknown authority. The homilies about extravagance and protecting home industry, and the praise of the old simple times, then began. These times have never been since the earliest colonial days, when people were so poor that they could buy nothing. Since then they have bought all they could, and as they have been getting rich fast, they have always had far more good things at the end of any twenty years than at its beginning.

In 1817 the sinking fund was raised to \$10,000,000 per annum, and more, if possible, leaving \$2,000,000 in the Treasury. In 1816, 1817, 1818, and 1819 this sum was paid, and in some years much more; but in 1820, the revenue having declined, \$2,000,000 were borrowed from the sinking fund, with many apologies. In 1821 it was curtailed over \$3,000,000, but without any apologies. It showed that the sinking fund is simply what can be saved and paid, nothing more or less.

During the next decade the scene of interest is in the West. Kentucky, Tennessee, Illinois, and Missouri tried stay laws, tender laws, property laws, and paper issues in every form. Kentucky tried the experiment most thoroughly; the others desisted sooner. A history of Tennessee banking was given by Judge White in a speech in the Senate March 24, 1838.‡

In the East things soon returned to order, and the next years were generally quiet financially. The agitations were in regard to protection. The revenue was good, the public debt was being paid, canals were being built, and although there was, in regard to all these things, much which a conservative economist would disapprove, yet there was perhaps nothing but what must be tolerated in a new and poor country. It may suffice here to mention the following important incidents: In 1819 it was proposed to issue a government paper money. Secretary Crawford reported against it February 12, 1820. In 1820 a loan of \$3,000,000 was contracted, and in 1821 a loan of \$5,000,000. July 2, 1821, a committee of stockholders of the bank reported its losses at \$3,547,838 80. October 1, 1822, Mr. Cheves reported on the state of the bank when he took it, and his efforts to save it. The Suffolk bank system was organized in New England in 1824. The investments of foreign capital here, 1823–1825, were estimated at from \$30,000,000 to \$38,000,000.* The great crisis of 1825 in England did not have great effect here. In 1826 there was a great collapse of unsound banking institutions in various parts of the country. Many such had been organized at New York, and in New Jersey opposite. Several of the projectors were condemned to the penitentiary.

Andrew Jackson became President March 4, 1829, and proceeded to reform the government. In the summer of that year complaints were made by New Hampshire politicians that the branch of the bank at Portsmouth was presided over by Mr. Jeremiah Mason, a friend of Mr. Webster. The administration sought to induce Mr. Biddle (president of the bank since January, 1823) to remove Mr. Mason. He refused, and this is the earliest germ we can find of a great war. Mr. Biddle was in the position of resisting an alliance of Bank and State.† The Message of 1829 astonished the nation by questioning the constitutionality and advantage of the bank, whose charter would not expire until March 3, 1836, and proposing a bank on the revenues and credit of the nation. The bank had lived down the odium of its early history. The Committee of Ways and Means reported April 13, 1830 (by McDuffie), in favor of rechartering the bank at the proper time. The Committee of Finance of the Senate reported March 29, 1830, that the currency was good, and in a fair way to improve. "They deem it prudent to abstain from all legislation, to abide by the practical good which the country enjoys, and to put nothing to hazard by doubtful experiments." In November, 1830, Mr. Gallatin published the article on the currency above referred to, in which he showed that the bank had been very useful. These documents no doubt represented the opinions of the educated and business classes at that time.

The revolution of 1830 in France, political disturbances elsewhere on the Continent,

* *Niles's Register*, May 17, 1823. † August 29, 1818.
‡ A short history of banking in the separate States is given in a series of articles in the *Banker's Magazine*, vol. xi.

* Niles, November 22, 1823; June 12, 1824; January 22, 1825.
† J. Q. Adams's Report, 1832. The history is given consecutively; incidents which did not become publicly known until later are put in their proper place.

and the disturbances which preceded the Reform Bill in England were then causing much capital to be sent to this country. The new canals just opened, the railroads just beginning to be built (for horse-power), the application of anthracite coal to the arts, and numerous improvements in all branches of production afforded ample opportunity of applying this capital here to advantage. The same improvements in England tended to an unprecedented increase of capital, which sought investment here for the next eight or ten years.

It was under these circumstances that the President set about an "experiment" with the currency. The Message of 1830 repeated the opinion of 1829 in regard to the bank; that of 1831 was milder. January 9, 1832, the petition for a recharter was presented. A special committee having been appointed in the House, a majority reported against the recharter; McDuffie and Adams both made counter-reports. The charges against the bank were, first, that its assets consisted largely of accommodation loans in the West, which were created by "race-horse" bills, and were worthless. (There was too much truth in this; the branch drafts since 1827 had been mischievous.) Second, extending favors to Congressmen. (This was admitted and defended.) Third, using political influence. (It appeared rather that the administration had tried to use the bank politically.) The recharter passed, but was vetoed July 10, 1832.

In 1830 $3,000,000 of the $7,000,000 five per cent. stock of the United States which was in the capital of the bank was redeemed, and in 1831 the remaining $4,000,000.

By treaty of July 4, 1831, France agreed to pay the United States 25,000,000 francs as indemnity for spoliations after 1806. The Secretary drew on the French Finance Minister for the first installment, due February 2, 1833, and sold the bill to the bank. The French Chambers had made no appropriation to carry out the treaty, and the bill was protested, but taken up by Hottinguer for the bank. The bank claimed fifteen per cent. damages, and reserved the sum with interest ($170,041) from dividends due the government July 17, 1834. The government gained the suit to recover this in 1847.*

The government desiring to pay off the three per cents in 1832, the bank assumed and carried them a year longer. The President expressed his fears that the public deposits were unsafe in the bank, in his Message, 1832. The majority of the Committee of Ways and Means found the deposits safe, but the minority made a strong attack on the bank on account of the Western loans. These were rapidly reduced.

During the summer of 1833 overtures were made to the State banks to receive the public deposits. August 19, 1833, the government directors of the bank made a report showing large expenditures by the bank for printing and distributing documents during the campaign of 1832. These consisted of Gallatin's article, the minority reports of Adams and McDuffie, *et al.**

Meanwhile the national debt was being rapidly paid, and a surplus was to be expected after 1835. The opposition desired to divide the public lands, in order to cut off revenue, and to go into internal improvements, in order to increase expenditures, but not to reduce the protective tariff. The tariff of July 14, 1832, was finally modified by the act of March 2, 1833, to reduce duties until 1842. The pound sterling was rated at $4 80 for customs purposes, standard weights and measures were distributed,† and the credit on duties was shortened.

September 18, 1833, the President read in his cabinet an argument against the bank, showing why the deposits ought to be removed. Duane, who had only been Secretary since May 29, refused to remove them. He was dismissed, and Taney appointed,‡ by whom they were transferred. The amount was $9,800,000. The Secretary of the Treasury is in an ambiguous position, being dismissible as a cabinet officer, and yet charged with independent responsibility. The sixteenth section of the bank charter gave to him power to remove the deposits. This act caused great alarm, being apparently a bold and self-willed, but not intelligent, act. Credit was disturbed, and the winter passed in commercial distress. In February, 1834, the President, in answer to a deputation from Philadelphia,§ sketched his new programme. He would crush the bank, try the plan of using State banks as fiscal agents, introduce a metallic currency, and use specie only for the government. The radical weakness of this plan was that he could in no way control the State banks, though they should do far worse things than the Bank of the United States had done.

BANK OF THE UNITED STATES.

January 1.	1831.	1832.	1833.	1834.
	$	$	$	$
Loans	44,000,000	66,200,000	61,600,000	54,900,000
Circulation	16,200,000	21,300,000	17,500,000	19,200,000
Deposits...	17,200,000	22,700,000	20,300,000	10,800,000
Coin.......	10,800,000	7,000,000	8,900,000	10,000,000

Small banks now sprang up in great num-

* 2 Howard, 711, and 5 Howard, 382.

* Report of directors on "A Paper read in the Cabinet," December 3, 1833. (*Niles's Register*, December 14, 1833.)

† The weights in use at the various custom-houses varied sixteen per cent. The proportion of the bushels in use was: Bath, 74; Portland, 76; Saco, 80; Boston, 78; New York, 78¾; Philadelphia, 78¾; Baltimore, 77½; Newbern, 87½; Charleston, 78; Savannah, 76. (*Niles's Register*, January 5, 1833.)

‡ He was not confirmed. § Niles, March 1, 1834.

bers to claim the deposits, and they urged political reasons generally for being granted a share.* December 3, 1833, Taney gave the reasons for removing the deposits: First, the Exchange Committee of the Board of Directors governed the bank. (This was a well-founded complaint. It was the arrangement which made the final catastrophe of the bank possible.) Second, the bank had meddled in politics. Third, selfishness in deferring the three per cents and demanding damages on the French draft. December 9, the government directors reported that they were excluded from knowledge of the affairs of the bank. March 28, 1834, the Senate resolved that the President had "assumed upon himself authority and power not conferred by the Constitution and the laws." April 15, the President sent in a protest against this resolution, which the Senate refused to register (27 to 16). The resolution was "expunged" January 16, 1837. April 4, 1834, the House resolved that the bank ought not to be rechartered nor the deposits restored, and raised another committee. Of this the majority reported, May 22, that the bank had refused to submit to investigation; the minority reported that the committee had made unreasonable and improper demands.

February 4, 1834, the Senate appointed a committee which reported, December 18, favorably to the bank. The Message of 1834 reviewed the controversy and renewed the old charges.

June 28, 1834, the coinage was altered so that the silver dollar should weigh 412½ grains, 371.25 grains pure, and the gold dollar 25.8 grains, 23.2 grains pure, rating the metals as 15.99 to 1. The standard for silver was 0.900 fine; for gold 0.89922. This expelled silver, rating it as much too low as it had before been too high. Another mistake was made at the same time by rating foreign coins too high, so that they were a cheaper tender than American coin. This prevented them from being sent to the mint. The act of January 18, 1837, brought both metals to the standard 0.900, and made the gold dollar 23.22 grains fine. From this time par of exchange with England was 109½, or £1=$4.8665. A gold eagle, coined before July 31, 1834, was worth $10.668 in eagles coined after that.

The new banks opened a period of speculation in 1834, which went on through 1835, growing wilder and wilder, seizing on cotton lands and negroes, city lots, Western lands, and every form of stocks.† The administration, it is true, prevailed on the following States‡ to forbid notes under $5: Pennsylvania, Maryland, Virginia, Georgia, Tennessee, Louisiana, North Carolina, Indiana, Kentucky, Maine, New York, New Jersey, Alabama. Connecticut had forbidden $1's and $2's; Mississippi and Illinois had no notes under $5; and Missouri had no bank of issue; but the exchanges were kept favorable by exporting securities (importing capital), and the position was one of unstable equilibrium. The specie in the country was $64,000,000. The prevailing belief was that bank issues could be extended to any amount, if only there was one-third the amount in specie behind them.

The directors of the bank* ordered the Exchange Committee, March 6, 1835, to loan the funds of the bank on stock as fast as it was called in, in order to facilitate the winding up. The branches (of which there were twenty-five) were sold, and bonds taken payable in from one to five years. In the winter of 1835–36 it was suddenly proposed that Pennsylvania should grant a charter to the bank, and a bill was passed February 13, 1836, doing so, but joining the charter with internal improvement schemes and a repeal of some taxes. The conditions were very onerous. Thus instead of winding up March 3, 1836, the bank went on as the United States Bank of Pennsylvania. Under the resolution of March 6, 1835, $20,000,000 of its capital had been loaned on stocks, and it had its bonus to the State to pay, the shares of the government to pay back, and the circulation of the old bank to redeem. The Exchange Committee had complete control of the bank.†

In the winter of 1835–36 the rates for capital advanced under great fluctuations, such as always occur on a bank-note currency with an inadequate coin basis. The great fire of December, 1835, at New York led some to propose a bank of $5,000,000 for the sufferers. Niles said, "To make a bank is the grand panacea for every ill that can befall the people of the United States, and yet it adds not one cent to the capital of the community."‡

During 1836 speculation went on, although rates for loans were twelve to twenty per cent. per month throughout much of the year. Prices were so high that wheat came here from Europe. It was said that the canals, etc., had drawn laborers away from agriculture. In the fall the Bank of England refused to discount for bankers who were granting American credits, and those houses reduced their acceptances from £20,000,000 to £12,000,000 during the winter,§ producing still greater distress here, both directly, and indirectly by the fall in cotton.

The public debt was all paid January 1, 1835, and a surplus of over $40,000,000 accu-

* See *Niles's Register*, April 8, 1837.
† Niles, May 9, 1835. ‡ Treasury Report, 1835.

* Report of 1841. † Ibid.
‡ *Register*, January 2, 1836.
§ *Morning Chronicle*, in *Niles's Register*, April 29, 1837.

mulated during 1836. The administration having done all the harm it could by scattering this over the Union in forty banks, the opposition now undertook to withdraw it from the banks and distribute it to the States in the ratio of Congressional representation. The bill passed June 23, 1836. It ordered the surplus over $5,000,000 January 1, 1837, to be *deposited* with the States. The Message of 1836 contained a criticism of this proceeding which was unanswerable, although the three great men, Clay, Calhoun, and Webster, all favored the scheme.

July 11, 1836, the Secretary of the Treasury issued a circular forbidding the receipt of any thing but specie for public lands. Congress passed a resolution practically rescinding this. It was sent to the President March 2, and he sent it to the State Department to be filed at 11.45 P.M., March 3, 1837.

February 25, 1837, the United States Bank offered to pay off the public shares at $115 58 per share, in four installments, September, 1837, 1838, 1839, and 1840. March 3 Congress ordered this offer accepted, and it was fulfilled.

Early in March Herman Briggs and Co., of New Orleans, failed, on account of the decline in cotton. J. L. and S. Joseph and Co., of New York, failed as soon as the news reached New York. This was the beginning. The whole Southwest was prostrated. At New York one failure followed another among those who held Southern funds. Mr. Biddle had before acted as financial Jupiter, and to him prayers were now addressed. He came, March 28, and sold post-notes for mercantile paper at 112, which notes brought in cash 95. They were payable in Europe, and were remitted to settle, instead of shipping specie. In April news came that three great houses granting American credits, Wilson, Wildes, and Wiggins, had become dependent on the Bank of England, and were being carried on a guarantee from the City. The panic now recommenced, and ran on increasing until May. May 8 a run on the Dry Dock Bank caused its suspension. The other banks were forced to suspend on the 9th and 10th. The Philadelphia, Baltimore, and other banks followed as the news spread. Each city professed that it could have held out, but was forced to yield in the general interest.

In May news reached England of events here in March, and post-notes instead of money. The great question was: Can the Americans pay? The amount of American debts falling due June 1 was, to the three W.'s, £3,800,000; to other English houses, £5,000,000; to France, £1,500,000. Total, £10,300,000. The American houses were allowed to fall June 1. They failed for £2,000,000; £1,300,000 was covered by the guarantees, and £700,000 fell on the bank.* An arrival of $100,000 in specie sufficed, however, to restore American credit and to turn the tide. Extensions were granted, securities were negotiated, and in general long credits secured.

On the suspension gold went to 107, all specie disappeared, and the country was flooded with shin-plasters. The premium on gold was greater in the South and West, being 120–125 in the Southwest. There were said to be $80,000,000 in specie in the country, which Benton said would be its "bulwark" against financial disaster. Thus, between those who misused paper and those who held the superstition of gold, the advocates of sound doctrine were either wanting or their voices were drowned.

May 3 a committee of New York merchants went to Washington to ask the recall of the specie circular, delay in collecting duty bonds, and the calling of an extra session of Congress. The first the President (Van Buren) would not do, the second he could not do, and the third he thought useless; but the necessities of the government forced the last. Congress met September 4, and passed bills to collect the deposits of the suspended banks, to delay the collection of duty bonds, and to issue Treasury notes. Three installments of the deposit had been paid. The fourth ($9,000,000) was yet in the banks. As to calling back any of the $28,000,000 which had been "deposited," no one proposed it. It was with great difficulty that the payment of the fourth installment was deferred until January 1, 1839. It was not paid at all. The Treasury Report of 1838 showed $2,400,000 still due from suspended banks.

The bank had really had very little grounds for the position it had assumed as public benefactor. It was itself a borrower. A ring of officers and their friends were using the funds of the bank, putting securities in the cashier's drawer, and taking out cash. These transactions passed examination day as "bills receivable." In July, 1837, the bank began to speculate in cotton, of course through outside firms, but, as Mr. Biddle said in his letters to Clayton, 1841, it was to meet the post-notes of the bank. He also thought that he could carry cotton to get a price. Mr. Jaudon was sent to London as agent for the bank September 22, 1837. He executed some sensational transactions, the consequence of which was that he was regarded as a reckless and dangerous man.

The New York banks tried all winter to get a general agreement to resume, but without success. The New York law allowed the suspension for one year. May 10, 1838, the New York and New England banks resumed.

* London *Times*, in *Niles's Register*, July 22, 1837.

The New York banks had pursued a policy of contraction on all their liabilities which at the time was regarded with great disfavor, and was unfavorably compared with Mr. Biddle's policy of "repose" under the suspension. It produced health, however, and brought New York out of the troubles of the times at least three years before Philadelphia issued from them, and with far less suffering on the whole. The Philadelphia banks delayed until the Governor forced them to resume, August 13, 1838. Meantime Mr. Biddle was writing plausible letters to Mr. J. Q. Adams to manufacture public opinion. Perhaps his head was turned by the position of financial Providence to the country. It would not be strange. In the summer of 1838 he enjoyed his highest prestige. Mr. James G. King induced the Bank of England to send £1,000,000 in specie here, and some of it was sent, which went into the United States Bank, and was thought a great victory for Mr. Biddle. He was said to have carried the merchants of Philadelphia, the great corporations of the country, and the public improvements of Pennsylvania through the crisis.* The great bank was, however, an unwieldy hulk, which was already stranded, and Mr. Biddle's bravado was only preparing a more humiliating downfall. He had become president of the bank at the age of thirty-seven, succeeding Mr. Cheves, who was considered too conservative. He had been urged on to bold methods of banking, flattered as to his success, and encouraged to assume unbusiness-like duties and responsibilities.† December 10, 1838, he wrote his last letter to Mr. Adams, in which he finally abdicated for the bank the position of financial Providence. March 29, 1839, he resigned the presidency of the bank, leaving it, as he said, prosperous. During 1838 its stock had reached 123. When he resigned it was 111–113. July 6, 1838, an act was passed by Congress to prevent the bank from re-issuing the notes of the old bank.

The notion of controlling the cotton market, which has been mentioned, was embodied in a circular of June 6, 1839, proposing a grand national combination to "bull" cotton. It was issued by Mr. Wilder, who denied that the bank was in the plot, but it appeared in 1841 that this was a prevarication. The Manchester *Guardian*‡ spoke of it as "the most rash and insane speculation of modern times." The mills closed up, the price fell, and the speculators were ruined. $1,400,000 had been gained previously by the clique, of which $800,000 had been divided. The residue and $900,000 more were now lost.* In August Mr. Jaudon was in great straits for money, and was calling on Biddle and Humphreys, of Liverpool, to get money at any sacrifice of cotton. The bank here was selling post-notes in New York, Boston, and even smaller cities. In August it drew all the bills it could sell on Hottinguer, and shipped the proceeds in specie to meet the bills. The object was to force the New York banks to suspend.† The drawee had given warning that he would not honor any bill unless he was covered. September 18, 1839, bills for 2,000,000 francs were presented, for which the specie had not arrived. They were refused, but the Rothschilds took them up,‡ and also some 8,000,000 francs more which were out, Mr. Jaudon finding security.

The fact of the protest was known in New York, October 10, 1839, but the Philadelphia banks had suspended the day before. They were followed by all the banks South and West, and by those of Rhode Island. The New York and other New England banks did not suspend. This was the real break-down of credit. There was no recovery from this, except through a liquidation, which went on during 1840. The Pennsylvania Legislature set January 15, 1841, as the day beyond which the penalties of suspension should be enforced. January 1, 1841, the bank published a list of its assets, from which it appeared that its capital was locked up in a lot of the most doubtful securities on the market. A run on the banks began as soon as they opened, January 15. In twenty days the United States Bank paid out $6,000,000, and the other banks $5,100,000. February 4 they all suspended again. The United States Bank had just loaned the State $800,000, and it held over $2,000,000 of Michigan bonds which it had not paid for. It had paid or loaned to Pennsylvania $12,000,000 since the charter was granted.§ Suits were now brought against the bank in such number that all hope of recovery was destroyed. Three trusts were established to wind it up. A committee of stockholders reported April 3, 1841, and gave a history of the bank for six years, for, as they said, "The origin of the course of policy which has conducted to the present situation of the affairs of the institution dates beyond the period of the recharter by the State." Mr. Jaudon borrowed $23,000,000 in Europe between November, 1837, and July, 1840. After that he borrowed $12,200,000 at an expense of $1,100,000 for discounts, etc., and the expenses of his office were $335,937. The foreign debt of the bank was $15,000,000. One

* New York *Express*, in *Niles's Register*, May 12, 1838.

† Contemporary criticism was all colored by party feeling. The most just and intelligent criticism, combined with sound financial doctrine, is in Mr. N. Appleton's pamphlet on *Currency and Banking*, 1841.

‡ Quoted in *Niles's Register*, July 27, 1839.

* Biddle's first letter to Clayton, 1841.

† Biddle's second letter to Clayton, 1841.

‡ The *Messager* in *Niles's Register*, November 2, 1839.

§ Memorial to Pennsylvania Legislature (*Niles's Register*, February 27, 1841).

firm had had over $4,000,000 of cash from the drawer between August, 1835, and November, 1837. Jaudon, Andrews (first cashier), and Cowperthwaite (second cashier) had owed the bank $300,000 or $400,000 each, and settled by handing over stocks, etc. The losses on cotton had been repaid to the bank by the clique in doubtful securities. The stock in April, 1843, was quoted at $1\frac{7}{8}$.* January 1, 1846, the notes still outstanding were $3,400,000. Every one seems to have dropped the bank suddenly in disgust, and it is even more difficult to get information about its obsequies than about its earlier proceedings.

In a Treasury Report of January 8, 1840, it was stated that there were 850 banks and 109 branches, of which, in 1839, 343 suspended entirely, and 62 partially, 56 had failed entirely, and 48 had resumed. The Philadelphia banks resumed March 18 or 19, 1842. at any time failed to pay interest were Pennsylvania, Maryland, Louisiana, Indiana, Illinois, and Arkansas. Those which repudiated part of their debt were Mississippi, Michigan, and Florida. Pennsylvania suspended in 1842.* Her debt, January, 1843, was $37,900,000. She resumed in February, 1845. Mississippi plumply repudiated $5,000,000. Louisiana repudiated $20,000,000, but the banks finally assumed or provided for it. Michigan settled up by disposing of her public works. Maryland suspended in 1842, but resumed in 1848. The delinquencies of interest in 1844 were over $7,000,000.† Some on the other side sneered at republicanism and Yankees on account of these defaults.‡ Some here cared little for the losses of foreigners. They gravely mistook the value to a young new country of its *credit*, its power to borrow capital of old countries.

The debt began to grow again as soon as

COMPARATIVE BANK STATEMENTS.

Year.	No.†	Capital.	Circulation.	Deposits.	Specie.
1820	308	137,100,000	44,800,000	....	19,800,000
1830	330	145,100,000	61,300,000	....	22,100,000
1834	506	200,000,000	94,800,000	75,600,000	....
1835	704	231,200,000	103,600,000	83,000,000	43,900,000
1836	713	251,800,000	140,300,000	115,100,000	40,000,000
1837	788	290,700,000	149,100,000	127,300,000	37,900,000
1838	829	317,600,000	116,100,000	84,600,000	35,100,000
1839	840	327,100,000	135,100,000	90,200,000	45,100,000
1840	901	358,400,000	106,900,000	75,600,000	33,100,000
1841	....	....	74,300,000	57,000,000	25,800,000
1844	....	....	44,800,000	88,300,000	46,900,000
1845	697‡	197,000,000	97,000,000	87,300,000	43,200,000
1848§	791	200,800,000	125,200,000	....	49,200,000

American credit held good abroad until 1839. Loans were negotiated during 1838 with as much success as ever. The "deposits," however, had seduced the States into great expenditures for improvements, and into debts. The debts of the States were about $200,000,000 in 1840. The amount of American securities held in England was over £20,000,000 sterling in 1837.‖ In 1839 the credits given in 1837 were not all met, and some States defaulted. Doubts of the credit of the States arose. Mr. Webster was in England, and gave the Barings an assurance of the constitutionality of the debts.¶ An effort was made in 1840 to have Congress assume the State debts, but so mischievous a precedent was fortunately avoided. The States and Territories without debt were New Hampshire, Rhode Island, Connecticut, Vermont, New Jersey, Delaware, North Carolina, Wisconsin, and Iowa. Those which

* Table from *Bicknell's Reporter* in *Niles's Register*, September 30, 1843. Twenty-three stocks are given. A share of each would have cost, in 1836, $2839 62; in April, 1842, $708.

† Branches included. In 1840 one hundred and one banks and branches are estimated. The statistics have value only as general indications.

‡ Twelve more, with capital $7,300,000, not reported. Niles, February 7, 1846.

§ *Bankers' Magazine*, in Niles, February 26, 1848.

‖ London *Bankers' Circular* in *Niles's Register*, March 25, 1837. Garland's estimate, $110,000,000. Niles, July 21, 1838.

¶ Niles, December 28, 1839.

it was extinguished, and the accounts show indebtedness every year after 1835 (when some $30,000 of old claims were outstanding). After 1837 the Treasury notes, which were authorized from year to year, raised the debt to $32,700,000, January 1, 1843. After that it was reduced to $15,500,000, January 1, 1846. The Mexican war carried it up to $63,000,000, January 1, 1849. The Texan indemnity of $5,000,000 was passed September 9, 1850; $15,000,000 were paid to Mexico in five installments, and $3,250,000 of her debts to American citizens, assumed under the treaty of February, 1848; $7,000,000 were paid for the Gadsden purchase of December, 1853. The debt reached $68,300,000 January 1, 1851, but was reduced to $28,600,000 January 1, 1857.

The Sub-Treasury, after having been vehemently discussed thoughout Van Buren's administration, was established July 4, 1840. At the special session which assembled May 31, 1841, the Sub-Treasury was abolished, two national bank bills were passed and vetoed, a bankruptcy act, a revenue act raising duties to twenty per cent. throughout, and a land distribution act, with proviso

* See Sydney Smith's letter to Congress in *M'Culloch's Dictionary of Commerce*, article "Funds."

† Niles, October 12, 1844.

‡ Webster's letter to Biddle. Niles, September 12, 1840.

that it should not be executed at any time when duties were over twenty per cent., were passed. The bankruptcy act was signed August 19, 1841, and repealed February 25, 1843. At the same special session the Secretary reported that $2,620,500 had been lost within twelve years by the defalcations of public officers. At the regular session, 1841–42, a temporary and a permanent tariff were both vetoed because they provided for violating the proviso in the land distribution bill. A third tariff of high protective duties passed, and land distribution was cut off. The duties were to be collected on the "home valuation," and no credit was to be given. In 1842 the pound sterling was rated at $4 84 for customs purposes. August 6, 1846, the independent Treasury was re-established, and the operations of the government were prescribed to be carried on with specie. The result proved the system wise and sound. The government had nothing to do with banking, and very little to do with the money market.

The paper money disease broke out next in Ohio, Indiana, and Illinois. The Fort Wayne *Times** gives a description of the currency of Indiana in 1843, which is instructive as to some doctrines cf "redemption." State bank paper was the standard. "Scrip" was issued for the domestic debt of the State, and was receivable for State dues. "Bank scrip" was a State issue to the bank to reimburse it for payments to canal contractors. "White Dog" was a State issue to pay for canal repairs, and was receivable for certain lands at its face and interest. "Blue Dog" was a State issue for canal extension, receivable for canal lands and canal tolls. "Blue Pup" was a shinplaster currency issued by canal contractors, and redeemable in "Blue Dog." Quotations (State Bank being standard): scrip, 85–90; bank scrip, 85; White Dog, 80–90; Blue Dog, 40; Blue Pup—!† In 1845 the quotations of Illinois currency were, State Bank, 42–45 discount; Bank of Illinois, 50–55 discount; Cook County orders, 18–20 discount; canal indebtedness, 60–75 discount; railroad scrip, 60–75 discount; Bank of Michigan, 85 discount; Michigan or Indiana State scrip, 10–15 discount.‡

In the summer of 1845 the business status was said to be: stocks neglected, much building going on for the "new communities" which were coming across the water, money abundant, exchange at par.§ In 1846 and 1847 the potato famine in Ireland sent us thousands of emigrants, and in 1848 the revolutions on the Continent sent thousands more. The potato famine also gave us a market for grain, and saved us from a share in the financial troubles of 1847. The repeal of the Corn Laws in 1846, and our own more liberal tariff of that year, gave wider scope to industry. Railroads were extended already, both here and in Europe, far enough to affect production and exchange. The telegraph was just coming into general use. Ocean steam navigation was rapidly extending. Upon this set of circumstances came the discovery of gold in California in 1847. At once a great emigration thither of adventurous men began, and also a great speculation in exports thither. The gold diggers found that they ran into hardship, danger, and toil to pursue an industry which was precarious at best, and that the same amount of sacrifice would have gained more comforts at the East. Their industry nourished the gambling spirit, and their gains changed hands first over the gaming table.

The traders were little better off after a few years. The market was alternately glutted and empty, and the gains of one period were swallowed up in the losses of another. It was the great industrial world which gained by this new supply of the medium of exchange, which came just when it was needed to sustain the new development of industry and commerce. The first exchange of the metal was for food and manufactured articles. It presented a new and sharp demand for agricultural and manufactured products. New fields were opened, new factories built, not here only, but in all the commercial countries. The new and enlarged industries brought richer returns than before both of wages and profits, not on account of the money, but on account of the whole industrial expansion which the new supply of money facilitated, and the possibilities of which already lay in the improvements mentioned. The returns in all these industries being large, the demand for luxuries was extended, and the importations of wines, cigars, silks, etc., rapidly increased. The accumulation of capital was also rapid, and credit institutions which sought to facilitate its transfer sprang up in all civilized countries. They never have been able, under such circumstances, to refrain from credit creations in addition to the capital which passes their hands, and they did not refrain in this case. In the United States all the old tendency to overissues, heightened, as it unquestionably was, by the usury law, and also the general use of accommodation paper, were at hand to assist such a movement.*

* *Niles's Register*, September 30, 1843.

† The Ohio nomenclature was wider still. "Yellow Dog," "Red Cat," "Smooth Monkey," "Blue Pup," and "Sick Indian" (*Niles's Register*, June 28, 1845). More particular descriptions are wanting.

‡ Niles, June 28, 1845. § Niles, June 14, 1845.

* As an example of the comprehensive and philosophical study of commercial crises, from which alone any correct knowledge of them can be derived, mention should be made of Max Wirth's *Geschichte der Handelskrisen* (Frankfort, 1874), from which some suggestions are here adopted.

After two or three years of low discount rate and cheap food, there followed in 1853 rumors of war and a bad crop in England. This caused high prices for wheat here and a renewed speculation in Western lands and railroads, which issued in 1854 in a formal crisis and panic in Wall Street. Some California traders also found their affairs at a crisis, but generally the mercantile community held firm. The indebtedness for foreign importations was large, and the investments of foreign capital here were rapidly increasing. The Secretary of the Treasury estimated them at $200,000,000.

During 1856 the discount rate of the Bank of England was high, the harvest being poor and the importation of wheat great. In the spring of 1857 it was feared that the harvest here would not be good, but during the summer it turned out so well that the fear was lest it might not bring a price. Suddenly, on the 24th of August, the failure of the Ohio Life and Trust Company, of Cincinnati, an old and highly esteemed institution, with liabilities for $7,000,000, was announced. It had loaned its means to new railroads, and then borrowed more to lend. This incident passed, however, without causing general alarm. The banks knew best what it meant. They reduced their loans in New York city from $120,000,000, August 22, to $67,000,000, October 17. This produced a crisis. The whole fabric had been built up on bank credits, and it was ruined when they were withdrawn; but the banks feared for themselves, so it was said that the panic broke out in the bank parlors. On the 12th and 13th of September the Philadelphia banks and others of the South and West (except of New Orleans) suspended. Mercantile failures now commenced, and followed day by day, the panic increasing, as money was locked up by any one who could get and keep it. The run on the New York city banks for note redemption began on the 9th. On the 13th an agreement was made to open a run on them for deposits in order to force them to suspend. Eighteen succumbed on that day, and thirty-two more the next day. One did not suspend. The New England banks followed immediately. The Constitution of New York forbade the Legislature passing any law to allow a bank suspension, but the judges of the Supreme Court agreed to grant no injunction against a bank unless there should appear to be fraud. The Northern and Eastern banks resumed in December. The Pennsylvania Legislature authorized suspension until May. Of nine banks at New Orleans only four suspended for a few days.

This crisis was short, sharp, and severe. It never touched the productive powers of the country. It is the only one in our history on a currency approximately of specie value. The recovery was rapid, and the reaction healthful. The losses were very great, but it was only a bad stumble in a career of great prosperity, and it simply taught sobriety and care. The number of bankruptcies in the United States and Canada was 5123; liabilities, $299,800,000; 3839 bankrupts, with $197,000,000 liabilities, were expected to pay forty cents on the dollar; 435 resumed, and paid in full $77,100,000; $143,700,000 were a total loss. Fourteen railroads* suspended payment on $189,800,000. Cotton manufacturers suffered severely by the fall of cotton (sixteen cents to eight and a half cents) and by the depreciation of stock. The American securities held in Europe at this time amounted to $400,000,000.

The tariff had been lowered by act of March 3, 1857, and the revenue suffered, of course, from the financial crisis. Indian wars had also increased the expenditures. Treasury notes were issued by act of December 23, 1857; loans were authorized June 14, 1858, and June 22, 1860. The debt January 1, 1861, was $90,500,000. There were on the same date 1605 banks, with $429,600,000 capital, $207,200,000 deposits, $91,300,000 gold, $202,000,000 circulation, and $696,700,000 loans.

The election of Mr. Lincoln was followed by movements toward secession and political alarms. There ensued limitation of business, contraction of credit, reduction of enterprise, and some hoarding of gold. Prices were reduced, the foreign exchanges fell, gold began to be imported. During the winter the Southern States seceded, and the political excitement increased. Southern collections became difficult, and then ceased. The failures during the year 1861 were 5935, for $178,600,000.

The Morrill tariff had passed the House May 10, 1860. Protection had been adopted in the Chicago platform. After the departure of the Southern Senators the tariff passed the Senate, and was approved March 2, 1861. It was soon buried deep under the financial legislation of the war.

Part of the loan of June 22, 1860, had been offered in October, 1860, but some of the subscribers withdrew after the election. December 17, 1860, $10,000,000 Treasury notes were authorized: $5,000,000 brought 88; in January $5,000,000 more brought 89 and 90. February 8, 1861, a loan of $25,000,000 was authorized; on March 2, another loan of $10,000,000 was voted, or Treasury notes to the amount of this and all unissued loans: $35,300,000 were issued. In March Secretary Chase refused bids under 94. In May $5,000,000 Treasury notes were sold under

* Wirth treats his readers to an account of the purchase of the Wisconsin government for $872,000 by the La Crosse and Milwaukee Railroad (p. 341), and he translates a number of confessions of American rascality from the newspapers of the post-panic period, when extravagances in that direction were in order.

onerous conditions, and May 25 the banks took $6,400,000 in bonds at 85 to 93, and $2,200,000 Treasury notes at par. July 4 Congress met in extra session. On the 17th they voted to issue $50,000,000 non-interest-bearing demand notes, receivable for all dues; also 7.30 notes; also a loan at six per cent. to fund the same; and August 5, another loan. The Secretary proposed a direct tax of $30,000,000. Congress voted and apportioned $20,000,000, of which $8,000,000 fell on the seceded States. August 5 the tariff was extended. After Bull Run the six per cent. stocks were at 88½. August 19 the banks agreed to take $50,000,000 Treasury notes under conditions unfavorable to the government, and two months later to take $50,000,000 more. In November they took six per cent. bonds at 89, under still harder conditions.

The *morale* of the nation was now high. The war feeling was strong, and the enthusiasm had only settled down into determination. The Secretary of the Treasury reported an enormous deficit, and did not propose any way to deal with it. He looked wistfully toward paper issues, but rejected that plan. He proposed a national bank system, but such a moment did not seem propitious for reconstructing the banking system of the country. A run on the banks and an export of specie began in December. On the 30th all the banks suspended. Specie was at one or two per cent. premium.

December 24, 1861, duties on tea, coffee, and sugar were raised. February 12, 1862, $10,000,000 demand notes were issued, like those of July 17, 1861. February 25, 1862, $500,000,000 of 5–20 bonds were authorized. The same act established a sinking fund of one per cent. on the debt, and provided for the issue of $150,000,000 of non-interest-bearing notes ("greenbacks"), legal tender, convertible into six per cent. bonds. This was the Legal Tender Act. It was passed as a temporary war measure, under the stress of necessity. There was necessity for money, a necessity which had been neglected three months too long, but there was no necessity for a legal tender law. It was another illustration of Daniel Webster's saying, when a paper bank was proposed in 1815, "A strong impression that something must be done is the origin of many bad measures." The old demand notes were to be withdrawn. As they were received for duties, they bore the same premium as gold. The Secretary was also authorized to receive deposits at five per cent. to the amount of $25,000,000, raised March 17, 1862, to $50,000,000, July 11, 1862, to $100,000,000, and June 30, 1864, to $150,000,000, and six per cent. interest allowed. July 11, 1862, $150,000,000 more legal tenders were voted, and the provision of the act of February 25 for funding them in six per cent. bonds was omitted. Those of February 25 wére to be recalled. The first issue of legal tenders was in April, 1862. As they were issued, gold rose and all specie disappeared. An effect was produced at first just like that noticed above as following the opening of the California mines, but the paper did not distribute itself over the world. It threw American prices out of relation to those of the rest of the world; that is to say, it disturbed all the relations of value and exchange, both internally and externally. July 1, 1862 (just a year too late), an act was passed laying internal taxes. This was extended by acts of March 3, 1863, June 30, 1864, March 3, 1865. The last provided for a commission to investigate the subject of internal revenue.

March 17, 1862, an act was passed authorizing the purchase of coin, which was necessary until the "old demand notes" were all paid in. The act of March 1, 1862, authorized certificates of indebtedness. July 14, 1862, duties were raised "temporarily."

The act of July 17, 1862, provided for an issue of stamps to be used as "change," but they were inconvenient, and the act of March 3, 1863, provided for $50,000,000 of fractional notes.

February 25, 1863, the National Bank Act was passed, authorizing $300,000,000 of bank capital, to be distributed, half of it by banking capital, and half of it by population. An act approved July 12, 1870, added $54,000,000, and provided for withdrawing and redistributing an excess above the quota held in New York and the East. This last was found impracticable. The act of January 14, 1875, removes all restriction on the amount of capital. The $54,000,000 were never taken up by those who had not their "quota," but are now in a fair way to be taken up by those who before had an excess. Banking capital does not go by heads nor by square miles.

October 5, 1865, there were sixty-six national banks in operation. The system rapidly absorbed nearly all the banks. The law required that country banks should hold fifteen per cent. of their circulation and deposits in greenbacks, and that the banks in the large redemption cities should hold twenty-five per cent. The banks were afterward allowed to count their reserves with their redemption agents as part of this reserve up to three-fifths of the required amount. The act of June 20, 1874, did away with this reserve, as far as circulation is concerned, and substituted a five per cent. reserve to be kept at Washington, where the redemption takes place.

The Comptroller of the Currency reported, December, 1874, that 2200 banks had been organized, 35 had failed, 137 wound up, 2028 remained. December 31, 1874, there were 2027 banks in operation; capital, $495,800,000; loans, $955,800,000; bonds to secure circulation, $412,900,000; specie, $22,400,000; United States Treasury certificates of deposit, $133,500,000; legal tenders, $82,700,000; five per cent. redemption fund, $16,900,000; circulation, $332,000,000; deposits, $682,800,000.

In his report for 1862, the Secretary sustained his legal tender paper money by all the old paper money fallacies. He set his face against the "gold speculators." March 3, 1863, a tax of one-half per cent. was laid on time sales of gold, and six per cent. per annum also for the time the contract had to run. June 20, 1864, gold trading was forbidden. Gold rose from 199 on the 21st to 230 on the 23d, and fell to 207 again. The act was repealed July 2. Nevertheless Mr. Stevens introduced a bill, December 6, 1864, declaring gold and paper equal, and laying a fine equal to the amount of the proposed transaction, and imposing six months' imprisonment on any one who should contract to sell notes for gold. This was tabled, but, January 5, 1865, he tried to introduce the bill again. The opposition was so great that he withdrew it. It was not because he did not know of the English acts of 1811 and 1812, and the fame of Mr. Vansittart. He did know of them. He specified those acts as laudable precedents, and wanted to imitate them, and he called Mr. Vansittart "the great financier."

Gold reached its highest point, 285, in July, 1864. Sales of American government stocks in Germany began in the summer of 1864. Loans were being contracted continually which it is not thought necessary to enumerate here. They were being "floated" by the redundant paper in the hands of the people. The debt, June 1, 1866, was $2,800,000,000. The greenbacks out were $402,100,000. The national bank notes were $280,000,000. The fractional currency was $27,300,000. In May, 1865, gold fell to 140.

The act of June 30, 1864, limited the amount of greenbacks to $400,000,000, and such part of $50,000,000 more as might be needed to redeem temporary loans. A general resolution in favor of contraction and resumption passed December 18, 1865, by 144 to 6; but a measure allowing the Secretary to withdraw $10,000,000 in six months, and thereafter $4,000,000 per month, was lost, and only passed, on reconsideration, by 83 to 52, April 14, 1866. This stiff and arbitrary measure had no principle of sound finance in it except that it went in the right direction. If the Secretary had been allowed a tithe of the immense discretion allowed in creating debt and issues two years before, he could have withdrawn $200,000,000 in two years without annoyance, for at that time every one expected it, and there was no credit structure yet built on the inflated paper. The crisis in England in the spring of 1866, and the war on the Continent in the summer of that year, caused some stringency here, and set the gold premium in activity. In February, 1868, McCulloch's contraction was suspended by order of Congress. He had reduced the greenbacks to $356,000,000, at which point they stood until October, 1872, when Mr. Boutwell, who affirmed that the $44,000,000 so withdrawn were under his control, issued $5,000,000 of them to correct a stringency in Wall Street. It took him all winter to get them back. The sum remained $356,000,000 until the crisis of 1873, when it was raised to $382,000,000. The act of January 14, 1875, set that sum as the limit, allowed national banks to be formed to any extent, and to issue notes for ninety per cent. of the bonds deposited, and greenbacks to the amount of eighty per cent. on the additional notes issued are to be withdrawn until greenbacks are reduced to $300,000,000.

March 2, 1867, for the third time in our history, a general bankruptcy law was passed.

March 3, 1865, the tariff was raised to compensate for internal taxes. July 13, 1866, internal taxes were re-arranged and somewhat reduced. This is the act under which Hon. D. A. Wells became special commissioner. The office expired by limitation June 30, 1870. Internal taxes were reduced by the acts of March 2, 1867, which exempted incomes under $1000; February 3, 1868, which repealed the tax on cotton; July 20, 1868, which reduced and re-adjusted the taxes; and by the act of July 14, 1870, which was a grand reduction. The income tax expired by limitation in 1871. The act of July 14, 1870, also reduced duties somewhat (pig-iron $9 to $7 per ton). Up to this time the protective system had been steadily extended by acts which have been left out of the present review as belonging more to commerce than finance. The duty on tea and coffee was repealed in 1872, and a ten per cent. reduction over a number of important articles was made. In the session of 1874–75 two acts were passed increasing and extending duties. The result is that the balance which should exist between internal and customs duties in a sound system of taxation has been more and more destroyed, that the customs duties have been placed too high and on too many articles to be productive of revenue, and that there is no system or principle in the present taxes at all. They weigh very heavily on the people without furnishing adequate revenue to the government.

The act of March 3, 1865, provided for funding Treasury notes in 5-20's. This went on through 1865, 1867, and 1868. Hence the 5-20's of those years. The act of July 14, 1870, provided for issuing $200,000,000 in bonds at five per cent., $300,000,000 in bonds at four and a half per cent., and $1,000,000,000 in bonds at four per cent., in order by exchanges to reduce the interest paid. This is now being partly carried out through the "Syndicate." March 30, 1867, \$7,000,000 were paid for Alaska, and July 8, 1870, four per cent. certificates for \$678,000 were issued to pay Massachusetts her old claims against the United States from the war of 1812. The principal of the debt January 30, 1875, was \$2,242,301,082 43, besides \$64,-623,512 issued to railroads.

By the act of March 3, 1863, the Supreme Court was to have ten members, and a new judge was appointed. The act of July 23, 1866, provided that no new appointments should be made until the number of judges was reduced to seven. By the act of April 10, 1869, to take effect the first Monday in December, the court was to consist of eight judges and a chief justice. The case of Hepburn *v.* Griswold,* involving the constitutionality of the Legal Tender Act as to contracts made before its passage, was decided in conference November 27, 1869, by the Chief Justice and seven associates. One of these, Judge Grier, resigned February 1, 1870, and the decision *against* the constitutionality of the act as applied to the contracts mentioned was announced February 7. Judge Strong was appointed February 18, 1870, and Judge Bradley March 21, 1870. The re-argument of Knox *v.* Lee, involving the decision just mentioned, took place in December, 1870.† Judge Miller read the decision of the majority *affirming* the constitutionality of the law, Chase, Nelson, Clifford, and Field dissenting.‡

In September, 1869, a corner in gold was made which belongs to the financial history of the country, for it was the legitimate fruit of the existing financial system. It issued in a panic September 23 ("Black Friday"), when the Secretary of the Treasury intervened by a sale of gold to put a stop to the proceedings of a clique of characterless speculators. A panic in stocks followed, and a number of important failures.

The coinage law of February 21, 1853, fixed the weight of silver coins for fractional parts of a dollar at 384 grains to the dollar, 0.900 fine; legal tender for five dollars. It also put a seigniorage of one-half of one per cent. on gold coined. The effect was to send gold to England or France, where there was no seigniorage and lower mint charges.§ The act of February 12, 1873, reconstructs the coinage and mint laws entirely. The only silver dollar is the trade dollar of 420 grains standard, not meant to circulate here, but in the East. It is worth one dollar when silver is at \$1.14285 per ounce standard, which is just about the present price. The fractional coins were made to weigh 385.8 grains to the nominal dollar, so that two halves should just equal a five-franc piece. These coins are issued at \$1.24414 per standard ounce, or 803¾ ounces for \$1000, and are legal tender for five dollars. The gold dollar is yet the dollar of 1837, 23.22 grains fine, 25.8 grains standard.

The act of 1873 made the charge for coining gold one-fifth of one per cent., but the second section of the act of January 14, 1875, repealed this, and left coinage of gold entirely free. The law of March 3, 1873, fixes the pound sterling for customs purposes at \$4.8665, and prescribes that exchange be quoted \$4 86, \$4 87, etc.

The stringency which had occurred in the fall of 1871 and 1872 was significant of the approaching absorption by expanding credit of the legally limited amount of paper currency. In the summer of 1873 the Granger agitation at the West frightened investors from railroad bonds, and crippled the enterprises which depended on the continuance of these investments for funds. The rebuilding of Chicago and Boston had also caused a great absorption of circulating capital. September 8 the New York Warehouse and Security Company failed, followed by one or two firms involved in railroad construction. Confidence in persons known to be burdened in this way was impaired, and a run on them for deposits began. September 18 Jay Cooke and Co. succumbed to this demand, and a panic followed. The country depositors began to run on their banks, though without panic. The country banks called for their balances, and the city banks called their funds in from the brokers. On the 20th the Union Trust Company suspended, followed by two or three other banks and trust companies. The panic on the Exchange was so great that the Exchange was closed, and remained closed for ten days. The Gold Exchange closed on Monday the 22d, gold at 112. On the 20th the Associated Banks formed an alliance by which seven per cent. certificates were issued for seventy-five per cent. of the value of securities deposited by any bank, which certificates were good for Clearing-house balances; \$22,000,000 of them were issued before the tide turned. The President and Secretary were in New York on the 21st, but refused to draw on the \$44,000,000. The Secretary ordered bonds to be bought as a measure of relief, and \$12,000,000 were bought. This depleted the cash on hand, and before January 1 he was obliged to issue over \$26,000,000 of the \$44,000,000 for current expenses. This carried the greenbacks up to \$382,000,000. The suspension of paper payments by the banks lasted until November 22. Meanwhile the crisis was affecting industry in

* 8 Wall., 626. † 12 Wall., 457.
‡ See 12 Wall., 528, note.
§ The best criticism on this is in Ernest Seyd's *Suggestions in Reference to the Metallic Currency of the United States.* London, 1871.

all forms. It produced a general doubt of the status and of the future. Hours of labor and wages were reduced and workmen discharged. The lack of reviving courage and enterprise has been very marked, and is due to nothing else than the general feeling that there can be no permanent cure until the financial problem is solved. The failures in 1873 were 5183, liabilities, $228,100,000; those in 1874, 5830, liabilities, $155,200,000. The act of January 14, 1875, specified January 1, 1879, as the day for resuming specie payments.

The people of a new country are not likely to be very careful financiers. They have no traditions to carry down the warning of the past. They are not trained to look back or to look forward. They do not look back, because the great achievements of yesterday only provoke a smile to-day. They do not look forward, because they trust their power to deal with whatever may come. We must not expect what is inconsistent with the conditions. If we look to the past, there has been great progress. The theories on which the colonists based their paper "banks" obtain attention from no sober men to-day. The banks, whatever their faults, are not like those of 1816, nor yet like those of 1836. On the other hand, we are still struggling with the problems of currency and taxation and debt. A student of our past history can hardly expect that these will be solved by a heroic effort, but by a long and painful growth up to the conviction that financial make-shifts do not pay, and that the first condition of dealing successfully with financial difficulty is to get free exercise of the national productive powers.

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GARTH:*

A Novel.

BY JULIAN HAWTHORNE.

CHAPTER VI.

SAM KINEO left forever his grandmother's wigwam as soon as the state of his bruises permitted him to put a decent face upon the world. He departed southward, and his name was presently forgotten by most of the dwellers in Urmsworth. His parting with Garth was an enigmatic affair; nothing good or bad was predicable of it. There was a kind of sullen civility in Sam's bearing; once or twice he covertly measured his late opponent with his eye, as though in search of what means had compassed his downfall. Garth, on the other hand, was withheld from cordiality only by Sam's unaccountable neglect frankly to own the falsehood of the slanderous assertion which had occasioned their quarrel. The subject was not broached; and when the boys shook hands at separating, one of them, at least, felt as if his hand were acting on its own responsibility.

As for old Nikomis, she was inclined to be sulky. She cast an evil eye upon Garth; and though Mr. Urmson on his son's behalf had equipped Sam pecuniarily and otherwise for his journey, she could not be induced to take up her abode under the roof of Urmhurst. Accordingly, she continued to practice medicine and magic for nearly a year and a half in her lonely wigwam; but the wigwam finally caught fire (whether accidentally or by connivance of the old lady was doubtful), and apparently her prejudices against Urmhurst were consumed along with it. At all events, she presented herself upon the cloven threshold the next morning as phlegmatically as though her invitation were but an hour old. Cuthbert received her with a corresponding equanimity; and for years afterward she was never known to stray a dozen rods beyond the kitchen door.

Meanwhile Garth had been growing in more ways than one. This was his anomalous period: the child character was dissolving, and the elements were re-forming into youthhood. He was unlike both his earlier and later self, for the most part incomprehensible by others, and to himself especially obscure. The composed gravity of demeanor which had characterized him from infancy was now exchanged for a somewhat restless and unsettled bearing. Even his taciturnity occasionally forsook him, and though he never became conversational, he would from time to time let loose his speech in odd harangues, which seemed to begin and end in the middle and tend nowhither. In short, having disembarrassed himself of his fairy accoutrements, he was trying to feel at ease in the homespun of every-day humanity, and beginning to speculate upon his own possible use and significance in the social world.

This tendency to investigate all forms of action and knowledge is prone to mischief; but in Garth there dwelt a foreboding that he should one day be wiser than now, and hence he often suspended his judgment and bided his time, lest his future should ridi-