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Debt and Currency of the Country.

SPEECH

Hon. Geo. W. Woodward,
DELIVERED IN THE HOUSE OF REPRESENTATIVES,
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Mr. Chairman: I have somewhat to submit on the debt and currency of the country. When I found myself elected to this Fortieth Congress, I felt, and all I saw and heard tended to confirm the impression, that the financial condition of the country was the subject most worthy to engage the attention of a Representative sincerely desirous of relieving the industry of his constituents from the burdens and embarrassments that were weighing it down.

But the subject was many-sided, and in its details quite complex and intricate; and, besides, it lay out of the line of studies to which my life had been devoted. I felt, therefore, more sensibly than ever before, the want of a guiding hand to conduct me through these unfamiliar mazes of finance. I looked around for an oracle, and I found so many, and heard such discordant responses, that instead of being enlightened and guided, I was bewildered and puzzled. I doubted if the builders of Babel understood each other so badly as the men who, through newspapers, magazines and pamphlets, have discussed the fiscal affairs of the country.

A few weeks ago a public letter from a distinguished source, marking out a financial policy, was extensively read, which an intelligent friend in the eastern part of the State of Pennsylvania very earnestly commended to my attention as a wise and comprehensive statement of what was best for us; and about the same time a friend of equal intelligence in the western part of the State wrote me to express his sadness at the exhibition of mental imbecility which the author of that letter had presented. This illustrates the contrariety of opinion which prevails in regard to every scheme of finance that is proposed.

And when I came into this House and listened to honorable members, I found the same diversity of opinion that prevailed outside. A former House, with singular unanimity, approved of the policy of the Secretary of the Treasury for contracting the volume of paper money; this House suspended contraction. We repealed the tax on cotton; the Senate virtually restores it. Some gentlemen insist on paying the five twenty bonds in greenbacks; others would postpone it to the last available of recorded time. The national banks are praised and abused as the wisest and worst of institutions. Tariffs and tax laws are made and altered until they become so unwieldy as to defy the best efforts to execute them. Public loans are proposed to consolidate our debt at the same time we are impairing the public credit. And thus we founder on, confounding and confounded, darkening counsel with words, and setting and adhering to no stable policy.

Now, sir, in the midst of all this jargon and discord of opinion, I know of no wiser course than to recur to certain great first principles which are either universally confessed to be true, or which can be easily defended. This is necessary in all seasons of debt. The storm-tossed mariner corrects his reckonings by the meridian sun, the mathematician, when lost in the labyrinths of the differential calculus, recurs to the axioms and first principles of his science; and though in moral and political science we have not the same simple and sure standards of truth to appeal to, yet the habit of frequent recurrence to fundamental principles is as necessary and wise in these departments of knowledge as in the more exact sciences. If I am incapable of seeing how a particular line of policy is going to affect the business of the country, and am, therefore, unable to judge of it by its fruits and consequences, I can bring it to the test of certain great and well ascertained truths upon which our political fabric is built, and if it will not bear that test I will reject it, however promising its proposed results, or however specious and plausible the reasoning by which it is supported.

What I propose to-day is simply to stir up the pure minds of the House to a remembrance of some of the principles of political economy and of constitutional law in connection with the financial condition of the country. I have no scheme of finance to propose. The great political party with which I have the honor to act is out of power, and is unable to carry out a policy, if it should mark one out never so plainly. When the responsibility of administering the government is again laid upon the shoulders of that party, as it no doubt will be next year, it will be soon enough to develop the line of policy upon which the party shall move. Meanwhile the responsibility rests upon the Republican party under whose administration the public debt, from about \$80,000,000 in 1860, grew in five years to the enormous sum of \$2,757,689,571 43. According to the report of the Secretary of the Treasury this debt had been reduced on the 1st of November to \$2,625,502,848 02. This may be taken as the aggregate of the public debt as ascertained, settled and registered upon the books of

the Treasury Department, but it does not include numerous claims upon the Government, growing out of the war, which are as yet unadjusted and insusceptible of even an approximate estimate. While some of these claims are exorbitant, unreasonable, and dishonest, many are doubtless equitable and just, and such as the conscience of the country will ultimately acknowledge. Whatever the aggregate of these claims may be, it will, by so much, swell the public debt beyond the big figures which now express it.

The annual interest we pay on this debt in gold is \$143,781,591 91. This was the sum the Secretary stated we paid during the fiscal year ending June 30, 1867, but for the quarter ending September 30, 1867, the interest on the public debt was stated at \$38,515,640 47, indicating considerable increase of interest, if not of debt, for the current year.

Although the debts of some of the principal governments of Europe exceed the aggregate of our registered debt, the people of this country pay annually a larger interest than is extorted from the people of Great Britain, France, Russia, Austria or Prussia, and a sum nearly twice as large as was required for all the annual purposes of the government before 1860. Yes, sir, the men of this generation grew up under an annual expenditure by the government, to support the civil list, the army and navy, the pension list, internal improvements, and all the other objects to which appropriations were made, of half the sum which is required now to defray the single item of interest. And then direct taxation was unknown. Now the land swarms with tax gatherers, who cut up the substance of the people like locusts. The estimates for the War and Navy departments and the civil list for 1868 is \$182,000,000, which is more than five times as much as the actual cost of the same service in 1860.

That the people should be restive and uneasy under such extraordinary burdens is not to be wondered at. Nor is it strange that this monstrous debt depresses industry and enterprise. It rests like an incubus upon the labor of the people, and if it is ever paid their labor must pay it; for, though labor is not the only source of value (time, place, and circumstances may all be sources) yet it is the great, the chief source of all individual and national wealth. It is fashionable to discourse largely on the wonderful resources of this country; and it is true, indeed, that a bountiful Providence has given us a vast extent of fertile lands, and inexhaustible minerals that match the wealth of all the world besides, but what are all these resources except as the hand of labor cultivates and develops them?

The fertile fields, if the farmer plows them not, the rich minerals, if the miner digs them not, will never pay a dollar of the debt. I want to emphasize this. I would have the government and all its creditors realize how entirely they depend on the producing classes of the country, the laborer, whether he tills the soil, or delves in mines, or toils in shops and factories. Even gold itself derives its value from the labor necessary to produce it. Were it as common as stones, and as easily picked up, it would be no more valuable than stones. And then see what a load of debt we have laid on labor! It has to bear municipal and State taxation, support and educate children, build up homes and construct highways; and yet the Federal government taxes the citizen higher than either England or France tax their subjects. I have seen a comparative statement of our taxes and those of England and France for the fiscal year 1866, reckoning both in our currency, as follows:

English taxes, \$0.09 per ct. on valuation.	
U. S. taxes, 3.93	
English taxes, \$10.92 per capita.	
French taxes, 7.97 per capita.	
United States taxes, 16.90 per capita.	

Thus it appears, sir, that we have, in the last few years, outgone the principal nations of the Old World in charging industry with annual interest and in imposing general taxes upon our people. In 7 years we have built a pyramid of debt like that which it took them more than seven hundred years to rear. And now, the party under whose administration these burdens have fallen upon the people, have resting upon them the responsibility of devising measures of relief. To their wisdom and statesmanship the country has a right to look for such reasonable and practical measures as shall increase revenues while they lighten taxes, and shall stimulate and reward industry and enterprise. But those of us who have been sent here by Democratic constitutions are bound to contribute our best counsels to the dominant party. We have no right to say to the Republicans, your sectional principles and policy brought on secession and war, and overwhelmed the country with debt and taxation, and now, without our help, extricate the country as best you may, from the difficulties into which you brought it. However just such language might be by a party out of power, individuals who are placed in responsible positions, though they may belong to a party that is out of power, are bound to advise, and counsel, and warn, according to their ability, for the good of all

parties and of the whole country. They have no right to fold their arms and let the ship of State drift to destruction because they are not at the helm. If they see dangers ahead they are obliged to point them out, and then, if the dominant party will persist in running us upon rocks and shoals, all that can be done for the masters of the crew to throw them overboard and restore the ship to those who have safely guided it through many storms and dangers. In discharge of my personal duty I proceed, therefore, to point out certain general views and principles which ought never to be lost sight of by those who have the power to give shape to public measures—general views and principles upon which the public debt and its incidents and consequences ought to be treated.

And first, the public debt should not be regarded as a permanent fixture, to descend to posterity, but should be put in process of liquidation, so as to be paid off or reduced within manageable proportions during the present generation.

The author of all mischief never invented a worse falsehood than the saying that a national debt is a national blessing. Debt is no more a blessing to a nation than to an individual, and most of us know how it oppresses the individual man, cramping his energies, depressing his ambition, and virtually making him a slave, if not of his creditor, of his circumstances. "The rich ruleth over the poor, and the borrower is servant to the lender."

However congenial a great national debt may be to monarchical institutions which rest upon the principles of primogeniture and an hereditary aristocracy, no representative and popular Government like ours can be truly independent beneath such a load of debt as has been piled upon us. Why, sir, at this moment we are restrained from buying territorial additions, and from exploring the extent of the precious metals in the public domain, and from other necessary and advantageous expenditures, by the presence of this debt. It stands like a hideous spectre in the path of our progress. And suppose we had to resent a national affront, or vindicate a national right, by war; suppose, for example, what is quite supposable, that to compel European nations to respect the doctrine of expatriation, upon which our system of naturalization is built, we would find it expedient to adopt a belligerent policy, would not this debt tend to make us timid, obsequious, self-sacrificing? I fear it would make some politicians

"Creak the pregnant hinges of the knee,
Where thrift may follow fawning."

I have said, sir, that if the debt be ever paid labor must pay it; but to enable labor to do its work it must have the assistance of capital; and capital, habitual, is scared away from enterprises of pitch and moment by this overshadowing cloud. At this moment every industrial interest in the country languishes, and every look out into the future discourages both capital and labor. Between capital and labor there is, naturally, not only no antagonism, but a strong elective affinity, which, if undisturbed by repelling forces, will draw them into harmonious co-operation. A national debt is the worst of all repelling forces. In England and France individual wealth may be invested in public funds without material injury to labor, because the Government becomes the employer of labor and dispenses the wealth which is lent to it; but with us the Government is and ought to be confined to its appropriate functions as a political power, and can engage in no internal improvements or public works, which are not necessary for common defense or ordinary governmental purposes. All the wealth, therefore, which the Government concentrates in public loans is so much withdrawn from the common vocations of life and from the rewards of labor. When, as in the instance before us, a system of banking is based upon the Government bonds and the Government abstracts from the labor of the country a gold interest to pay to the bankers, who sell it at a premium and divide the profits among themselves, the public debt becomes a peculiar curse to the people. The only currency which the banks furnish the people is a depreciated paper currency, which has the effect of enhancing the price of all the necessities they consume, while they return to the banks a coin interest to swell the profits of these favored corporations.

But a more comprehensive objection to a permanent public debt is its consolidating power. This is strikingly illustrated in England, where, under the operation of their public debt and their system of intestacy, an aristocracy has grown up which possesses most of the wealth of the country and controls its legislation. This moneyed aristocracy has ground the millions down into abject poverty. Dwelling in mansions of regal splendor, it has sent labor to eat its scant meal and sleep its hard sleep in small and mean cottages, sometimes made of mud, and often with no roof but a thatch and no floor but the ground. Ill smothered discontent and often open outbreaks of popular passions have been the consequences of the false relation that exists between capital and labor in that country. Hence the necessity for a standing army, an armed police, and a hiring constabulary to keep the

people in order and to enable capital to wring the last drop of sweat from the brow of industry. All this, I repeat, may be well enough for a monarchy, but let not our simple republican institutions fall under the control of a moneyed aristocracy, else the people of this country will share the fate of their kindred in the mother country. Everything which tends to a consolidation of money power, or political power, is inimical to the principles and genius of our American liberty. Our system of intestacy is one of the best institutions of the country, for it diffuses the accumulated wealth of families; but charters of incorporation avoid and defeat the operation of the intestate laws. When we see a vast array of banks, based upon a great public debt, and rapidly accumulating wealth, while the people at large are embarrassed to pay their taxes, we may well take alarm and conclude that if we would preserve and perpetuate republican institutions we must get rid of that debt.

I do not propose to pay the debt at once. It is too big to be wiped out suddenly, but we can place ourselves upon sound principles, which, if steadily adhered to, will extinguish the debt within the lifetime of living men. And the moment the world sees that we have adopted a system of finance that shall be based upon the world's measure of values, that we have begun to retrench expenses in earnest, that we have levied such reasonable taxes as can be collected, and that we consider no debt paid until it is redeemed in gold and silver, our debt, great as it is, will, for all practical purposes, disappear. It will be virtually paid from that hour.

My next observation is that Government bonds ought to be taxed as bonds. The text of several of the acts of Congress under which they were issued exempts from State and municipal taxation, but not from taxation for the purposes of the Federal Government. The income derived from them by our own citizens, I believe, included in taxable incomes, but as distinct forms of property they have escaped taxation, while all other forms of property have been laid under contribution to pay interest on these very bonds, and to support the Government, which gives them all the value they possess. This is not equitable or just.

But it will be said these bonds were placed in the market and sold with the understanding, express or tacit, that they were not to be taxed. Sir, the taxing power is vested in Congress as a trust for the people, to be exercised for their protection and benefit, but not to be aliened, mortgaged, or given away. No former Congress could take the taxing power away from this or any other future Congress. The dead cannot bind the living. This Congress assembled with all its constitutional functions and powers unimpaired by what former Congresses or Treasury agents had said or done in respect of the taxing power. "Congress shall have power to levy and collect taxes," says the Constitution, and to argue that we have not this power, because of what our predecessors did, is to make the Constitution repealable by an act of Congress or a Treasury circular. The taxing power is the vital breath in the nostrils of the Government. If it may be suspended in respect of one form of property, it may in respect of all other forms of property, and thus be extinguished, which would be suicide of the Government.

But if the power exists, it may be ill faith, a sort of repudiation to exercise it. Not so. The public creditor knows what the legislative powers of the Government are when he lends his money, and he takes the risk of a constitutional exercise of those powers. Salaries are fixed by law as solemnly as these bonds promise to pay, and judicial salaries are protected from diminution by the Constitution, yet the Government does not hesitate to tax salaries, and nobody reproaches it with repudiation. The fact is, all forms of property, whether they be houses and lands, stocks, bonds, or offices enjoy governmental protection, and therefore owe the correlative duty of support to the Government. This is the principle upon which the foreign bond holder can be justly taxed. His property, so far as it is invested in bonds, is here to be protected and defended by our Government. What he holds in his strong box across the ocean is only the title deed, the evidence and sign of the thing signified. The substance is here in our hands, to be guarded, preserved, and returned; and as all these are governmental duties, whatever and whoever enjoys governmental protection is bound to contribute to the support of Government. Nor will there be any expensive machinery necessary to collect this tax, for it can be deducted from each coupon as it falls due, and go directly to the relief of the Treasury. It will tend also to equalize and render uniform all public burdens, and thus take away the irritating contrast that is now presented between Government bonds and other forms of property the invidious discrimination between bond holders and tax payers in general.

My third observation is, that we should fix a time for the resumption of specie payments, first, of all sums not exceeding twenty dollars, and a more distant day for all other sums. The advantage of doing this now by a declaratory act would be to

give the country notice to prepare for specie payments, and such is the elasticity and adaptability of our people that they could, with ample notice, prepare for this return to our normal condition without material sacrifice or inconvenience. The proposition includes, of course the repeal of so much of the act of Congress of 25th February, 1862, and of subsequent acts, as made Treasury notes legal tenders in payment of debts. By the act of 1862 \$150,000,000 were authorized, and by subsequent acts some five hundred and fifty millions more—making an aggregate of some seven hundred millions of irredeemable notes that were made legal tenders in payment of debt. How many of these notes have been issued and are still outstanding I am unable to ascertain from the official reports, but they entered at once into the circulation of the country, and were used to pay off all debts that had matured. Ground rents and mortgages were paid off to a vast extent in Pennsylvania—debtors hunting their creditors as keenly as, in other circumstances, creditors pursue debtors. As these notes have not averaged in value more than from sixty to seventy cents in the dollar, and yet were made legal tenders at par, it is apparent that the debtor who used them saved a third of his debt and his creditor lost it. And yet all the debts of the country, except such as stipulated for payment in specific articles, were contracted on the specie basis, and were redeemable, before these acts of Congress were passed in nothing but gold and silver coins. If these coins were expressly stipulated for in the contract, of course the legal obligation existed to render them, but if they were not expressly stipulated for the creditor had a right to demand them, for nothing else was a legal tender. When Congress created another legal tender, worth only two thirds as much as that upon the faith of which contracts had been made, they tempted every debtor to use the cheaper and baser currency to pay his debts, and they annihilated a third of the debts of the country. If any man would measure the sacrifice and have of private rights which this legislation has caused let him inquire into the aggregate of debts public and private, State, municipal, corporate and individual, that have been extinguished by greenbacks, and a full third of that aggregate may be regarded as lost to the country, confiscated, annihilated.

And now it is proposed to pay off the five twenty bonds, which bear a six per cent. interest in coin, with these greenbacks that bear no interest, and it is argued that the text of the act of 1862 authorizes this to be done. I believe this suggestion originated with Mr. Pendleton, of Ohio, but it has found an able defender in this House in the person of the member from Massachusetts, [Mr. Butler.] The gentleman from Ohio [Mr. Cary] also favors the suggestion, and indeed he seems to think greenbacks are a better currency than gold and silver. The gentleman from Massachusetts [Mr. Butler] is not faithful to the cause he has espoused when he admits that the indebtedness of the Government, antecedent to the act of 1862, must be paid in coin, and the reason he gives, to wit: That that indebtedness was contracted on the specie basis, would have applied to the millions of private and corporate debts that have been paid in greenbacks. Does not the honorable gentleman know that the courts have decided that the act of 1862, the first legal tender law, applies to all antecedent debts, public and private, even those expressed to be payable in coin? Interest on the public bonds and duties are the only exceptions mentioned in the act. All other debts, public and private, are within its sweep. And though loans created by subsequent acts, which stipulated for coin, would not be within the operation of the legal tender acts, these prior loans, which the gentleman so carefully excepts, would be, if we take the acts, as we are bound to take them, according to the judicial interpretation they have received.

The question, then, is a somewhat larger one than the honorable gentleman seemed to suppose. It is no less than this: whether not only all the five twenties but all prior loans shall be paid in greenbacks? Obviously the interest on these bonds cannot be so paid, for the act of 1862, in establishing the paper legal tender, expressly saves interest on Government bonds. This item of interest, being expressly excepted out of the enacting clause, cannot be paid in greenbacks and must be paid in coin. But as to the principal of all bonds except those issued under acts of Congress subsequent to legal tender acts, the question is, does the law authorize the payment of them in greenbacks? This question touches the \$500,000,000 authorized by the act of 1862 and whatever has been authorized by prior acts, and it must be confessed that the phraseology of the act of 1862 favors the proposition to make them payable in greenbacks. It does not prescribe coin for any debts except interest and duties, and it does make Treasury notes legal tenders in payment of all claims and demands against the United States of every kind whatsoever, except for interest on bonds, and it declares also that they shall be lawful money and a legal tender in payment of all debts public and private within the United States,

except duties on imports and interest as aforesaid."

If Congress had power to make such an enactment most, certainly the holders of five twenty bonds, and of all previous bonds have no more right to complain that they are paid in greenbacks than all other private creditors had, and their complaints were unheeded. The words of the enactment are large and comprehensive enough to include these bondholders, and it is impossible to conceive of any equity they have, above other creditors, to be taken out of the enactment. The gentleman from Maine [Mr. Blaine] was at considerable trouble to show from our current history that the bonds were negotiated with the understanding that they were to be redeemed in coin; but it has been well answered that the advertisements and circulars issued by the Secretary of the Treasury or any of his agents cannot alter the tenor of the law upon the faith of which the bonds were issued. That law was open to the purchaser of the bonds, and it must be presumed he purchased subject to it.

The gentleman from Ohio [Mr. Cary] has discovered, at length, that the bondholders did not buy their bonds upon any high and patriotic motive, but simply as a speculation. Then it is no hardship to treat them as we treat the soldier who fought our battles, and the soldier's widow, the day laborer, and all the other most meritorious creditors of the Government.

So long, sir, as you will maintain two legal tenders, or diverse values, I shall vote for paying "all debts," not expressly excepted, in the cheapest of those tenders. If you will pay the most meritorious creditors of the Government in greenbacks; they are good enough, in my judgment, for those bondholders whom the honorable gentleman from Ohio [Mr. Cary] has found to be no more patriotic than other people.

But, sir, I do not believe that Congress had any constitutional power to make greenbacks a legal tender. I know the courts of last resort in several States have decided the act of 1862 to be constitutional, by a bare majority of judges, and the Supreme Court of the United States have not yet passed upon the question. So far as the judicial mind of the country has been expressed upon the subject, I confess myself bound to regard the act as constitutional, and would, therefore, for the present vote for applying it to all debts, public and private, which are not excepted from its operation; but believing it to be of evil example, destructive of that good faith which should belong to all contracts, violative of the constitution, I rights of citizens, and not within the delegated powers which we as sent here to exercise, I would wipe all such stains out of our statute book. The effect of repealing that bad legislation would be happy in many respects. It would take away the ugly question started by Mr. Pendleton and so fiercely discussed on this floor, because, instead of leveling the bondholder down to the other creditors, it would level the other creditors up to the bondholder. It would bring us back to gold and silver, the constitutional currency, which I was sorry to hear the honorable gentleman [Mr. Cary] sneer at as "hard money" and "the idol of the Democratic heart." It is hard, to be sure, hard to get and hard to keep, but while you keep it, it is so hard that it will not perish on your hands. That it is Democratic money is also true, because it is constitutional, and I need not tell so intelligent a gentleman as my friend from Ohio that all things which are constitutional are Democratic.

And if we would repeal this law by easy stages, as I propose, it would occasion the country no shock; while if it should happen to be knocked in the head in the Supreme Court, the multifarious interests that are bound up in it would for a time be greatly damaged. These are my reasons for suggesting immediate steps for a gradual repeal of a law that has done us more dishonor and injury than any other enactment of our day.

I will not to day argue the constitutional question, but I wish to bring to the notice of the committee the collection of the thoughts which led to the enactment of the legal tender law of 1862, as contained in the report of the Comptroller of the Currency, which has been laid upon our desks. If gentlemen will look into that report they will see that all the leading members of both Houses placed the law, not upon the Constitution, but upon "uncontrollable necessity," "the unusual exigencies of the country," "necessity, not choice." Mr. Sherman, of Ohio, brot out sharply the prevailing thought when he said, "The Senator from Vermont, [Mr. Collamer], whose opinion is certainly entitled to the highest consideration, and who supports it with an able argument, contends that this measure is unconstitutional. 'I confess,' he adds, 'if I did not feel its necessity, I would shield myself behind his conviction and vote against it.'" Not a voice seems to have been raised in behalf of the constitutionality of the measure, but the necessities of the time, real or imagined, were permitted to get aside the Constitution. And such has been the line of argument in the courts, as if necessity were a higher law than the Constitution. I will not enter