

## THE UNSOLVED PROBLEM.

## McCULLOCH ON THE CURRENCY.

## NATIONAL FINANCE.

THE CURRENCY AND THE TARIFF—AN OPEN LETTER FROM AN EX-Secretary OF THE TREASURY.

The Hon. Hugh McCulloch has addressed the following letter on the national finances to gentlemen in Cincinnati, who had invited him to give a public expression of his opinions on that subject. The letter as given in the Cincinnati papers of yesterday is as follows:

## THE CURRENCY.

My opinions on the subject of currency are well known to those who took the trouble to read my Fort Wayne speech, and my reports as secretary of the treasury from 1863 to 1869. The opinion I there expressed, in language as strong and unequivocal as I could command, have not been changed or modified. On the contrary, the more I have thought and reflected, I see further observation and reflection. I thought it to be the duty of Congress, considering the subject in its moral as well as its financial bearings, to adopt its decisive and effective measures to bring about a speedy solution and the time for the adoption of these measures was at the close of the war. I did not think that "the way to prepare to resume specie payments was to resume," but I did not think it of vital importance to do so. I thought the restoration of the specie standard should be the end and aim of all legislation bearing upon the subject of the currency. My conviction was clear and decided that this could only be effected, within any reasonable time, by the adoption of a broad and decisive measure, by which the paper currency that had recently occurred would overwhelm the country, by retiring so much of the paper currency in circulation as would be necessary to bring the results to pass. I thought that this could be accomplished without any legislation of the apprehended disaster to the business of the country, and without affecting in the least the real value of property: that by a curtailment of the amount of inconveniences notes in circulation, the remainder would be proportionately increased, and that consequently the amount of real money in circulation would not be thereby diminished; that the measuring of property by a fixed standard could not fail to be a great convenience to the standard since it is. There was it seemed to me, but one class in the community—the debtor class—who could be benefited by a depreciated currency, and I was anxious that, decided as I was to withdraw the paper currency, a currency should be taken immediately after the close of the war, when individual indebtedness was less than it had been for many years. It seemed to me also that the injury to the country by a reduction and consequent depreciation of the standard of value was less than was feared by them; that what honest and energetic debtors needed was not legislation to enable them to pay their debts in a depreciated currency, but legislation that would give authority to collect, not speculate on property and stability to business; that as, in fact, one debt in the course of trade usually paid by the creation of another, and the general indebtedness of the people is not ordinarily from year to year, but from a long time past, it is difficult to see in so serious a danger being injured by the elevation of the standard values, and that injury would be small in comparison with that which has been inflicted upon creditors through

## THE LEGAL TENDER ACT,

which compelled them to receive in satisfaction of existing contracts a currency of far less value than that which was the only lawful money at the time they were made, and who generally bore their losses without murmuring as a sacrifice required by the government in its struggles with a gigantic rebellion. At that time, in language which made up by explicitness what it may have lacked in strength, I pointed out the danger and the iniquity of a depreciated and irredeemable and depreciated currency. By every argument I could make, and every illustration I could bring to bear upon the subject, I endeavored to prove in each of my reports that a depreciated currency was, in my judgment, to be any thing else than a complete unmeasurable sacrifice to the people, morally and financially; that it regard to such a currency there could not be "standstill-until-the-country-grows-up-to-it" policy; that it was impossible to have a revenue from specie payments, or by unwise laws, or by dithering without chart or compass, we should find ourselves upon financial breakers before we were conscious of immediate danger. In my earliest reports I reported a question in a free talk with my Fort Wayne friends, I remanded that while I regarded an extensive metallic currency among an enterprising and commercial people as impractical thing, I regard an extensive paper currency as an evil which, in extreme circumstances for a nation which render a necessity, but which should never be sustained as a policy; that the legal-tender notes were issued as a war measure, and as such were to be regarded as a temporary emergency measure should be taken for obtaining these notes altogether, or bringing them up to the species standard; that I had no faith in property that was based upon depreciated paper money, and that I saw no path to treat but that of an early and appropriate resumption (1865-6), authorizing the funding of the legal-tender notes, and the work of resumption should be commenced and carried on resolutely but carefully and prudently, we should reach the solid ground of a new currency, and not come to a standstill without embarrassment to legitimate business. If we might have a brief period of hollow and sedative prosperity, resulting in wide spread bankruptcy and disaster. Such were my sentiments then, and such are they now, in truth, in gentleness, and the returning of it, or, rather, gold and silver are the only standards of value, and as long as we are a part of the great family of nations, and are a commercial people, we can adopt no inferior standard without being grossly the loser by it.

## A SOUND CURRENCY

is the very life-blood of a commercial people. None but bankrupt nations—with the exception of the United States—keep in circulation an irredeemable paper currency—a currency which, in their cases, tends to produce and perpetuate the poverty it indicates. To the United States such a currency is utterly disreputable, since there is not the slightest necessity for it. That a nation so rich as ours, so grand in its resources, so vast in its productions—a nation which has challenged the admiration of the civilized world by the rapid reduction of its public debt, commanding that reduction at the close of a war the most expensive that has ever been carried on, and actually reducing it, notwithstanding the rate of nearly two billion dollars a year—that such a nation should for so long a period maintain a depreciated circulating medium, made lawful money by statute, the species standard, is a mystery.

The species standard ought to have been stored before now, and I believe it will have been if that great power in the land, the press, had given the doctrine enunciated by the treasury department from 1863 to 1869 the hearty endorsement it has given to similar doctrines when proclaimed by the president in 1874. If the financial trouble that has come upon us, and the consequent prostration of business in nearly all branches of trade, notwithstanding the violent fall of currency, and the consequent fall of money, they will not be entirely without compensation. It required the result of our financial trouble, the result of our financial mistakes—we shall cause a still wider departure from the standard of wisdom and safety.

THE PRODUCTS OF THE WEST

on the seaboard, where prices are usually regulated by the European markets, have fallen in business, is an evidence that those products have not been sacrificed, or sold at home for less than their value, by reason of a scarcity of money. There need then be no apprehension on the part of the West that they will be injured, or that there would be a scarcity of money by reason of the withdrawal of the United States notes, or a reduction of paper currency. For every dollar of depreciated currency that it was, it might jointly be pronounced a crime and a blunder combined.

## THE TARIFF.

I have said as much upon the currency question I have neither time nor space to dwell long upon the tariff. Nor is it necessary that I should, as it is a question which is being discussed by those who have given it to me, and who understand it better. I favor a revenue, not a protective tariff. The present tariff has been highly productive of revenue, and it is therefore conceded that it is, in fact, a revenue tariff; and that, inasmuch as it is a protection tariff, it is to be derived from customs duties; the difference between a tariff for protection and a tariff for revenue must always be more imaginary than real. Now, while it is true that since the tariff of 1857, the revenue of the United States has been heavy, and the revenues from this source have consequently been large, it does not follow that the present tariff, in the proper meaning of the term, is a revenue tariff.

We shall get rid of the United States notes as soon as we can, and when we do we shall have, plenty of it for legitimate uses—leaves or avoids countries that have an inferior substitute for it, no matter what other standard may be, by law or not, the fact may be attempted to be disguised for the sake of property is still regulated by it. The legal-tender act compels the people of the United States to treat the greenback dollar as if it were a dollar in fact, but, except in payment of debts, it is not.

Its value has been forty-five cents; it is now ninety; a year hence it may be ninety-five, or what it may be no man can tell. In the paper dollar, not a dollar that fluctuates, and is, and is an unscrupulous, that fluctuates, and is.

Can it be doubted that it is the duty of Congress to legislate as to make, as soon as

practicable, the paper dollar, of which it authorizes the issue, equal to the gold one? The question then arises, what legislation is required to effect this most desirable result? Our new secretary is a gentleman of ability, and he belongs

to a State in which good financial seed was sown at an early day, as has been proved by her high financial credit and the soundness of her banking institutions. Now, if we have a new currency stock if we were unsound upon the financial question. If the management of our finances were in his hands, I, for one, should be willing to let him do what he could not do for us. The public could pursue the right course to relieve the country from the burden—for so it is of an irredeemable currency. But such is not the fact. His hands are tied. Congress is to determine what shall be our financial policy, and this determination may depend on the result of

## THE APPROACHING ELECTIONS.

As parties now stand, the financial question can not be made a strictly party question, nor will it be, as in the bitter part of the late session it was feared might be the case, a sectional one. It is a question upon which there will be differences of opinion among men of the same party, and the same State. That there should be speedy legislation, and a definite policy established, every who is a gambler in business and desires nothing but further inflation can be worse than unnecessary. The question is not that of the well-being of the country as the currency. It is for these reasons that I now feel at liberty to give my opinion upon the financial legislation that is required. I state my views frankly, not as presenting them, but as a means of reaching a modus vivendi, or what is called a truce, to a general war, not to bring it to a standstill. I thought it to be the duty of Congress, considering the subject in its moral as well as its financial bearings, to adopt its decisive and effective measures to bring about a speedy solution and the time for the adoption of these measures was at the close of the war. I did not think that "the way to prepare to resume specie payments was to resume," but I did not think it of vital importance to do so. I thought the restoration of the specie standard should be the end and aim of all legislation bearing upon the subject of the currency. My conviction was clear and decided that this could only be effected, within any reasonable time, by the adoption of a broad and decisive measure, by which the paper currency should be removed, and the time for the adoption of these measures was at the close of the war. I did not think that "the way to prepare to resume specie payments was to resume," but I did not think it of vital importance to do so. 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