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## THE CLEVELAND BOND DEALS

Ex-President Cleveland, after a silence upon the subject for some ten years, feels called upon to give to the public through the Saturday Evening Post "a detailed history of the crimes charged against an administration that issued bonds of the government in time of peace." He proceeds at great length to describe the situation and the manner of issuing and selling the bonds. To those who investigated the matter at the time, his article presents nothing new, and it is only significant for two reasons—first, because there was no occasion for the making of such an explanation at this time, and, second, because the explanation conceals or misrepresents some of the most important parts of the transaction. The only plausible excuse that can be given for the preparation of the article at this time is that Mr. Cleveland desires a renomination and, keenly feeling the criticism directed against his administration on account of these bond deals, is trying to explain them in such a way as to satisfy the financial element to which he looks for the support of his candidacy. His political opponents in the democratic party ("may their tribe increase") are not alarmed by the article because if the people are "sane" they will think no more of Mr. Cleveland after reading the article, and still less of him if they will consider what he ought to have said, as well as what he did say.

He starts out with a misstatement of the law. He assumes that the greenbacks were redeemable in gold. This is a groundless assumption. The greenbacks called for payment in dollars, and were payable in either gold or silver at the option of the government. The creation of a gold reserve did not obligate the government to redeem its paper in gold. The bonds which the secretary of the treasury was authorized to sell to provide a redemption fund, were coin bonds. Mr. Cleveland sent a message to congress complaining that he could only issue coin bonds, and asking for authority (which was denied) to issue gold bonds. Gold and silver were standard money and every national platform upon which Mr. Cleveland has run recognized gold and silver as the coinage of the constitution. His platform of 1884 so declared; his platform of 1888 reaffirmed the platform of 1884, and his platform of 1892 said: "We hold to the use of gold and silver as the standard money of the country," etc. Coin means silver as well as gold. He issued bonds because at the dictation of Wall street he refused to recognize silver as a standard money. He acted upon the assumption that gold alone was good money, and he permitted the financiers to raid the treasury and force an issue of bonds at the expense of the people. In his attempt to find an excuse, he has searched the law of 1890, and finding there an innocent clause, attempts to make that clause a scapegoat, and blames it with the bond issue. He says:

"It is hardly necessary to say that the assertion in the act of 1890 (the established policy of the United States to maintain the two metals at a parity) had the effect of transferring the discretion of determining whether these treasury notes should be redeemed in gold or silver from the secretary of the treasury to the holder of the notes."

This is mere subterfuge. The clause referred to does not necessarily imply that gold could be rightfully demanded. That is a construction which Wall street has placed upon the section, and Mr. Cleveland simply accepted the Wall street construction. That this was not a necessary construction, or even a reasonable construction, is shown by a quotation from the testimony given by Secretary Carlisle on the 21st of January, 1895, before the house committee on appropriations. The following question and answer bring out the point:

Mr. Sibley: I would like to ask you (perhaps not entirely connected with the matter under discussion) what objections there could be to having the option of redeeming either

in silver or gold lie with the treasury instead of the noteholder?

Secretary Carlisle: If that policy had been adopted at the beginning of resumption—and I am not saying this for the purpose of criticizing the action of any of my predecessors, or anybody else—but if the policy of reserving to the government at the beginning of resumption, the option of redeeming in gold or silver all its paper presented, I believe it would have worked beneficially, and there would have been no trouble growing out of it, but the secretaries of the treasury from the beginning of resumption have pursued a policy of redeeming in gold or silver, at the option of the holder of the paper, and if any secretary had afterwards attempted to change that policy and force silver upon a man who wanted gold, or gold upon a man who wanted silver, and especially if he had made that attempt at such a critical period as we have had in the last two years, my judgment is, it would have been very disastrous. There is a vast difference between establishing a policy at the beginning, and reversing a policy after it has been long established, and, especially, after the situation has been changed.

It will be seen that Secretary Carlisle blamed preceding secretaries of the treasury. He did not blame the law, and this, it must be remembered, was after Mr. Cleveland had issued his bonds—after Mr. Cleveland had made the deals with Morgan, Belmont and Rothschild. Carlisle, it seems, had never discovered the clause to which Mr. Cleveland refers, and upon which he relies. He blames preceding secretaries for establishing the precedent, and hides behind the excuse that the precedent having been established, he was not able to disregard it. He even went so far as to say that in his opinion it would have worked beneficially if the government had reserved the option of redeeming in either gold or silver.

This testimony of Mr. Carlisle's convicts Mr. Cleveland of having manufactured an excuse AFTER HE HAD DONE THE THING WHICH HE IS NOW TRYING TO EXCUSE. From the testimony of Mr. Carlisle it appears that previous administrations surrendered the option which the law gave to the government, and Mr. Cleveland's administration refused to resume the option and thus protect the public. From Mr. Carlisle's testimony it is also apparent that no distinction was made between the greenbacks and the Sherman notes. The distinction created by Cleveland's article is an afterthought, a distinction created for the purpose of unloading upon some one else the blame for his disgraceful bond transactions. Again Mr. Cleveland says:

"Manifestly, in the face of this assertion of the government's intention, a demand for gold redemption on the part of the holders of such notes could not be refused, and the acceptance of the silver dollars insisted upon, without either subjecting to doubt the good faith and honest intention of the government's professions, or creating a suspicion of our country's solvency. The parity between the two metals could not be maintained, but, on the contrary, would be distinctly denied, if the secretary of the treasury persisted in redeeming these notes, against the will of the holders, in dollars of silver instead of gold."

Here, too, Mr. Cleveland is assuming a fact that he cannot prove. In France gold and silver are maintained at a parity at the ratio of 15½ to 1, and the Bank of France exercises the option, and pays in whatever coin it desires. If the bank officials think that an attempt is being made to secure too much gold for export, they refuse to pay in gold, or offer to pay part in gold and part in silver. By thus exercising the option they are able to protect their gold reserve, and they do not raise a doubt as to the good faith and honest intention of the government, nor do they

create a suspicion of the solvency of either the country or the bank. Instead of strengthening silver by using it as full legal tender standard money, Mr. Cleveland constantly discredited it and discriminated against it.

Mr. Cleveland does not think for himself on the money question. He accepts the ready-made opinion of the money changers and permits them to do his thinking for him. Whatever they want done is, in his opinion, "manifestly" proper, and with him it is "hardly necessary to say" that what they want done should be done.

It has been currently reported that Mr. Cleveland's first secretary, Mr. Manning, prevented a raid upon the treasury gold by announcing that he would pay in silver if the financiers attempted to draw out gold. The threat was sufficient and it raised no doubt as to the government's intentions, and it created no suspicion of insolvency.

Mr. Cleveland describes with some minuteness his struggles to keep gold in the treasury, and there is a refreshing innocence in his narration of the way in which the purchasers of bonds drew from the treasury the gold with which to pay for the bonds. It is difficult to understand how any one with sense enough to save him from incarceration in an institution for the imbecile would permit the withdrawal of gold for the express purpose of purchasing bonds that were issued to obtain gold. And yet Mr. Cleveland, in a really serious vein, explains that the treasury was depleted by the purchasers of bonds, and that it was for this reason that he stipulated in the Rothschild-Morgan contract (the contract was drawn by his former law partner, Mr. Stetson, and gave a large profit to Morgan, Belmont and Rothschild) that at least half of the gold purchased with the bonds should be imported. This, however, was no real protection, because it simply enlarged the circle without at all breaking that circle. The papers at the time reported some amusing instances. In one case a bond buyer presented some greenbacks and Sherman notes and called for the gold with which to pay for his bonds. They told him at the sub-treasury office in New York that he could not make the exchange in the building, so he had to cart the gold across the street to his office, and then cart it back again, and he complained that he was thus put to the expense of carting both ways. His protest was a reasonable one, for if the government would let him draw out gold and take it across the street to his office, and bring it back and deposit it in payment for bonds issued for the sole purpose of securing gold, why would not the government let him make the exchange in the room?

In explaining the Morgan-Belmont-Rothschild contract, Mr. Cleveland says that he could have sold gold bonds on terms that would have netted the government \$18,000,000 more than the coin bonds did, and yet in spite of the fact that the purchasers of the bonds charged \$18,000,000 difference between coin and gold bonds, Mr. Cleveland has always insisted that the bonds should be paid in gold. In other words, after the bondholders had charged for the risk, they were to be saved the risk and given the amount charged as a gratuity.

Mr. Cleveland says that while the bonds sold under the contract were sold at a lower rate than bonds sold at auction, he believes that the government got an advantage equal in value to the difference paid, in that Morgan and Belmont were able to regulate the rate of foreign exchange and lessen the depletion of the treasury. In other words, he charges that the government was in a helpless condition and had to hire two financiers, at a high price, to take care of its interests, and he admits that he preferred to hire Morgan and Belmont rather than exercise the rights conferred upon the administration by law, namely, the right to redeem coin obligations in silver.

In addition to misrepresenting the law and the consequences of silver redemption, in addition to defending the Morgan-Belmont-Rothschild contract, he deliberately covers up one of the most