

THOUGHTS ON FINANCE BY THE
FOUNDERS.

I.

Opinion on paper money, as expressed in 1786 by Thomas Paine, the author of "Common Sense."

"The laws of a country ought to be the standard of equity and calculated to impress upon the minds of the people the moral as well as the legal obligations of political justice. But tender laws, of any kind, operate to destroy morality, and to dissolve by the pretence of law what ought to be the principle of law to support, reciprocal justice between man and man; and the punishment of a member who should move for such a law ought to be death."*

II.

The money of the constitution.

In the interpretation of words a cardinal rule is, to conform to usage. In 1787 every English dictionary defined "money" as metallic coin; and therefore as metallic coin, it must be interpreted in the clause which authorizes the legislature of the United States to borrow money. A second cardinal rule of interpretation is, where a word is used in the same document more than once, it is to be interpreted in every instance as bearing the same meaning, unless there is an obvious and incontrovertible reason to the contrary. The constitution of the United States authorizes their legislature to coin money; and of the meaning of the word in that clause, no doubt can exist.

III.

From a speech of Charles Pinckney, May 20, 1788, in the convention of South Carolina.

"I apprehend these general reasonings will be found true with respect to paper money:—That experience has shown, that in every state where it has been practiced since the revolution, it always carries the gold and silver out of the country, and impoverishes it; that while it remains, all the foreign merchants, trading in America, must suffer and lose by it; therefore, that it must ever be a discouragement to commerce; that every medium of trade should have an intrinsic value, which paper money has not; gold and silver are therefore the fittest for this medium, as they are an equivalent, which paper can never be; that debtors in the assemblies will, whenever they can, make paper money with fraudulent views. That in those states where the credit of the paper money has been best supported, the bills have never kept to their nominal value in circulation;

*Thomas Paine. Dissertations on Government, &c. Phila. Feb. 18, 1786. The Political Writings of Thomas Paine, &c. in 2 vols., Davidson's Charlestown Ed. Vol. I. 407.

but have constantly depreciated to a certain degree."—Elliot's Debates, IV. 334.

IV.

Conduct of the great Frederick of Prussia.

During the seven years war, in which Prussia under its patriot king had to fight for existence, Frederick struck off and circulated silver thalers of less intrinsic value than the established coin. For this he did not pretend a right as a sovereign prince; but pleaded necessity; and, after peace came, he exchanged the debased coin for others of purity and full weight.

V.

The instruction on paper money, taught in Russia to its grand dukes.

I have not fallen upon any Russian opinion on paper money given so early as 1788; but Henry Storch, master of political economy, who was selected by the imperial house to be the tutor and instructor of the two brothers Nicholas and Michael, of whom Nicholas became the czar, taught them sound lessons in political economy. These he afterwards published, dedicating his work to them.

On paper money his instructions were: "This deadly invention may be looked upon as the greatest chastisement of nations; and nothing but the most commanding necessity can justify its use in the eyes of reason." "Abuse is almost inseparable from the use of it." "When necessity orders to put an end to it, the order comes always too late."*

VI.

Opinion of John Adams on paper money. Jefferson and Destutt de Tracy.

I have always thought that Sir Isaac Newton and Mr. Locke, a hundred years ago, at least, had scientifically and demonstratively settled all questions of this kind. Silver and gold are but commodities, as much as wheat and lumber; the merchants who study the necessity, and feel out the wants of the community, can always import enough to supply the necessary circulating currency, as they can broadcloth or sugar, the trinkets of Birmingham and Manchester, or the hemp of Siberia. I am old enough to have seen a paper currency annihilated at a blow in Massachusetts, in 1750, and a silver currency taking its place immediately, and supplying every necessity and every convenience. I cannot enlarge upon this subject; it has always been incomprehensible to me, that a people so jealous of their liberty and property as the Americans, should so long have borne impositions with patience and submission, which would have been trampled under foot in the meanest village in Holland, or undergone the fate of Wood's halfpence in Ireland. I beg leave to refer you to a work which Mr. Jefferson has sent me, translated by himself from a French manu-

* Storch, Economie Politique, II. 408, 109, 412.

script of the Count Destutt de Tracy. His chapter "of money" contains the sentiments that I have entertained all my lifetime. I will quote only a few lines from the analytical table, page 21.

"It is to be desired, that coins had never borne other names than those of their weight, and that the arbitrary denominations, called moneys of account, as £, s., d., etc., had never been used. But when these denominations are admitted and employed in transactions, to diminish the quantity of metal to which they answer, by an alteration of the real coins, it is to steal; and it is a theft which even injures him who commits it. A theft of greater magnitude and still more ruinous, is the making of paper money; it is greater, because in this money there is absolutely no real value; it is more ruinous, because, by its gradual depreciation during all the time of its existence, it produces the effect which would be produced by an infinity of successive deteriorations of the coins. All these iniquities are founded on the false idea, that money is but a sign."

Permit me to recommend this volume to your attentive perusal.†

VII.

Extract from a speech delivered by Daniel Webster in the senate of the United States, on the 21st of December, 1836, on the subject of the Specie Circular.

"Most unquestionably there is no legal tender, and there can be no legal tender, in this country, under the authority of this government or any other, but gold and silver, either the coinage of our own mints, or foreign coins, at rates regulated by congress. This is a constitutional principle, perfectly plain, and of the very highest importance. The states are expressly prohibited from making anything but gold and silver a tender in payment of debts; and although no such express prohibition is applied to congress, yet as congress has no power granted to it, in this respect, but to coin money and to regulate the value of foreign coins, it clearly has no power to substitute paper, or anything else, for coin, as a tender in payment of debts and in discharge of contracts. Congress has exercised this power, fully, in both its branches. It has coined money, and still coins it; it has regulated the value of foreign coins, and still regulates their value. The legal tender, therefore, the constitutional standard of value, is established and cannot be overthrown. To overthrow it, would shake the whole system. The constitutional tender is the thing to be preserved, and it ought to be preserved sacredly, under all circumstances."*

VIII.

Opinions of John Marshall.

The inflexible adversary of paper money, detesting it with a hatred almost

† John Adams to John Taylor, of Caroline, Quincy, 12 March. 1819, Life and Works, X. 375. * Works, IV. 271.