

MONEY AND THE CONSTITUTION.

[The following letter was written to Colonel A. B. Farquhar of York, Pa.]

Your comprehensive statement of the economic principles which underlie the practical use of money is admirable. Your qualified adoption of the national bank system is conservative, and your statement of the evils which grew out of the state bank system is fair. Yet I do not think that you have stated all which can be said upon the subject, and that you omitted some evils of the national bank system which have been felt before and which will be felt again, and may result in the termination of that system.

1. The only basis of that system under our government, as declared by the supreme court, is that under proper conditions it may be a necessary instrument to borrow money, power for which is granted under the constitution, with such additional powers as are necessary to carry that power into effect, of which congress is made the judge, when they tend toward that end. It is obvious, therefore, that the system can exist only under temporary and extraordinary contingencies. It has been the unwritten law of this country that the government shall pay its debts which in the case of banks are the bonds under which the currency is issued and for which they are the security. If the debt is paid, that form of currency must terminate and a consequent shrinkage of one kind of money, or what is used as money, must ensue. That was one of the difficulties with which Mr. Cleveland's administration had to contend; and if we continue to pay debts, some future administration will have to meet the same difficulty.

Power Too in The Constitution.

2. Although such a power was never contemplated by its framers, and under a just construction does not exist in the constitution, we cannot escape the fact that under the stress of a war involving the existence of the government, a partisan supreme court decided that the government had the power to issue legal tender notes. I do not believe that at the present day such a decision could have been rendered; but the fact remains, that not once, but several times, the supreme court has committed itself to this unfortunate doctrine, and that it has permeated the financial ideas of the country. The question then naturally arises, and is based upon sound reason: Why pay interest on bonds and allow banks to issue currency for which the government is ultimately liable, when the government can save the interest by directly issuing the currency?

Paper Money The Basis of The Populist Party.

The facts are that legal tender paper money and the alleged unnecessary issue of bank notes are the true basis of

the populist party, which has swallowed up and adopted the name of the democratic party; that neither legal tenders nor national banks were contemplated in the constitution; that they exist for temporary contingencies by construction, under implied powers, and should naturally pass out of our systems with the contingencies which brought them into existence; that our systems, both state and national, are permeated by the philosophic idea that they should not engage in any undertaking or business which the people can carry on for themselves, and that particularly the national government is one of limited powers comprising such only as are necessary for its own existence, and such as are necessary for the whole union and can not, therefore, be exercised by the states.

Government Paper Simply Demand Notes.

3. Bank paper and government paper are simply demand notes and have no element of money except that of circulating on the credit behind them. They were invented in ancient times by usurers, and in the mediæval ages were adopted by the goldsmiths in connection with their loans. Under natural conditions, private individuals, therefore, have as good a right to issue them as governments or banks. In fact, while a natural incident of banking, they have no necessary connection therewith. I have sometimes thought, that under the present development of banking, it would be wise for both the national and state governments to remove their hands from the business, and permit this branch to take the same course as all other branches of the credit system; we would have a natural use of this form of credit when needed; it would be local as it should be; would be thoroughly elastic; and abuses could be prevented or punished under the police power of government, as other wrongs are prevented and punished. After the demand notes were invented, it did not take long for ambitious governments to discover how valuable an instrument it would be under their exclusive control, to consolidate their power and advance their interests at the expense of the people. It has consequently been a more potent instrument in the promotion of war, increasing taxation, and aiding unrighteous schemes, than any other auxiliary. Our fathers were, therefore, wise in not comprehending this power in the national government. It is possible that they were also wise in taking the power from the state governments, and leaving it in the hands of banks and individuals subject to the police regulation of the states in which the notes were issued. If they were really money, perhaps your contention in favor of national banks would have more weight; but they are not money, and should be treated as money in no

other sense than bonds or checks or time notes are treated as money.

Canadian System an Ideal One.

4. Sometimes the evils of a system appear negatively in the obstacle it presents to the adoption of a better system. You and I believe that the Canadian laws, in most respects, furnished an almost ideal system of paper currency. It is based upon credit, and the credit is based upon actual assets. Under our constitution, in which the power to organize national banks, is limited to the single condition of enabling the government to borrow money, this system could not be adopted as a national system; while under state laws and subject to both national and state police regulations, it can be carried into successful operation. The reason is, that while the general government possesses only limited powers, there are no limits to the powers of the state except such as they have imposed upon themselves.

I think that I know your answer to all this line of thought. You have already given it in your address. The national bank currency has proved to be the best and most convenient we have ever had, let us therefore retain it. It is the old maxim, *quieta non movere*. Do not disturb quiet content. I admit that under the present chaos of political thought it is a valid argument, and that it is the safest political position to take until events indicate the necessity for a better one. Nevertheless it is the highest evidence of statesmanship to forecast the future, to foresee portending evils, and by simple and unnoticed remedies to prevent them in advance; or if you cannot do that, have the cure ready when the emergency shall arise, to permit its application. This brings me to the real subject of this letter.

Societies as well as individuals must have standards. Under the evolution of growth these standards are constantly changing. The standards of the sixteenth were different from those of the fifteenth century; those of the seventeenth were different from those of the sixteenth century, and so on from century to century; and doubtless the standards of the twentieth century will be greatly modified from those of the nineteenth century.

The Fallacy of Vox Populi Vox Dei.

The constitution of the United States is not only the framework of our government, but the standard of our political morals. The late Mr. Gladstone said that it was the most perfect code of government ever framed by the hand of man. So it should have been. Its framers were permitted to draw upon the whole past experience of the race under peculiarly favorable conditions; and perhaps if its framers had drawn it a century later it would have been a still more perfect instrument. It is just this purpose for which constitutions