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Gold Currency,  
and  
Funded Debt

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J. H. Wainwright

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1864





# GOLD CURRENCY

AND

## Funded Debt.

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A LETTER TO THE

HON. HENRY G. STEEBINS, M. C.

OF

Committee of Ways and Means,

BY

J. H. WAINWRIGHT.

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NEW-YORK:

MOHUN, EBBS & ROUGH,

BOOKSELLERS AND PUBLISHERS

79 BROADWAY.

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Feb 22, 1930 <sup>B</sup>

HON. HENRY G. STEBBINS, M. C.,

*Of Committee of Ways and Means,*

WASHINGTON.

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NEW YORK, March 24th, 1864.

MY DEAR SIR:

I forwarded you, some days ago, a copy of a letter, which I took the liberty of addressing to the Secretary of the Treasury in February last, suggesting a plan to obviate the difficulties arising from the accumulation of gold in the Sub-Treasuries, and combining, as I believed, other advantages to the Government.

You were kind enough to say that my plan embodied some points which you might find of value in the then pending discussion on the gold question, but, doubtless, saw reasons, subsequently, to change your views, as in your remarks on the subject in the House of Representatives, you advanced a scheme very different from the one proposed by me, and the adoption by both Houses of the main features of your plan, is a strong proof of their soundness and the ability with which they were advocated.

I am still persuaded, however, that there are in my plan some elements of advantage to the Government, and, with your permission, will endeavor, as briefly as may be, to detail them.

I will premise by referring to two letters written by me to the Secretary of the Treasury, one in January, 1862, the other in February, 1864.

In the former, dated January 1, 1862, previous to the suspension of specie payments, I suggested, as a means of revenue and of avoiding

such suspension, the issuing by the Government, *interest bearing notes, legal tender for their face*, the interest, however, not ratably accruing, but payable at stated periods, and redeemable at all times in specie for their face value.

Receiving no acknowledgement of my communication, I took it for granted that it had never come under the observation of the Secretary, or that the plan did not impress him favorably. Specie payments were suspended, and before long the Government had issued four hundred millions of *legal tender notes, not interest bearing*. This source of revenue exhausted, the Secretary brought forward, in the early part of '63, a plan embodying, in the main, my suggestions of January, '62, lacking, however, the important element of the original—specie redemption. Finding thus that there were some elements of merit in my scheme, (whether first suggested by me or not,) I was emboldened to send another communication in February, 1864, urging, the Secretary to try, on a small scale, the working of my plan of '62, in its entirety, that is, to issue a limited amount of *legal tender notes, interest bearing, but redeemable in specie at all times for their face value*. I annex a copy of the two communications, that you may judge how far they were practical.

Turning now to the bill passed the other day, let us see whether my plan—that of February, '64,—does not accomplish all that the bill does, besides combining many advantages the present law does not admit of. The objects desired to be attained are three fold. To arrest the depreciation of the currency; to sustain and elevate the financial credit of the Government; to check the speculation in gold. These desiderata are so intimately associated, that they may be looked upon as integral parts of the same proposition. Depreciation of the currency injures the credit of the Government; speculation in gold depreciates the currency. To what extent will the bill passed overcome either evil? The powers given the Secretary are two; he may anticipate the payment of interest, or he may sell the surplus gold.

It is highly improbable that he will adopt the former course—it would be in many ways impolitic to do so. If he offers to discount interest, the majority of holders will not accept it, as it will amount to a reduction of income which the smaller holders can not afford; and in the present plethoric state of the money market, and the high price of all investment securities, the large holders, who reinvest income, will prefer awaiting the regular day of payment to anticipate it by discount. If he offers to pay it in full, it will doubtless be accepted by all foreign holders, and the gold will be drawn abroad to that extent before there is any necessity of its going, and it will be looked upon by the same holders as a most exceptional and unbusiness like proceeding. Many of the large domestic holders will not accept the anticipation of payment in full, having no desirable means of reinvesting, and to the extent that they and the smaller holders do accept it, the amount not hoarded, will come on the market in such dribblets that speculators will find no difficulty in carrying it and making it an element of gambling as much as heretofore.

We come then to the power given to sell the surplus; you, sir, are too well aware of the money-borrowing power of speculators in Wall Street, in the present state of the money market, to doubt that ten or even fifteen millions of gold, which I think, for some time to come, will be the extreme amount the Secretary will find it expedient to sell, will be taken up and carried without difficulty by a dozen of the more powerful gold operators. At the present moment, gold is so scarce that from an eighth to one per cent. is the regular bonus paid for the loan of ten thousand dollars of gold (the current speculative lot) for one day, and I believe that of the amount of gold used for speculative purposes, at least ninety per cent. is carried without interest. You must fill up this vacuum, then supply the market with a sufficient amount to absorb the floating capital seeking investment in call loans in Wall Street, before you affect, except for a day or two, the price of gold as regulated from hour to hour by the gold speculators. If my premises are correct, the present law does not give the Secretary suffi-

cient power to attain the object desired. The probable surplus of gold at any one time will be insufficient to enable him to counteract the effects of speculation, and if so, the law will be useless and inoperative. At all events, it is evident that this is the opinion of Wall Street, for gold has advanced materially since the passage of the bill.

Let us now take up my plan and see what its probable effects will be. Give the Secretary power to issue say one hundred millions of specie notes, *interest bearing*, retaining the surplus of gold over and above the requirements of interest, as a fund for redemption. Exchange them, in any way you may see fit, at the market price of gold for legal tenders. I will not here extend the arguments in favor of their being kept afloat, referring for this department of the subject to my letter of February, 1864; but assuming that the Government will not be embarrassed by excessive demands for redemption, let us look at the advantages they will possess. Instead of having ten or fifteen millions of gold to enter the lists against the speculators, he will have the equivalent of one hundred millions to begin with, and as the surplus of gold increases, if the plan is found to work well, his power of issue may be extended. Thus armed, he will be powerful enough to overcome his antagonists, he will carry too many guns for them. Either give him power enough or none at all. Let him make use of the legal tenders he receives in excess of the amount of gold notes he sells, to meet the requirements of the sinking fund, by canceling of legal tenders an amount equivalent to one per cent. per annum of the whole debt.

How will the case then stand? Assuming the debt July 1st, as per his own estimate, to be \$1,686,956,641, and that up to that time he sells one hundred millions of gold notes at an average of 45 premium, he will receive one hundred and forty-five millions of legal tenders; cancel \$16,869,566, and he will have \$128,130,434 of an appreciated currency to pay out, besides being, by the amount canceled, so far on his road back to specie redemption. While it is requisite for



us to increase our funded debt, and desirable to decrease our floating, legal tender debt, it is surely most inexpedient to apply the provisions of the sinking fund to any but the latter object. The effect of the two systems on the hoarded gold in the country and that in banks, will be directly antagonistic. Carry into effect the present law and much of the gold at present in the Sub-Treasuries will come out only to increase the hoarding, or to be exported; adopt the plan I suggest, and the interest-bearing feature of the note will draw out much of the hoarded gold from its places of concealment and the bank vaults, and place it where it is most desirable it should be placed—in the vaults of the Government, which, being at present the Great Banker of the country, is the most proper depository of gold. Let these notes be made fundable in a long loan, and preposterous as it may now seem, I believe, at no very distant day, the funded debt of the Government will be so sought after as an investment, that many will be redeemed in this way. I will not here argue as to the value of or the security in the United States funded debt—you, sir, in your place in Congress, have demonstrated it much more ably than I have power to do; with you, I believe that the only danger lies in a continued increase of the circulation; nor have I any fears of gold being taken out of the country to an extent injurious to our well being. Arguments in this direction are entirely unwarranted by the facts of the case. I do not hesitate to say that thus far not a dollar has been exported beyond what the business requirements of the country called for. Not one dollar has gone abroad seeking greater security and safety abroad.

Let us look at the statistics:—In the three years, 1858 to '60, inclusive, we exported \$183,066,797 of specie, and in the years 1861 to '63, inclusive, \$186,899,296. That is in the three years of the war we have exported, California included, just \$3,832,499 more than we did in the three years before the war. This also in spite of the fact, that for the first period, we had the cotton, tobacco, turpentine and other products of the South wherewith to make our European exchanges;

while in the latter, we had to meet our importations (those of general trade being almost as large as before), superadded to the large expenditure by Government abroad for munitions of war, &c., the immense amount of our securities returned to us, particularly in the first two years of the war, and, in the last year, a very limited demand for our bread stuffs at low prices; spite of all this—no cotton and no tobacco, nothing but the grain and butter and oil of the North, we have exported not quite four millions more of gold during three years of war than during three years of peace. Not much gold frightened out of the country thus far.

Another element that is lost sight of by those who talk so glibly about ruin, bankruptcy and repudiation, the suspension of England during the Continental War, the assignats of France, &c., is the great and overpowering fact that we are a gold and silver producing country. Our gold mines on the Pacific shore alone have furnished, during the war, \$161,384,000, or within twenty-six millions of the amount sent abroad, leaving out Colorado and Idaho, the silver of Washoe and Arizona, the new silver mines of Michigan, and the numerous other banks of specie deposit which we can draw on through our sturdy miners, backed by all the mechanical skill and invention of our despised Yankee nation. Why, sir, we shall produce more gold and silver this year, than will be required to pay the interest of the whole debt of the Government, and leave one per cent. for sinking fund, too; and when our brave boys come home from the war, and push out into the new mines and fields for development, as they will do, we shall, in two years thereafter, produce gold and silver enough to pay the interest on our debt, even if we had that of all Europe added to it. I believe, with you, sir, that a more absurd and senseless state of things than that indicated by the present price of gold and the inflation of prices incident thereto, never existed among an intelligent people; and in days to come, the historian will note it as one of the most singular phenomena of the present crisis.

The Government ought never to have suspended specie payment; there was no necessity for it, but that is of the past, we cannot recall it; what now remains is to organize a better state of things, it can be done, and we should set about it without delay. The war came upon the country in the high tide of its prosperity, as a sudden squall strikes a ship under full sail; there was no time to clew up and furl, we had to let every thing go by the run, and for a time there seemed an inextricable confusion of torn sails, stranded ropes and broken spars; but the first surprise over, light sails all handed, booms all rigged in, hatches battened down, topsails close reefed, we should bring the ship up to her course, and blow high or blow low, let the gale be short or long, we should be equal to either fortune. Thus far we have acted as if we were sure to have a lull next moment; our legislation has all been in this direction. Not a session of Congress without some change in the system, some new character of funded or floating debt, till it requires an accountant to keep the run of the various descriptions. We have had long loans and short loans, at twelve per cent. interest to no interest at all, and it seems as if we might have as many more before we get through.

Now sir, you will say from what follows, that I am proposing a continuance of the very state of things I deprecate; not so, I propose a change of system. Suppose, for instance, instead of a variety of different descriptions of funded and floating debt, Congress were to repeal all laws authorizing loans not as yet issued or pledged, and in place thereof, decree a loan of say five thousand millions of five per cent. bonds, redeemable at the pleasure of the Government after fifty years. Reserve a sufficient amount of them to replace all outstanding loans and floating debts as they mature, or to exchange for them, if the holders so elect; give the Secretary power to negotiate them from time to time in sufficient amounts to meet the requirements of the war, and then stop legislation on funded debt and take up other unfinished business; authorize him at the same time to issue a limited amount of specie notes as before indicated, and except increas-

ing the amount of these notes from time to time if they work well, do nothing more about the currency. Then I think he can sail the ship however long the gale may last. It is a great mistake to legislate with a view to the early payment of the funded debt, it is not desirable. I do not hesitate to advance the proposition that a large funded debt is a most conservative institution, and I hope the present debt will not be paid off at least in my time.

If in former years, instead of paying off our funded debt as we did at large premiums, we had expended the money in internal improvements, harbors, Pacific Railroads, ship canals, free schools and colleges, forts and subsidies to steam lines, our debt meanwhile being scattered over both South and North and abroad, we should have had no rebellion, for the holders of our bonds would have silenced party agitators both North and South, or if it did break out, we should have had ready to our hands a steam navy with speed enough to catch Alabamas and Floridas, and abroad, especially in England, enough friends in pocket, if not in heart, to counteract Clanricardes in the Lords, Lairds in Parliament and Spences on 'Change. The sole reason why we wanted friends among the nobility and merchants of England, was that we had no hold on their purse strings, the strongest latch to the door of John Bull's heart, while as they, for some time at least, thought our Southern brethren had, of long and short staple cotton cord. The almighty pound sterling is beginning to make itself felt however, and things are coming round right in that direction by degrees. Stranger things have happened than that they should offer to pay us Alabama indemnities. They don't see it now, but *sovereign* policy may yet reveal it to them. I speak here alone of the nobles and monied aristocracy of Great Britain:—God forbid that I should forget or cast a slur on the noble men of Lancashire, London, indeed the working men all over England, (together with her majesty the Queen, God bless her,) they are our own kin, and if they get hungry, and want more flour, their brothers here will share their loaf with them. But I have rather wandered from my subject, and will get back to it

the best way I can. I was speaking of the conservatism of a national debt. One effect of it will be to improve the character and calibre of our Legislators. Any one can go to Congress and talk nigger, and while this was the sole subject of debate, the electors cared little who they sent there; but let the subjects of legislation be taxation, tariff, revenue and other matters that come home to every man's hearth and pocket—let the poor man find that his member of Congress has much to do with fixing the price of his groceries, his house rent and his daily wages, and he will not be so eager to vote for his hail fellow of the grog shop, or the vender of his policy ticket.

No sane man for an instant supposes that this country will be in a position to pay off its war debt for the next fifty years. We may and doubtless will be able to reduce the interest, and that is sufficient. The provisions of the five-twenty and the ten-forty act point in this direction. Why not then come to this conclusion at once, and act accordingly? The great desideratum of the investor is assurance that interest will be regularly paid and permanence of investment. The latter quality is of greater account to the majority of investors than the rate of interest. A five per cent. fifty year bond would command in our market to-day a better price than a six per cent. ten year bond. Let a loan of this character be authorized, and it will command all the floating capital of the country, and be eagerly sought after abroad. Do you ever hear any one talking of the probability of English consols, French rents, or any other large European debt being paid off? No holder anticipates or desires it. Security of interest and permanence of investment are alone considered. Nor should it be different with us. It was well enough when our public debt was a toy of fifty or a hundred millions, to be incurred by one administration, paid off by the next; but when we anticipate our debt being two or three thousand millions, it is a far different matter. The loan proposed will, I believe, not only absorb the floating capital and the increasing wealth of the country, but many of the holders of the present varied descriptions of debt will be glad to exchange for this.

The maturing certificates of indebtedness, and the 5 per cent. interest bearing notes could be redeemed by it, and at the maturity of the seven-thirtys, I doubt not a large proportion of the holders would prefer five per cent. fifty year to six per cent. seventeen year bonds. So also many of the five-twenties would be exchanged bond for bond. The amount I suggest—five thousand millions—may seem large, but if the people of the country, as I believe they do, intend to fight this fight out, whether it be a long or a short one, we shall require five thousand millions, if the war lasts long enough, and we may as well make preparations sufficient to see it to the end. Thus far the people have been as much in earnest as the Government, and they will support any measure that looks as if it means work. Such legislation would proclaim, both to the South and Europe, that we mean to see it through, and it will do us no harm in either place. Another feature of one general denomination of public debt, which may appear rather a Wall Street view, but nevertheless is a true one, is that the Secretary will possess some power to protect the market value of the debt with comparatively small expenditure. At present, the denominations are so varied, that he would have to employ half the brokers in the street to support the market, if at any time it became necessary so to do. His citadel has as many points of attack as had the Danerweirke, and it requires a host to defend it; but let there be but one prominent denomination, and a very small effort will enable him to regulate it in accordance with the best interests of the Government.

All these measures will be ineffectual without ample taxation; but this opens such an extended field of discussion, that I will not enter upon it now, except to say that the country demands and will cheerfully submit to taxation to any extent requisite to maintain the credit of the Government, and with a few of the victories which we have every reason to expect from our new Lieutenant-General, the country will come out of this crisis freer and stronger and purer.

I remain, sir, with respect,

Your obedient servant,

J. H. WAINWRIGHT.

# APPENDIX A.

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(COPY.)

OFFICE OF SEYTON & WAINWRIGHT,  
No. 49 Wall Street. }  
NEW YORK, January 1st, 1862. }

HON. SALMON P. CHASE,

*Secretary of Treasury—*

SIR:—I beg leave respectfully to offer for your consideration a plan for providing funds to meet the requirements of the Government.

An issue of Treasury warrants, in such sums and to such amounts as may be decided upon, redeemable in specie at the various money centres.

Provided, however, that if payment is not demanded till the expiration of one year from the date of issue, they shall be payable with interest at the rate of three and one-half ( $3\frac{1}{2}$ ) per cent.

If not demanded till the expiration of two years from date of issue, they shall be payable with interest at the rate of seven per cent. (7), i. e., fourteen per cent. added to the face of the note; or they might be made with seven and three-tenths per cent. ( $7\frac{3}{10}$ ) to correspond with the present issue, being in like manner redeemable, prior to or at maturity.

The advantages of this class of Government indebtedness would be as follows: For the first year of their issue they would be gaining daily value from the accruing interest; and once in circulation, particularly in the West, it would take some time, in the natural course of business, before they could be returned to the money centres; hence, parties desiring to make temporary investments, would be likely to



take them at all times at par, if not at a premium, for the accrued interest, which, if purchased six months from issue, would make them equal to a seven per cent. investment; if at nine months, equal to a fourteen per cent. investment for the balance of the year, the interest only accruing to them at the expiration of a year from issue.

These are the arguments to prove that they would not probably be demanded during the first year. The arguments for their not being demanded, at the expiration of the first year, are as follows :

If demanded, the holder would receive but three and one-half per cent. ( $3\frac{1}{2}$ ) interest on the face of the notes; or, if made equal to the half interest of the seven and three-tenth ( $7\frac{3}{10}$ ) notes, three and thirteen-twentieths ( $3\frac{13}{20}$ ). If held, however, they would become equal to an investment of  $10\frac{13}{20}$ , or  $10\frac{1}{2}$  per cent., as the case might be.

Thus investors would be induced to purchase them at the end of the year, and it is probable they would command a premium above the then par of the note,  $3\frac{1}{2}$  or  $3\frac{13}{20}$  premium.

Of course this plan contemplates that no interest shall be paid or due till the end of the first year, and if not then demanded, only the first accrued interest till the end of the second year, when the full interest at 7 or  $7\frac{3}{10}$  per cent. would be paid for the two years.

The banks of the country would, no doubt, receive these notes on deposit gladly, at par, and use them in their exchanges, as at maturity they would be entitled to the accrued interest, and the public would, from the same reason, be interested in keeping them in circulation and investing in them, hoarding them rather than specie, as they would at all times be the equivalent of specie and preferable from their accruing interest.

These notes should be receiveable at all times by the Government for all dues at par, without interest, except at the expiration of the first year, and during the second year  $3\frac{1}{2}$  per cent. interest, and at the end of the second year, of course, with full interest.

If redemption prior to maturity was required by holders, the Government would thus, without loss, be enabled to pay, if requisite, a

premium for gold equal to the amount of interest saved the Government by redemption, say notes having run six months,  $1\frac{1}{2}$  per cent., and in like manner for other periods.

These notes would also, in all probability, be largely dealt in at the various stock exchanges of the country at par or above (a great desideratum in the case of any representative of value), as the interest or premium not being ratably due during the year, they could not be sold for any percentage on their par value with interest added, which is the case with previous issues of Treasury notes.

The Government in any event above-named would only be obliged to pay a fair interest for the money, as it could in no case be above  $7\frac{1}{10}$  per cent. per annum.

It may be objected that, after all, the proposed issue is a demand note, and the Government might at any time be embarrassed by their redemption being claimed; but I think I have shown that this objection is hardly a practical one, as the inducement to hold them would be daily increasing, and the loss to the holder would, in case of redemption being required, be more than equivalent to any small premium the exchange for gold would give.

If Congress would pass a law embodying the principles above set forth, with any modification presenting themselves to your mature judgement, making it also apply from the time of the passage of the law to the demand notes at present issued, I submit whether the demand for the redemption of the two classes, those at present issued, and those now suggested, would exceed the contemplated redemption for those of the former class.

I would also respectfully suggest whether the small premium which Government might be called upon to pay for gold to meet any probable demand would approximate to the inevitable loss incident to the depreciation of an irredeemable currency.

I need not enter into argument to show that Government must pay an equivalent of specie in the increased prices demanded, should the currency become depreciated, excepting, of course, the fixed pay of

officials, officers and men, towards whom such depreciation acts with injustice; and let the public mind once accept the idea that the Government currency is of value only at a discount, such discount must inevitably increase proportionately with the extent of the issue.

Let Congress provide adequate taxation for the ultimate redemption of the notes, together with a sinking fund equal to the amount of the interest on the notes in case they run to maturity. I doubt not such issue, embodying the two features of *a currency equal at any time to specie*, with the added inducement of *a prospective interest if retained in circulation or hoarded*, will meet the hearty support of all classes of the people.

Your obedient servant,

(Signed.)

J. H. WAINWRIGHT.

## APPENDIX B.

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(COPY.)

NEW YORK, February 4th, 1864.

HON. S. P. CHASE,

*Secretary of the Treasury—*

SIR:—You probably never read, and if so, doubtless have forgotten, a letter which I took the liberty of writing to you on the first of January, 1862, previous to the suspension of specie payment, in which I suggested a plan to prevent such suspension; I herewith beg leave to enclose a copy of the same. Should you find leisure to glance over it, you will see that the plan then proposed was an issue by the Government of *interest-bearing notes, legal tender at all times for their face, the interest, however, not ratably accruing on them, but only due at stated periods, and also redeemable in specie.*

Whether from the adoption of my suggestion or not, the notes you are now issuing are practically of the same character as those proposed two years ago, with the exception of their not being redeemable in specie. It would be a useless speculation now to argue that the adoption at that time of my plan in its entirety might have prevented suspension; however that may be, I believe that, at the present time, its partial adoption will be of great service to the country.

I would, therefore, suggest that, if you have not the power under existing laws, you obtain from the present Congress power to issue an amount, say not to exceed one hundred millions of notes, redeemable in gold for their face, at all times, at certain stated Government depositories, bearing interest in gold, payable semi-annually or annually, as

you may deem most judicious—in fact, being in all respects identical with the present issue of interest-bearing legal tender notes, except the feature of specie redemption.

I would not have the notes all of one date, but dated as they are issued; and, if possible, avoid attaching coupons; but, in place thereof, if interest is made semi-annual, let the notes be presented, and the payment of interest stamped upon them; but, as in my former letter, so now, I do not propose to suggest a detailed plan, but solely a principle which may be adapted to more than one plan of operations. The reasons of my suggestion and my views of its actual working, I will endeavor as briefly as possible to detail.

It would have the effect of materially diminishing, if not annihilating, the speculation in gold, and to decrease the speculation, is, in my mind, synonymous with decreasing the price of gold. It is too late for restrictive legislation in this direction, if restrictive legislation ever could have been of use in such a case, and any new laws on the subject will be evaded and become as much a dead letter as the present taxation laws on specie transactions. Let it be known, however, that the Secretary can supply the community with an equivalent of gold, (and to the extent that the public will trust the faith of the Government, a security of higher market value than gold, because interest-bearing, not interest-consuming) and the Secretary will have it in his power to govern the price of gold as he may see fit. It may be that in January, 1862, the public mind was too distrustful of the ability of the Government to keep its faith financially to have authorized the adoption of such a measure; but no one, in the present state of the contest, can doubt the ability of the Government to pay say one hundred millions in gold, and all financial history teaches us the Government can keep afloat just as many of its obligations as the public have faith in its ability to pay. The rapid domestic absorption of the five-twenty loan shows that for the last year, at least, the public have had perfect faith in the ability of the Government to keep its promises, and the fear all along has been, not in the present position,

either of the funded debt or of the existing currency, but dread of the expansion of the latter at some future period to such an extent as to be ungovernable. Let the public once understand that the limit of expansion has been reached, even though no immediate contraction takes place, and whatever fear there may exist will give place to general confidence. Having obtained authority to issue notes as above described, let the Secretary, from time to time, offer certain portions of them to the public either by tender as in the case of the first issues of Treasury notes, or at a fixed price based on the market value of gold, payable in any of the existing issues of currency. For instance: The present price of gold being about \$1.57, from five to ten millions of them could be sold at from \$1.56 to \$1.58, and once in the market, so long as the issue did not exceed an amount which the public would credit the ability of the Government to redeem, they would have a higher market value than gold on account of the interest-bearing feature, and hoarders of gold would sell their gold and buy these up to the same limit. The same arguments which have warranted the present issues of legal tender interest-bearing notes, will authorize the belief that these notes would be kept afloat. The experience of the Government during the last year in the temporary deposits, both specie and currency, is the best proof that the Government will not be embarrassed by excessive claims for redemption—in fact, the issue suggested will have many of the features of the temporary gold deposit certificates, only it will be more available for business purposes, and hence more in demand by the business community. It will largely supply the place of our present domestic gold exchanges, enter largely into our foreign exchanges, be absorbed in the commercial dealings of the Border States, and, to the extent allowed, in the cotton trade of the southwest. I need not argue that it will be unnecessary for the Government to have at all times on hand an amount of gold equal to the outstanding issues of these specie notes; it should, of course retain a certain amount for this specific purpose, say 20 per cent.; and it would be advisable, when the gold in the Sub-Treasuries fell below this minimum, to exchange the notes directly for gold; but at all

other times, to obtain the full benefits of the system, they should only be exchanged for about their equivalent of gold, in paper currency, and the Government would thus reap some advantages from the appreciation of gold, whereas thus far it has only reaped disadvantage. It might be judicious to give holders of gold claims on the Government as they mature, such as interest on the funded debt, seven thirty's, &c., the option of receiving these notes in lieu of gold, and many would avail themselves of it, thus immediately reinvesting their funds, whereas now the payee of gold by the Government is forced to enter the arena of speculation, and either sell his gold or hoard it for a higher market value.

It would give the Government an amount of its currency in excess of the amount issued equal to the premium obtained, and this surplus might either be used in the current business of the Government, or a portion of it might be canceled, thus making a first step toward reducing our paper issues. As this course will also have the effect of appreciating the value of the present currency, it will be of two-fold benefit.

I have suggested the limit of the issue at one hundred millions, as it would be all important that the public should have entire confidence in the ability of the Government to redeem it, but if the scheme is found to work well, the issue might be increased by future legislation, looking to the exchange, by degrees, of the specie notes for the present legal tenders, thus approaching a return to a specie basis by gradual steps without the agitation which a rapid change must involve.

Should the Secretary be inclined to consider favorably my suggestions, it will give me great pleasure to amplify the subject; meanwhile I beg leave to subscribe myself,

Respectfully, your obedient servant,

(Signed.)

J. H. WAINWRIGHT.













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