# THE NATIONAL FINANCES.

**Letter from George Opdyke to Senator Conkling—The Proper Time for a Resumption of Specie Payments Considered—How it Can be Safely Done—Currency Statistics—The Circulation of Coin—A Plan for Solving the Financial Problem.**

NEW YORK, Jan. 2, 1869.

HON. ROSCOE CONKLING:—

DEAR SIR—Again availing myself of the standing privilege you have accorded me, I herewith submit for your consideration a few thoughts on the present aspect of our national finances. Since I last addressed you on this subject a new administration has been elected virtually pledged to the following financial policy:—

*First*—That specie payments shall be resumed at the earliest period consistent with the healthful activity of industry.

*Second*—That the bonded indebtedness of the government shall be paid in coin or its equivalent.

*Third*—That official corruption shall be suppressed and strict economy observed in all departments of the government.

*Fourth*—That taxes shall be equitably distributed and limited to such rates as shall suffice to pay the current expenses of the government and accruing interest on the public debt, together with a small annual instalment of the principal of that debt.

This, though not the letter, is clearly the spirit of the financial platform on which the dominant party stood at the late elections; for it is only through a policy like this that the sentiments expressed in that platform can be carried into practice. Should you, however, doubt the correctness of this interpretation of the financial issues of the late canvass I am sure you will agree with me that the four propositions I have given express our true financial policy. For it seems to me that no other line of policy will so well protect the national honor from reproach, strengthen the public credit, lighten the burdens of taxation and secure for our country a prosperous future.

Assuming that this general line of action either has been or should be definitely decided upon, it only remains to inquire by what measures Congress can most effectually and safely carry it into practical effect. These inquiries can be best prosecuted by considering the subject under four distinct heads. The first will embrace all questions relating to legislation connected with the currency; the second, to the public debt; the third, to frauds upon the revenue, economy and retrenchment; the fourth, to taxation.

The questions which properly come under the first head transcend in importance and intricacy all the others combined. I shall, therefore, for the present, confine myself exclusively to their consideration, leaving the other three classes of questions for brief discussion in a subsequent communication.

First, then, it devolves upon Congress to decide upon the proper time and the best means of returning to specie payments. This is the great financial problem of the day. The public welfare depends upon its proper solution, and such solution is conceded to be as difficult as the question is important. It will require all the wisdom of Congress to decide it aright. The public mind is alive to its importance and the press is teaming with suggestions on the subject. There appears to be a growing dissatisfaction with our present inconvertible currency. Some are ready to hazard the consequences of immediate resumption. Others insist that it shall take place within six or twelve months, and so on up to two or three years. The last named period seems to be the maximum that public sentiment is now disposed to accord.

You are aware that I do not share in these sentiments. No one more strongly desires the earliest return, consistent with the public good, to a sound, convertible currency. But I must again express to you my conviction that all efforts to secure that end by immediate or early resumption must prove abortive. Our currency is yet too redundant to attempt it with any hope of success. We have to-day a circulating medium, exclusive of bank deposits, of not less than $17 to 1 of population. This is about 70 per cent in excess of the volume of convertible currency ever kept afloat in this country. It is 70 per cent in excess of what the natural laws of trade will permit of such currency, as I will proceed to show.

Before entering upon the discussion; however, I desire to say that deposits in bank constitute a part of the circulating medium. They perform the office of money as effectually as coin or bank notes, and more effectually than either. They are usually employed in consummating the larger or wholesale transactions of commerce, while coin and notes are used in retail transactions. And as retail transactions are simply the resale of commodities that have been first sold by wholesale dealers, it follows that there is about an equal amount of money used in each of these two forms. In other words, the gross amount of bank deposits is always about equal to the gross amount of circulating notes and coin. My only object in omitting them in my estimate is to simplify the discussion of a subject that is intricate enough without that useless addition.

Money is an instrument of commerce or exchange. Its office is to effect the exchange of other property and to measure its value by being given in exchange for it; that is to say, it is known that every purchase and sale is deemed by the parties thereto to be an exchange of equivalents. When money consists of coin alone its value in exchange or producing power is governed by its cost of production. That is to say, it will exchange for other things in proportion to their relative cost of production. True, the law of supply and demand keeps the market value of coin, as it does that of all other things, constantly fluctuating. We all know that when a supply of any given article exceeds the demand for it its market value falls, and that whenever the demand exceeds the supply it rises. Coin is no exception to this rule. But we must bear in mind that miners of the precious metals, like the producers of all other commodities, ply their vocation for the sake of gain, and that they will abandon or slacken the production whenever their efforts prove unremunerative. Consequently, whenever the market value of coin becomes, through an over supply, depressed below the point of average remuneration, a portion of its producers desert the mines and enter into other pursuits. This, of course, lessens the supply of coin, and thereby enhances its market value or purchasing power. So, on the other hand, whenever a deficient supply of coin so enhances its purchasing power as to bring the profits of its production above the average profits of other pursuits, it promptly stimulates enlarged production, through which the demand and supply are again equalized.

We thus find that the average purchasing power of coin is measured by its cost. In other words, it exchanges, on an average, for other things of an equal cost. In the light of this fact we may readily perceive the principle or natural law that governs the volume of a circulating medium consisting of coin alone. It is this:—It must be neither more nor less than is sufficient to effect the exchange of all other property in search of a market, on the principle of true equivalents or equal cost of production. This is the point to which its volume ever tends. When temporarily driven from it by variations in the supply and demand principles which I have already noticed start into activity to bring it back.

A circulating medium consisting of coin and convertible paper is subject to the same law, and is of precisely the same volume as if it consisted of coin alone. I am aware that this assertion is not in harmony with the general belief; but it is true nevertheless. This is obvious from the fact that in a mixed currency of coin and convertible paper the purchasing power, or value in exchange, of the coined dollar is no greater than that of the paper dollar. The two exchange for one another, and each will purchase an equal quantity of other articles. Now, if the coin portion of a mixed currency did not, as it does in a metallic currency, exchange for other things in proportion to their relative cost of production, it is evident that it could not be retained in joint circulation with paper at all. It would yield no profit to its producers, and hence it would soon be withdrawn from a circulation where its value is depreciated by its connection with paper money, to be used where its value is equal to its cost, either in a purely metallic currency or in the manufacturing arts. Its withdrawal would, of course, divest the currency of which it formed a part of the attribute of convertibility. In a word, the issue of convertible paper merely changes the form of money without affecting its volume or its purchasing power. It drives from the channels of circulation to bank vaults and the arts an amount of coin equal to its own nominal value. The paper money meanwhile occupies its place and performs its office in the circulating medium.

The correctness of these views is amply verified by our banking experience. Whenever our banks have extended their issues above the ordinary level there has quickly ensued an enhancement of prices in our home markets, which of course invited enlarged imports and checked exports, and thus promptly developed an adverse balance in our foreign trade. The shipment of coin to pay such balances has never failed to compel our banks, when paying specie, to contract their issues, and sometimes so suddenly as to produce a panic and a suspension of specie payments.

It is scarcely necessary to say that a currency of inconvertible paper is not subject to the principles which control a metallic or a mixed currency. Its volume is governed, not by natural law, but by statute law, or the absence of all law—by chance. Consequently its volume depends merely upon the necessities or the caprice of the government issuing it or authorizing its issue. In Buenos Ayres they have issued so much that it exchanges for coin at the rate of twenty-five for one.

Having shown that the natural laws of trade determine the quantity of convertible paper that can be kept in circulation without losing its quality of convertibility, it remains to ascertain what that quantity actually is. It is evident that it depends in some measure on the cost of producing coin, because the lower the cost of coin the less its purchasing power, and therefore the greater the quantity necessary to effect the exchange of all other property offered for sale. It is also evident that the quantity must be proportioned to the extent of commerce. But to determine definitively the exact quantity that these laws award, we should have to know the present cost of producing coin, its circulating capacity and the value of all the property transferred in a given time. Such knowledge is clearly unattainable. Fortunately, however, we have within our reach a practical method of determining this point, namely, by the teachings of experience, which are generally regarded as affording more reliable evidence than the deduction of logic, however sound.

A careful examination of our currency statistics will show:—

1. That while we have never attempted by legislation to fix the limits of our total circulation, the natural laws of trade have established those limits and maintained a remarkable uniformity between our convertible currency and our population.

2. That this ratio, which has been slightly widened by the cheapened production of gold, is now about $10 of circulation to one of population.

3. That whenever the ratio has been temporarily changed by the expansion or contraction of the banks, or by any other cause, the natural laws of trade have promptly re-established it at its gravitating point of 10 to 1.

The statistics of our country prior to 1834 are meagre and unreliable. I therefore omit them, although, so far as they are complete, they are in perfect harmony on this point, with the more ample statistics of the latter period which I here present.

From 1834 to 1862, inclusive, the population and the bank circulation of the United States have been in round numbers as follows:—

| Year. | Population in Millions. | Circulation in Millions. | Year. | Population in Millions. | Circulation in Millions. |
|---|---|---|---|---|---|
| 1834 | 14 | 95 | 1849 | 22 | 115 |
| 1835 | 15 | 104 | 1850 | 23 | 135 |
| 1836 | 15 | 140 | 1851 | 24 | 155 |
| 1837 | 16 | 149 | 1852 | — | — |
| 1838 | 16 | 116 | 1853 | 25 | 145 |
| 1839 | 17 | 125 | 1854 | 26 | 205 |
| 1840 | 17 | 107 | 1855 | 27 | 145 |
| 1841 | 18 | 107 | 1856 | 28 | 177 |
| 1842 | 18 | 84 | 1857 | 28 | 177 |
| 1843 | 19 | 89 | 1858 | 29 | 155 |
| 1844 | 19 | 75 | 1859 | 30 | 193 |
| 1845 | 20 | 90 | 1860 | 31 | 207 |
| 1846 | 21 | 100 | 1861 | 32 | 202 |
| 1847 | 21 | 106 | 1862 | 33 | 184 |
| 1848 | 22 | 129 | | | |

These figures show the average bank circulation to have been, during the period embraced in the table, $6 06 per capita. But, to obtain the total currency of that period, we must add the circulating coin. There are no reliable data for determining this amount. We have always had a full supply of paper money in $1 bills and above, and consequently there has been no absolute need for coin except for fractional parts of a dollar. We know that $33,000,000 of our present fractional currency, although depreciated about 26 per cent, now suffices to supply this want for our present population of 38,000,000. Hence we may infer that an average circulation of $14,000,000 of coin would have met the absolute wants of the community during the period embraced in the table, when the average population was but 20,500,000. But we know that many prefer coin to paper money, and that during much of that period we had in our circulation a liberal infusion of gold coin as well as silver. It is impossible to determine with any degree of accuracy the total average coin circulation for that period; but, from various considerations bearing on the question, which I cannot stop to present, I feel warranted in saying that it could not have exceeded $70,000,000, which is about $20 per family, or $3 21 per capita.

In this estimate I do not include the coin held by banks, nor that held by persons as permanent hoards, for the obvious reason that neither of these constitute a part of the actual circulating medium. That held by banks is withdrawn from circulation to give credit and currency to their circulating notes and to be given in exchange for them when presented for redemption. That held by individuals as permanent hoards is not only withdrawn from circulation, but is totally idle and unproductive.

Adding this liberal estimate of the circulating coin to the ascertained amount of circulating paper it gives a total average circulating medium for the twenty-eight years of $9 27 per capita. This is the first important fact established by the foregoing table.

The next is the general uniformity in the ratio of currency to population during the whole period of twenty-eight years. If we except temporary variations, which were promptly corrected by the natural laws of trade, the increase of currency kept even pace with the growth of population. There has been a slight preponderance in favor of the currency since we have become large producers of the precious metals at diminished cost. Dividing the table at the year 1850 we find the average of the subsequent years to be about thirty cents greater per capita than that of the preceding years. It is probable, however, that there was even greater preponderance of circulating coin in the latter period. Putting the two together it would be fair to estimate that the total circulation for the earlier period was about $8.77 per capita, and for the later period about $9.77, the difference being caused by the cheapened production of gold.

The table also shows that from 1834 to 1862 there were but two periods in which the total circulation, including coin, exceeded $10 per capita. These were, first, the years 1836-1839; second, the year 1854. The first period embraced the years in which the great bank expansion took place, and which culminated in 1837 in the most disastrous suspension known to our banking history. The stringent contraction immediately preceding and following that suspension caused great distress and pecuniary embarrassment throughout the Union. So paralyzing were its effects on business that it required a contraction of the currency to less than half the volume it reached in 1836, and seven years of languishing industry to re-establish our prosperity. Severe and ruinous as this reaction proved, it was caused by an inflation of the currency, which reached at its highest point only $13 per capita.

In the second period of inflation, 1854, the total circulation reached but $11 per capita; but even this small excess brought about a sudden contraction in the following year, when it was reduced to $8 50 per capita. The banks having escaped by this contraction the perils of immediate suspension, again enlarged their discounts and circulation, and thus brought upon themselves the suspension of 1857.

You will thus perceive that the natural laws of trade, which prescribe the limits of a convertible currency, not only enforce their own decrees, but inflict a penalty for their violation. You will also perceive that the statistics embraced in the table fully sustain the three propositions in proof of which they were submitted.

Let us next glance at the currency statistics of Great Britain. The annexed table gives in round numbers her total bank note circulation in each year, from 1834 to 1859, inclusive:—

| | | | |
|---|---|---|---|
| 1834 | £37,300,000 | 1847 | £39,600,000 |
| 1835 | 37,200,000 | 1848 | 32,300,000 |
| 1836 | 37,800,000 | 1849 | 34,000,000 |
| 1837 | 36,600,000 | 1850 | 34,100,000 |
| 1838 | 39,700,000 | 1851 | 34,000,000 |
| 1839 | 38,000,000 | 1852 | 35,700,000 |
| 1840 | 37,000,000 | 1853 | 40,900,000 |
| 1841 | 35,700,000 | 1854 | 41,000,000 |
| 1842 | 35,200,000 | 1855 | 37,000,000 |
| 1843 | 34,700,000 | 1856 | 37,400,000 |
| 1844 | 37,100,000 | 1857 | 37,600,000 |
| 1845 | 38,900,000 | 1858 | 35,800,000 |
| 1846 | 38,700,000 | 1859 | 38,200,000 |

Total for twenty-six years ..... £962,500,000
Average ..... £37,000,000 per year.

You will not fail to remark the general uniformity of the total paper circulation during this period.

Estimating the population of Great Britain for the period at 27,000,000, and counting the pound sterling equal to $4 84, we find the average paper circulation to have been $6 63 per capita. From this, however, must be deducted the Bank of England notes that were withdrawn from circulation by other banks and held as legal tenders to meet their demand liabilities.

We have no reliable statistics of the circulating coin of Great Britain. Professor Jevons, of the English Statistical Society, has recently shown by a most ingenious method that it cannot exceed £80,000,000 of gold coin, and £14,000,000 of silver. It is satisfactory to know, in view of still more extravagant estimates made by other writers, that this is its maximum; but this fact affords no reliable evidence of the actual amount of such circulation. In arriving at this maximum, Professor Jevons makes no deduction for the coin melted up into bullion, or consumed in the arts, nor for that which is hoarded or carried out of the country by private hands. These important omissions render his efforts of no practical value, save as a demonstration of the falsity of all higher estimates.

By consulting the currency statistics of Great Britain for the years in which her banks were suspended we may gather facts that will enable us to make an estimate on this point closely approaching the truth.

During the greater part of that period gold ceased to circulate. Knight, in his history of England, in commenting on the depreciation of her paper currency in 1812 and 1813, says "that gold was bought up and sought for at a constantly increasing price" and "that a guinea, a half-guinea or a seven shilling piece had become a rare sight in Great Britain." One and two pound notes had taken the place of gold. Of these about £15,000,000 were in circulation at that period, equal in value or purchasing power to £12,000,000 of gold coin. There was also in circulation about £3,000,000 of silver tokens in the form of Spanish dollars, stamped and made redeemable at the bank in paper, at the rate of 5s. 6d. each, or one shilling above their value in gold.

These facts show that silver tokens and bank notes to the amount of £15,000,000 gold value then performed all the service now required of gold and silver coin in Great Britain, and that at a time of great commercial activity. In the same ratio to population £75,000,000 of circulating coin would do it now. Add to this about £10,000,000 for the preference often given to gold over convertible paper where parties have liberty of choice and deduct £5,000,000 for the present small note circulation of Ireland and Scotland and we have the probable amount of coin circulation in Great Britain at the present time, namely, £80,000,000, or $4 84 per capita. Adding this to the paper circulation, as shown in the table, we have a total of $11 47; but deducting $4,000,000, or 64 cents per capita for Bank of England notes held in reserve by other banks, we have as the total active circulation of Great Britain $10 83 per capita.

The approximate accuracy of this estimate is proved by the following facts:—1. It corresponds with the volume of controvertible currency that the laws of trade have awarded to the United States, the difference in favor of Great Britain merely indicating the degree in which she is the more commercial of the two nations. 2. The total circulation of Great Britain when her currency was inconvertible and its total quantity definitively known from the records of bank issues, never exceeded $13 per capita. This quantity was shown to be redundant by the depreciation of the currency, and by the fact that the banks found it impossible to resume until they had largely contracted their issues.

The annexed table, showing the movement of the Bank of England during the period of suspension and for two years preceding it, will throw additional light on this point, and also prove the futility of all efforts at resumption while the currency continues redundant:—

BANK OF ENGLAND.

| Year. | Circulation. | Deposits. | Bullion. |
|---|---|---|---|
| 1795 | £14,018,000 | £5,973,000 | £6,127,000 |
| 1796 | 10,730,000 | 6,709,000 | 2,539,000 |
| 1797 | 9,675,000 | 4,892,000 | 1,086,000 |
| 1798 | 13,096,000 | 6,149,000 | 5,929,000 |
| 1799 | 12,960,000 | 8,132,000 | 7,564,000 |
| 1800 | 16,844,000 | 7,963,000 | 6,144,000 |
| 1801 | 16,213,000 | 10,746,000 | 4,640,000 |
| 1802 | 15,187,000 | 8,858,000 | 4,153,000 |
| 1803 | 15,320,000 | 8,050,000 | 3,777,000 |
| 1804 | 17,078,000 | 8,677,000 | 3,372,000 |
| 1805 | 17,871,000 | 12,634,000 | 5,884,000 |
| 1806 | 17,730,000 | 9,981,000 | 5,987,000 |
| 1807 | 16,951,000 | 11,829,000 | 6,143,000 |
| 1808 | 18,189,000 | 11,962,000 | 7,858,000 |
| 1809 | 18,548,000 | 9,983,000 | 4,489,000 |
| 1810 | 21,020,000 | 12,457,000 | 3,501,000 |
| 1811 | 23,360,000 | 11,446,000 | 3,350,000 |
| 1812 | 23,408,000 | 11,595,000 | 2,983,000 |
| 1813 | 23,211,000 | 11,288,000 | 2,884,000 |
| 1814 | 24,801,000 | 12,455,000 | 2,204,000 |
| 1815 | 27,262,000 | 11,702,000 | 2,037,000 |
| 1816 | 27,613,000 | 12,389,000 | 4,641,000 |
| 1817 | 27,898,000 | 10,826,000 | 9,681,000 |
| 1818 | 27,771,000 | 7,998,000 | 10,055,000 |
| 1819 | 25,127,000 | 6,413,000 | 4,185,000 |
| 1820 | 23,484,000 | 4,094,000 | 4,911,000 |
| 1821 | 23,885,000 | 5,623,000 | 11,870,000 |
| 1822 | 18,665,000 | 4,690,000 | 11,057,000 |
| 1823 | 18,392,000 | 7,181,000 | 10,384,000 |

An examination of the foregoing table will show—First, that the largely increased issues of the bank in 1795, aided, doubtless, by political causes, produced adverse exchanges and the consequent loss of bullion, which compelled a contraction of the circulation. This continued up to 1797, when the bank suspended, having in the meantime contracted its circulation from £14,018,000 to £9,675,000, and reduced its bullion from £6,127,000 to £1,086,000.

Second, that the suspension of the bank was followed by a rapid increase of circulation until 1815, when the final defeat of Napoleon re-established the peace of Europe. Up to 1813 the depreciation of its notes more than kept pace with the increased issue, being, no doubt, augmented at times by the threatening aspects of the war. But immediately after the peace the belief in an early return to specie payments was so general that without any contraction of the currency the larger share of the gold premium soon disappeared, as it did with us on the surrender of Lee. Encouraged by this rapid appreciation of its paper and the accumulation of bullion by purchase and otherwise, the Bank attempted to resume specie payments without taking the necessary precaution of first contracting its circulation. The effort, as may be readily inferred, proved abortive. Mr. Francis, in his "History of the Bank of England," in recording this occurrence, says in substance that the Bank gave notice that after the 2d of May, 1817, it would pay coin for all its one and two pound notes dated prior to January 1, 1816; that few of these notes coming in for redemption, for the reason that they were in active circulation among the poor, the bank was encouraged to give notice that on and after the 1st day of October of the same year, it would be ready to pay gold for all its notes issued prior to January 1, 1817; that the bank had fortified itself by the purchase and collection of a large amount of bullion, which, however, proved of no avail; for when the 1st of October arrived the bullion dealers stepped in, took advantage of the exchanges and sent more than £5,000,000 to the Continent. Heads:—"On the report of Mr. Peel the House passed a bill in two nights restraining the Bank from paying the notes alluded to."

This, be it remembered, was after the large accumulation of bullion in Great Britain had effaced the gold premium; and yet, from the redundancy of her paper money, which Alison estimates for that period at forty-eight million pounds, the Bank coffers would have been emptied of their last nugget within a week but for the prompt interposition of Parliament. It was not until three years later, when the Bank had contracted its issues by the withdrawal from circulation of upwards of seven million pounds, and the country banks probably in like proportion, that the Bank found it feasible to resume and maintain specie payment. To accomplish it even then required, during the three intervening years, a degree of contraction so rigorous that it produced great distress and innumerable bankruptcies. And yet, I repeat, the currency of Great Britain, at its highest degree of expansion, during the Bank's suspension, did not exceed $13 per capita, while ours is now upwards of $17 per capita, as I shall show presently. What could more clearly demonstrate the impossibility of an early resumption here?

A word to the circulating medium of France. That nation is less commercial than either the United States or Great Britain. Hence she needs less currency. Her monetary statistics within my reach are too meagre to afford an accurate estimate. I find, however, that the average circulation of the Bank of France from 1848 to 1856, when it issued no notes of a less denomination than 100f., was but 575,000,000f., equal to $115,000,000. Since then the manufacturing and commercial interests of France have been much developed. The bank, during the same time, has accumulated a large reserve of bullion and has received authority to issue fifty franc notes. These causes combined have expanded the bank's circulation to 1,200,000,000f., equal to $240,000,000. But even this, combined with the most liberal estimate for her circulating coin, does not bring her total circulating medium up to the level of ours before suspension, nor to that of Great Britain, though I have no doubt that the large increase in her circulating paper will give activity to natural laws that will sooner or later enforce its contraction.

Trusting that I have now sufficiently demonstrated the existence of principles which effectually confine the volume of a convertible currency within the limits of about $10 per capita, I will next proceed to show the present volume of our own currency. It consists:—

| | |
|---|---|
| First, of greenbacks | $356,000,000 |
| Second, of national bank notes | 300,000,000 |
| Third, of fractional currency | 33,000,000 |
| Total of paper | $689,000,000 |

The circulation of coin has been in a great measure arrested by the depreciation of our paper money, but not altogether. It still constitutes the entire circulating medium of the Pacific States and of Texas. The amount thus employed cannot be less than ..... $30,000,000
It is also used by the government in payment of interest and by merchants in payment of duties and in settlement of other business engagements to an extent that would require of active circulating money at least ..... 25,000,000

Total of paper and coin ..... $744,000,000

I have not included in this estimate the three per cent legal tender certificates, compound interest notes and coin held by national banks, for the reason that they are not in circulation. They are held in reserve, under legal requirements, and to give currency to the circulating notes issued by the banks. For the same reason we must, in order to ascertain our actual circulation of paper and coin, deduct from the total, as given above, the amount of greenbacks held by the national banks. The report of the Comptroller of the Currency shows that these have averaged for the last calendar year $100,000,000. Deducting this from the above total leaves, as the actual volume of our present circulating medium, $644,000,000.

This, estimating our present population at 38,000,000, gives a circulation of $17 per capita, or 70 per cent in excess of what I have shown to be, for us, the impassable limits of a convertible currency. These figures are somewhat startling, I confess; but no one will venture to say that I have overestimated the foreign demand for it. With the demand thus weakened, without a corresponding abatement in the supply, our surplus gold has been mainly gathered into the United States Treasury, while the balance has remained on the market a glittering enticement to speculation.

But for the adventitious diminution in the demand for gold we should have seen its premium equal to the enhancement of price in other things. We shall yet see the present difference between them effaced, either through a contraction of the currency, which will reduce prices, or through an increased demand for gold, which will enhance the premium. That demand is already strengthening from abroad. During the calendar year just closed we have exported of the precious metals, in excess of our productions, not less than $25,000,000. In fact, our exports of coin have largely exceeded our productions for the whole period of suspension. The *Commercial and Financial Chronicle*, in able editorials, has recently shown that, notwithstanding our large production of gold since 1862, our stock on hand has been reduced about $100,000,000. The writer estimates, and I think correctly, that we have now but little gold in this country available for commercial purposes, except that held by the government and the banks of this city. Unless there is an enlarged demand for our securities abroad or a contraction of the currency we may expect this excess of exports to continue until checked by a material enhancement of the premium.

RESUMPTION—HOW AND WHEN IT CAN BE BEST ACCOMPLISHED.

Having locked at our financial situation in all its material aspects, and having shown by reliable statistics how far our paper issues exceed the impassable limits of a sound convertible currency, we are prepared to consider the means best calculated to bring us safely back to a specie payments.

From what has been said it will be readily seen that any successful effort at resumption must be preceded by a contraction equal to our present excess of currency, or must be postponed until our commerce rises to the level of our currency, or until the equalization is brought about by the joint influence of contraction and commercial growth. No other means of device, however ingenious, will secure permanent resumption. If the effort be made without first enforcing the requisite contraction, specie payments cannot be maintained for a week, as is proved by the signal failure of an effort at resumption made by the Bank of England in 1817, under similar but far less unfavorable circumstances. If, on the other hand, the requisite contraction be made suddenly, with a view to early resumption, it would produce a monetary stringency and a shrinkage of values before which the wealth of the country would disappear like the scenes of a dissolving view. It would block the wheels of commerce, paralyze industry, overwhelm the country in financial embarrassments and force the government, the banks, and the whole debtor class into a common insolvency or suspension of payments. This, as I have shown, has been the uniform experience of the nations making like efforts under similar circumstances. The effort, therefore, would produce irreparable injury, and at the same time fail in securing its object. Resumption, instead of being hastened by it, would be indefinitely postponed.

What, then, is the proper remedy for existing defects in our currency? I answer, "Masterly inactivity." I cannot join Mr. McCulloch and others in their denunciation of that currency. It has but two serious defects—namely, its depreciation and the uncertainty as to the future action of Congress in reference to it. With these exceptions it may be justly regarded as the best circulating medium that any nation has ever possessed.

There is a general misapprehension as to the economic effects of a currency depreciated as ours is, not from any distrust of its ultimate redemption, but simply from its redundancy. The general belief is that such a currency is in all respects vicious, and that it tends to impoverish the nation that resorts to it or tolerates it. This is an error. Its first effects are, while the process of inflation continues, to enhance prices, to stimulate commercial activity and speculation, and to transfer a portion of the wealth of the creditor class to the debtor class. These effects, although the enhancement of prices leads the community to believe that they are growing richer, are unmixed evils. On the other hand, when contraction is in progress, the effects are to depress prices, to paralyze industry and to transfer a portion of the wealth of the debtor class to the creditor class, thus making the rich richer and the poor poorer. These, again, are unmitigated evils. If, however, the inflation be arrested at any given point, and steadfastly held there, the currency, although as redundant as ours, would perform the office of money in all respects save one as well as coin or convertible paper, and in many respects much better. It would, for example, be more uniform in its measurement of values, because it would be less variable in quantity or volume. This above all other qualities is essential to a good circulating medium, since without it no man can safely enter into time contracts. It would also be more convenient for use than coin, and more cheaply transported, and its loss or destruction would not, as with coin, be a loss of real value, since it costs nothing to produce, and hence its issuers would gain by its destruction what its owners lose. To these advantages we may add the profits which accrue to those who issue it, as for example the annual saving of $21,360,000 in coin by the government of the United States on its outstanding issues of $356,000,000 greenbacks, for which it has received value but on which it pays no interest.

The evils of inflation we have already suffered. These, therefore, cannot be avoided; nor can they be repeated if we steadfastly resist every attempt at further inflation. The evils incident to contraction—which are of a still more serious character, I think—may be in a great measure avoided by remaining comparatively passive, relying mainly on our growing wealth and commerce to efface the difference in value between our paper money and gold, as they certainly will do in due time.

The proper legislation on the subject, it appears to me, would be this:—Let Congress by joint resolution declare—1. That there shall be no further permanent issue of paper money by the government nor its authority given to the national banks to exceed the limits already prescribed for their aggregate circulation. 2. That the contraction of the legal tender circulation shall, until specie payments are resumed, be strictly limited to $10,000,000 per annum, to be made at such periods of the year as in the judgment of the Secretary of the Treasury will produce least stringency in the money market. 3. Let Congress authorize the Secretary of the Treasury, if the right be not already possessed under existing laws, to prepare and hold in reserve $50,000,000 of greenbacks, to be temporarily used in case it shall become absolutely necessary for the protection of the public credit or the interests of the community; first, in redemption of the three per cent legal tender certificates, or in payment of other demand liabilities of the government; and, second, in aid of solvent banks in case a financial panic should produce a run upon them which threatened their suspension of payments in greenbacks; said notes to be withdrawn from circulation the moment the stability of the money market is restored.

The advantages of such legislation are obvious. The declaration that no further permanent issues of paper money shall be made would strengthen public confidence in our currency by rendering it certain that there will be no further depreciation in its value. The declaration that the contraction of legal tenders shall hereafter be $10,000,000 per annum would show a determination to press forward slowly but surely to specie payments. The two declarations taken together would establish a policy for the future that would insure to our currency the qualities of stability and uniformity of value, with a moderate but constant appreciation. The knowledge they would thus impart would be of inestimable value to the community. It would dispel all doubts as to the future of our currency and thereby divest commerce and all other productive pursuits of an element of uncertainty which now renders them analogous to gambling.

Placing in the hands of the Secretary of the Treasury $50,000,000, to be temporarily used in critical emergencies, would prove an invaluable safeguard against financial panics and bank suspensions. Such safeguard cannot be provided under a convertible currency, and the want of it has led to most of the bank suspensions that have occurred here and elsewhere.

Taken together, these simple provisions of permanent law would secure stability and uniformity of value to our currency, under which all productive industry would go on confidently and prosperously, until our growing commerce, through its large employment for money, would bring the value of our paper dollar up to that of the gold dollar. Then specie payments could be resumed without effort and without the hazard of revulsions. But the important question is, how long would it take to bring about this result? Let us see.

It is known that our population increases in the compound ratio of three per cent per annum. But the employment of money depends on the amount of commerce, and it is known that the present rapid extension of our railroads gives a like impetus to our commercial transactions. Consequently our commerce at the present time is growing more rapidly than our population; and there can be no doubt that the policy I have suggested would give such increased security and profit to all industry as to still further augment our commercial transactions. Under these stimulants I do not think it would be unsafe to estimate that our commerce would grow during the next few years at the compound ratio of five per cent per annum.

This, in eight years, would add 48½ per cent to our commerce. The coincident contraction of greenbacks would be $80,000,000, with a probable loss of $10,000,000 more, thus reducing our aggregate circulation to $554,000,000.

To meet the wants of our present commerce requires at $10 per capita $380,000,000 of convertible currency. With 48½ per cent increase in that commerce it would require $564,000,000, or $10,000,000 more than we should then have. Consequently, resumption would be safely reached by this method in a shorter period than eight years. My belief is that it would be thus accomplished in about seven years. This belief is grounded on the conviction that the market value of gold has not yet felt the full effects of its enlarged and cheapened production. Its value in exchange will probably still further diminish within the next decade at least ten per cent. If so, it will produce a corresponding enlargement in the volume of money, which I have made no estimate of in the above calculations.

Without trespassing further I respectfully submit to your judgment whether such a consummation is not the best we can hope for in view of the extreme inflation of our currency. No other nation that has departed thus widely from the true measure of value has ever returned to it at all, except through the infamy of repudiation. If we can reach it at the end of seven years of prosperous industry we shall be most fortunate and our material condition infinitely better than if marred by premature efforts to reach it earlier. Yours truly, GEORGE OPDYKE.

# SHIPPING NEWS.

**Almanac for New York—This Day.**

Sun rises ..... 7 25 | Moon rises.. morn 12 06
Sun sets ..... 4 47 | High water.... eve 2 15

**PORT OF NEW YORK, JANUARY 4, 1869.**

**Herald Packages.**

Captains and Pursers of Vessels arriving at this port will please deliver all packages intended for the HERALD to our regularly authorized agents who are attached to our Steam Yacht fleet. The New York Associated Press do not now collect marine reports nor attend to the delivery of packages, as will be seen by the following extract from the proceedings of the regular monthly meeting held March 3, 1868:—

Resolved, That on and after April 1, 1868, the Associated Press will discontinue the collection of ship news in the harbor of New York. Passed unanimously.

☞ The office of the Herald steam yachts JAMES and JEANNETTE is at Whitehall slip. All communications from owners and consignees to the masters of inward bound vessels will be forwarded free of charge.

## CLEARED.

Steamship Somerset, Reed, Baltimore—W Dalzell.
Steamship Franconia, Johnson, Portland—J E Ames.
Bark Emma (NG), Gunderson, Antwerp—Fabbri & Chauncey.
Bark Helena, Jackson, Cadiz—Holbrook & Murray.
Bark Janet Forbes (Br), Walker, Montevideo and Buenos Ayres—Henry & Parker.
Bark R W Griffiths (Br), Drummond, Matanzas—J E Ward & Co.
Bark G W Roosevelt, Hallman, Norfolk—J E Ward & Co.
Brig Hartford (Br), Robin, London—G F Bulley.
Brig Maria Wheeler, Wheeler, Aspinwall—S L Merchant & Co.
Brig Madonna (Br), Jordan, Demerara—Miller & Houghton.
Brig Ellen G McLean (Br), Cook, St Johns and Mayaguez—Brett, Son & Co.
Brig Chebucto (Br), Kennedy, Halifax—B F Smith & Co.
Brig Jennie Clark (Br), Roberts, St Jago—Henry & Parker.
Schr Rebecca C Lane, Lane, Fahaka—G E Ameinck & Co.
Schr Annie Whiting, Hutchings, Demarara—Ed Rowe.
Schr Annie G Weaver, Weaver, Mobile—B F Metcalf & Co.
Schr Hamburg, Sprague, Brunswick—Lorraway & Plymer.
Schr L C Wishart, Mason, Wilmington, NC—Van Brunt & Sagatt.
Scar W H Kinzel, Soper, Baltimore—N L McCready & Co.
Schr Sinaloa, Steele, Portland—F Talbot.

## ARRIVALS.

REPORTED BY THE HERALD STEAM YACHTS.

Steamship Flag, Hoffman, Fernandina, Fla. 72 hours, with cotton, &c, to I K Roberts.
Steamship Saratoga, Alexander, Richmond, &c, with mdse and passengers, to the Old Dominion Steamship Co.
Steamship John Gibson, Winters, Norfolk, with mdse to Phelps & Brown.
Steamship Empire, Price, Washington and Alexandria, with mdse, to James Hand.
Ship Samuel Russell, Lucas, Amoy, Sept 12, with teas, to A A Low & Bros. Passed the Equator in China Sea Oct 8, in lon 116 42. Anjier Oct 18, Cape Good Hope Nov 19; strong westerly gales for 4 days; crossed the equator in the Atlantic Dec 12, in lon 27 30. Spoke in the Java Sea ship Prudence (Br), from Shanghae for London, 32 days out; lat 34 27, lon 29 05, passed ship Cordelia (Br), steering W; lat 35, lon 29 40, spoke ship Antje (Dutch), from Batavia for Rotterdam, 35 days out; lat 4 26 S, lon 31 W, passed bark Sroobrew (Nor), steering SW; Dec 9, passed bark Geor (Belg), steering S.
Ship Black Hawk, Crowell, San Francisco, Sept 24, with mdse, to Geo Howes & Co. Passed Cape Horn Nov 13, and crossed the equator in the Atlantic Dec 11, in lon 38. Nov 17, lat 52 18 S, lon 55 W, passed a large iceberg; Dec 4, lat 17 12 S, lon 31 W, spoke ship Pelline (Nor), from Antwerp, bound S; same day, lat 4 26 S, lon 31 W, barque Sroobrew (Nor), bound S; 5th, lat 11 30 S, lon 30 45 W, ship Hieroglyphic (Br), bound S; 16th, lat 14 N, lon 49 13, brig Minnie Amby, from Buenos Ayres for New York, with loss of fore and main topmasts; 26th, 4 PM, lat 36 53, lon 68 48, saw and passed within 80 feet of a two masted vessel, apparently a barn brig, waterlogged, no spars standing or anything attached, painted bronze green outside, with May Queen on the stern, setting towards SE; 28th, lat 31 14, lon 73, spoke bark Javerland (Dutch), from Singapore for Boston, 120 days out.
Ship Favorita, Bush, San Francisco, Sept 23, with mdse, to Sutton & Co. Is detained off the Hook by fog.
Ship Star of Hope, Gannett, San Francisco, Sept 8, with mdse, to Samuel G Reed & Co. Is detained outside by fog.
Ship Robin Hood (of Boston), Kelly, San Francisco, Sept 9, with mdse, to order. Is detained outside by fog.
Ship Quebec (Br), Campbell, Liverpool, Nov 16, with mdse, to Snow & Burgess. Is detained outside by fog.
Ship Reichstag (NG), Plump, Hamburg, Nov 6, with mdse and passengers, to Edye & Brock. Is detained outside by fog.
Bark Volage (Br), Kerr, Liverpool, 68 days, with mdse, to Walsh & Carver. Had strong westerly gales; stove bulwarks, main hatch and water casks and received other damage.
Bark Progress (Nor), Olsen, Port Talbot, 54 days, with railway iron, to Punch, Meincke & Co. Had light winds and calms the whole passage.
Bark Mozart (NG), Lorenzen, Rio