

CHAPTER XXX.

POLICY OF THE HAYES ADMINISTRATION.

Reception at My Home in Mansfield—Given by Friends Irrespective of Party—
 Introduced by My Old Friend and Partner Henry C. Hodges— I Reply by Giving
 a Résumé of the Contests in South Carolina and Louisiana to Decide Who
 Was Governor— Positions Taken by Presidents Grant and Hayes in These
 Contests— My Plans to Secure the Resumption of Specie Payments—
 Effects of a Depreciated Currency— Duties of the Secretary of the
 Treasury— Two Modes of Resuming— My Mansfield Speech
 Printed Throughout the Country and in England— Let-
 ters to Stanley Matthews and General Robinson— Our
 Defeat in Ohio— An Extra Session of Congress—
 Bills Introduced to Repeal the Act Providing
 for the Resumption of Specie Payments—
 They All Fail of Passage— Popular
 Subscription of Bonds All Paid for.

ABOUT the 10th of August I made my usual visit to my home at Mansfield. Soon after my arrival I received the following invitation, signed by a great number of my neighbors and friends, without respect to party, expressing a desire to tender me a reception :

HON. JOHN SHERMAN.

DEAR SIR:—The undersigned, your townsmen, and fellow-citizens of Richland county, desire to give you some manifestation of the very high regard in which we hold your public services. We are glad to know that you are permitted to again be at your own home, and for a week or two mingle with us in all the unrestrained freedom of friends and townsmen.

Financial and other public questions are, however, of importance to us always, and especially now. We recognize your great ability and long experience, and cannot but think that an expression of your views on these questions will be very highly prized by the people of Ohio, irrespective of party. We therefore desire, with your sanction, on some day during the next week, to give you a hearty welcome to your old home, and shall be glad to have you, on the occasion, give your views on the public questions, now of such vast importance to all. With our kindest regards, we are,

Your friends, etc., etc.



LIBRARY OF MR. SHERMAN'S MANSFIELD RESIDENCE.

I replied as follows:

MANSFIELD, O., August 13, 1877.

GENTLEMEN:—I received with much pleasure your kindly letter of the 10th inst., signed by so many of my old friends and neighbors in Mansfield, and assure you of my high appreciation of your generous words of courtesy and regard.

I always return with satisfaction to my home on the western slopes of our little city, and always enjoy the fresh air and picturesque country around us, but, more than all, the cordial greetings of old friends, with whom I have been acquainted since boyhood. It will give me much pleasure, at any time or place, to meet you, and to speak to you on current public questions, and I venture to name next Friday evening.

Very truly yours, JOHN SHERMAN.

The gathering was one of the largest that had come together in Mansfield for years. The evening was delightful, cool and balmy, a bright moonlight adding attraction to the scene. A stand decorated with flags had been erected near the center of the park, with seats in front, and lights gleamed on either hand. I was introduced to the audience by my old friend and partner, Henry C. Hedges, whose remarks were too flattering for me to insert. In closing he said:

“Regarding you as our friend, our neighbor, our townsman, we are glad and rejoice. We welcome you home, though your stay may be only a few days, and we sincerely trust that, rested by your stay, you may go back to your work reinvigorated, and that frequently we may have the pleasure of your temporary visits, and in the future, when your labors are finished, among us you may spend your old age, honored and happy.”

As my speech expressed my views upon important questions of that time, I think it well to embody extracts from it as part of the history of the then recent events, and my anticipations for the future:

“The kindly words of welcome uttered by my friend and associate of many years move me beyond expression. They recall to me the scene of the early time when I came to Mansfield, then a scattered hamlet of about 1,100 inhabitants, without pavements and without any of the modern conveniences of cities and towns. As Mr. Hedges has told you, very many of those I then met here are dead and gone. I was a boy then. A generation has passed away, and the sons of those I met then as citizens of Richland county now fill places of trust and responsibility. I have every reason in the world for being strongly attached to this town of Mansfield. You have always been kind to me. Here I studied law, here I practiced my profession for

several years, here I married my wife, a native of your town, here I have lived ever since, and when this mortal coil shall be shuffled off, here, probably, will my body rest with your fathers. But pardon me, fellow citizens, if, under the kind words of welcome of your spokesman, my old and honored friend, Mr. Hedges, I had forgotten that we are not here merely to exchange courtesies, but to discuss grave matters of far more importance than the life or memories of an individual.

"In doing so I wish it distinctly understood that I speak for myself alone, as a citizen of Ohio, to you my fellow-citizens and my neighbors, to whom I am under the highest obligations of gratitude and duty.

"The President authorized me to say one thing, and one thing only, for him, and in his name, and that is that all reports that impute to him any participation whatever in the nomination of candidates on your state ticket, or any desire or purpose to influence in any way the senatorial contest in Ohio, are utterly groundless.

"These are your matters, and I can assure you for him, that he does not and will not, interpose in any such contest between political friends.

"You all know that I am now, and have been, warmly attached to the Republican party. I believe in its principles and honor its work. With my strong convictions I could not conceal my partisan bias, or my earnest hope for the success of the Republican party, but the subjects of which I intend to speak to you to-night will not lead me to say much of former political struggles, or to fight our old battles over again, but chiefly to discuss the actual administrative questions of the day as they have arisen since the 4th of March last, and in all of which you are alike interested, whether you may call yourselves Republicans or Democrats. As to these questions I wish fairly to appeal to the candor and good judgment of honest men of both parties, only asking for the administration of President Hayes that considerate clarity of judgment which must be extended to all human agents.

When Mr. Hayes was inaugurated as President he found thirty-six states in the full and uncontested exercise of all the powers of states in the Union. In two states only there were contests as to who was governor. Both contests had existed from January to March, 1877, while General Grant was President.

In South Carolina Governor Chamberlain claimed to have been elected on the Republican ticket, and General Hampton on the Democratic ticket. The President is not made the judge of who is elected governor of a state, and an attempt to exercise such a power would be a plain act of usurpation. The constitution of South Carolina is much like that of Ohio. The count of the vote was to be made by the general assembly of the state. Unfortunately for Chamberlain a controlling question in the contest had been decided against him by a Republican court, and he was only kept in possession of the state house by the actual presence of United States troops in the building. He had appealed again and again to President Grant to

recognize him as governor and to give him the aid of Federal troops in the enforcement of his claim, which General Grant had refused, seeking only to preserve the public peace.

"When President Hayes was inaugurated both contestants were called to Washington and both were patiently heard and the questions presented were patiently and carefully examined. The President held that a case was not presented in which, under the constitution and the laws, he was justified in using the army of the United States in deciding a purely local election contest. The soldiers and bayonets of the United States were then withdrawn from the state house—not from the state, nor the capital of the state—but from the building in which the legislature, that alone could lawfully decide this contest, must meet. This was all that was done by the President, and Governor Chamberlain, without further contesting his claim, abandoned it and left the state.

"I say to you now that, strongly as I desired the success of Governor Chamberlain and the Republican party in South Carolina, the President had not a shadow of right to interpose the power of the army in this contest, and his attempt to do so would have been rash and abortive as well as without legal right.

"The case of Louisiana was far more difficult. The local returning officers of that state had, after a full examination, certified to the election of the legislature, showing a Republican majority in both houses. This had been done by excluding from their return the votes of certain parishes and counties wherein intimidation, violence and fraud had prevailed to an extent sufficient to change the result of the election. I was present, at the request of General Grant, to witness the count, and I assure you, as I have said officially, that the proof of this intimidation, violence and fraud, extending to murder, cruelty, and outrage in every form, was absolutely conclusive, showing a degree of violence in some of those parishes that was more revolting and barbarous than anything I could conceive of. It was plain that the returning officers had the legal right to pass upon and certify, in the first instance, who were elected members of the legislature, and that they were justified by the evidence in excluding bulldozed parishes, but it was equally clear that their return was not conclusive upon the members elected, and that each house had the constitutional right to pass upon the returns and elections of its members, and to set aside the action of the returning board. The two houses, when organized, had also the power to pass upon the returns of the election of governor, and they alone and no one else. Neither the President of the United States nor the returning board has any power or right to pass upon the election of governor. And here the difficulty in the Louisiana case commences.

"Governor Packard contends that a majority of the two houses, as duly returned, did pass upon the election of the governor, and did return that he was duly elected, but this was stoutly denied by Governor Nichols. This vital point was strongly asserted and denied by the adverse parties, and the

legislature of Louisiana divided into two hostile bodies, holding separate sessions, each asserting its legal power, and denouncing the other as rebels and traitors. Governor Packard and his legislature called upon President Grant for the aid of the army to put down insurrection and domestic violence; and here I confess that if I had been President, instead of General Grant, I would have recognized Packard and sustained him with the full power of the general government. My intense feelings, caused by the atrocities in Louisiana, may have unduly influenced me. But General Grant did not think this was his duty. I do not criticise his action, but only state the facts. He would only maintain the peace. He would not recognize Packard as governor, but I know, what is now an open secret, the strong bent of his mind, and at one time his decision was to withdraw the troops, to recognize Nichols and thus end this dangerous contest. He did not do this, but kept the peace.

But during these two months the whole condition of affairs had slowly changed in Louisiana. The government of Packard had dwindled away until it had scarcely a shadow of strength or authority, except at the state house, where it was upheld by federal bayonets. The government of Nichols had extended its authority over the state and was in full existence as the *de facto* government of Louisiana, supported by the great body of the white men and nearly all the wealth and intelligence of the state, and by the tired acquiescence of a large portion of the colored people, some of whom deserted Packard's legislature and entered that of Governor Nichols. The delay and hesitation of General Grant had been fatal to Packard, and when Hayes became President the practical question was greatly changed. One thing was clear, that a legislature had been duly elected in November previous, and was then in existence, though separated into two parts. If the members lawfully elected could be convened, they alone could decide the question of who was governor, without the intervention of troops, and their decision could be supported, if necessary, by the general government.

"The most anxious consideration was given to this question. Days and weeks of anxious deliberation were given to it by the President and his cabinet. But one way seemed open for a peaceful solution, and that was to gather, if possible, a single legislature that could be recognized as the depository of the representative will of the people of Louisiana. If this could be done it had the unquestioned right to decide who had been elected governor, and all other questions would settle themselves. To aid in this object, a commission of the most eminent men, high in position, from different states, and distinguished for judicial impartiality, was selected and the result is known to all. They went to Louisiana, and, with great difficulty, brought together these hostile legislatures which met, organized, promptly settled the questions in dispute in favor of the government of Nichols, and thus ended this most dangerous controversy. No other change was made, no other act done except, when the solution was almost accomplished, the few troops which had occupied the state house were withdrawn a few squares

away, to their barracks. Thus, in this peaceful appeal to the legislature of Louisiana, this controversy, which not only endangered the peace and safety of this state, but the peace and safety of the whole people of the United States, was settled. This is the sum and substance of all that was done in the southern policy, as it is called, of the President.

"Perhaps I ought to state that his policy has a broader motive than a mere settlement of a local election contest. It seeks to bring the north and south again into conditions of harmony and fraternity, and, by a frank appeal to the generous impulses and patriotic feeling of all classes of people in the south, to secure, not only peace among themselves, but the equal protection of the laws to all, and security in the enjoyment of political and civil rights.

"No doubt the result in Louisiana caused some disappointment to many Republicans throughout the United States, who deeply sympathized with their Republican brethren in that state. In that feeling I did, and do, share, and yet I feel and know that every step taken by President Hayes was right, in strict accordance with his constitutional duty, and from the highest motives of patriotism. Some are foolish enough to talk of his abandoning the colored people and their constitutional rights. President Hayes, from his early manhood, has been an anti-slavery man; his life was imperiled on many battlefields in the great cause of liberty, he sympathizes more and will do more for the equal rights of the colored people than those who falsely accuse him, and I believe this day, that the policy he has adopted will do more to secure the full practical enforcement of those rights than the employment of an army tenfold greater than the army of the United States."

In this speech I stated the action I proposed to take to secure the resumption of specie payments. The plan was executed in all its parts by me, and my remarks may, in one sense, be said to be a history of resumption. Continuing I said:

"And now, fellow-citizens, this brings me to the question upon which there is so much diversity of opinion, so many strange delusions, and that is the question of specie payments. What do we mean by this phrase? Is it, that we are to have no paper money in circulation? If so, I am as much opposed to it as any of you. Is it that we are to retire our greenback circulation? If so, I am opposed to it and have often so said. What I mean by specie payments is simply that paper money ought to be made equal to coin, so that when you receive it, it will buy as much beef, corn or clothing as coin.

"Now the importance of this cannot be overestimated. A depreciated paper money cheats and robs every man who receives it, of a portion of the reward of his labor or production, and, in all times, it has been treated by statesmen as one of the greatest evils that can befall a people. There are times when such money is unavoidable, as during war or great public calamity,

but it has always been the anxious care of statesmen to return again to the solid standard of coin. Therefore it is that specie payments, or a specie standard, is pressed by the great body of intelligent men who study these questions, as an indispensable prerequisite for steady business and good times.

"Now, most of you will agree to all this, and will only differ as to the mode, or time, and manner; but there is a large class of people who believe that paper can be, and ought to be, made into money without any promise or hope of redemption; that a note should be printed; 'This is a dollar,' and be made a legal tender.

"I regard this as a mild form of lunacy, and have no disposition to debate with men who indulge in such delusions, which have prevailed to some extent, at different times, in all countries, but whose life has been brief, and which have ever shared the fate of other popular delusions. Congress will never entertain such a proposition, and, if it should, we know that the scheme would not stand a moment before the Supreme Court. That court only maintained the constitutionality of the legal tender promise to pay a dollar by a divided court, and on the ground that it was issued during the war, as in the nature of a forced loan, to be redeemed upon the payment of a real dollar; that is, so many grains of silver or gold.

"I therefore dismiss such wild theories, and speak only to those who are willing to assume, as an axiom, that gold and silver, or coined money, have been proven by all human experience to be the best possible standards of value, and that paper money is simply a promise to pay such coined money, and should be made and kept equal to coined money, by being convertible on demand.

"Now, the question is as to the time and mode by which this may be brought about, and on this subject no man should be dogmatic, or stand, without yielding, upon a plan of his own, but should be willing to give and take, securing the best expedient that public opinion will allow to be adopted. The purpose and obligation to bring our paper money to the standard of coin have been over and over again announced by acts of Congress, and by the platforms of the great political parties of the country. If resolutions and promises would bring about specie payments, we would have been there long ago; but the diversity of opinion as to the mode now—twelve years after the close of the war—still leaves our paper money at a discount of five per cent. Until this is removed, there will be no new enterprises involving great sums, no active industries, but money will lie idle, and watch and wait the changes that may be made before we reach the specie standard.

"In 1869, Congress pledged the public faith that the United States would pay coin for United States notes. Again, in January, 1875, after more than a year's debate, Congress declared that on and after the 1st of January, 1876, the United States would pay its notes in coin.

"The Secretary of the Treasury is expressly required to prepare for, and maintain, the redemption of all United States notes presented at the treasury

on and after that date, and for that purpose he is authorized to use all the surplus revenue, and to sell bonds of the United States bearing four, four and a half, and five per cent. interest, at par in coin. It is this law, called the resumption act, now so much discussed in the papers, that imposes upon the office I hold most difficult and important duties, and without replying to any attacks made upon me, I am anxious to convey to you personally, what I have done, and what I must do, in obedience to the provisions of this act. It is said that the law is defective, but, if the great object and policy of the law is right, the machinery of the law could easily be changed by Congress. That resumption can be secured, and ought to be secured, under this law, it will be my purpose to show you, and I shall not hesitate to point out such defects in the law as have occurred to me in its execution.

"There are two modes of resumption; one is to diminish the amount of notes to be redeemed, which mode is commonly called a contraction of the currency; the other is to accumulate coin in the treasury, to enable the secretary to maintain the notes at par."

Objection had been made that under the first mode resumption would be a process of converting a non-interest bearing note into an interest bearing note, and that was true, but what right had we, as a nation, or had any bank, or individual, to force into circulation, as money, its note upon which it paid no interest? Why ought not anyone who issued a promise to pay on demand be made to pay it when demanded, or pay interest thereafter? What right had he, in law or justice, to insist upon maintaining in circulation his note, which he refused to pay according to his promise, and which he refused to receive in payment of a note bearing interest? A certain amount of United States notes could be, and ought to be, maintained at par in coin, with the aid of a moderate coin reserve held in the treasury, and to the extent that this could be done they formed the best possible paper money, a debt of the people without interest, of equal value with coin, and more convenient to carry and handle. Beyond this the issue of paper money, either by the government or by banks, was a dangerous exercise of power, injurious to all citizens, and should not continue a single day beyond the necessities that gave it birth. I added:

"The one practical defect in the law is, that the secretary is not at liberty to sell bonds of the United States for United States notes, but must

sell them for coin. As coin is not in circulation among the people, he is practically prohibited from selling bonds to the people, except by an evasion of the law, or through private parties. Bonds are in demand and can readily be sold at par in coin, and still easier at par, or at a premium, in United States notes. The process of selling for United States notes need not go far before the mere fact that they are receivable for bonds would bring them up to par in coin, and that is specie payments.

“But the reason of the refusal of Congress to grant this authority, often asked of it, was that it would contract the currency, and this fear of contraction has thus far prevented Congress from granting the easiest, plainest, and surest mode of resumption. To avoid contraction, it provided that national bank notes may be issued without limit as to amount, and that, when issued, United States notes might be retired to the extent of four-fifths of the bank notes issued. This was the only provision for redeeming United States notes that Congress made or would make, and this, it was supposed, would reduce the United States notes to \$300,000,000 before January 1, 1870. The actual experiment only proves the folly of the cry we had for more money, more money.”

The second mode of resuming was by accumulating coin gradually, so that when the time fixed for resumption should arrive, the treasury might be able to redeem such notes as should be presented. In this respect the resumption act was as full and liberal as human language could frame it. The secretary was authorized to prepare for resumption, and for that purpose to use the surplus revenue and sell either of the three classes of bonds, all of which in 1877 were at or above par in coin. I said: “The power can be, ought to be, and will be, executed if not repealed.”

This speech was printed in the leading papers in the United States and in England, and was regarded by the public at large as a declaration of the policy of the administration, to enforce the resumption law, whatever might be the current of opinion developed at the approaching elections, which, as they occurred, were generally against the Republican party. The Democratic party had taken position against the resumption act, in favor of the enlarged issue of United States notes and the free coinage of silver. The strikes led to the organization of labor unions, which, though independent of political parties, chiefly affected the Republican party then in power.

DEPARTMENT OF STATE
WASHINGTON

Washington D.C.
Aug. 30th 77

Dear Mr. Sherman,
I regret
that you in the excellent
& manner of your speech
in Ohio. The objection
of the incident being made
in Ohio. The credit of
its purpose treatment.
I am here & remain
strong firm in "Protect
on the subject of a new
currency in the sup-
ply of the business trans-

It was sent to me at Wash-
ington & forwarded from there
here. I know nothing of its
source but have no opinion
on the subject of the appro-
priate project
The President's visit here
shows the people in Ohio
by their unanimity.
I hope to see you in
Washington early next week.
I am yours very truly
Wm. M. Evarts
Mr. Sherman
Aug. 30th 77

Among many letters received by me, after this speech, I insert one from Mr. Evarts:

WINDSOR, Vt., Aug. 30, 1877.

THE HON. JOHN SHERMAN, Secretary of the Treasury.

DEAR MR. SHERMAN:—I congratulate you upon the excellence and success of your speech in Ohio. The difficulty of the undertaking justly enhances the credit of its prosperous treatment.

I inclose a remonstrance from an 'Injustice' on the subject of a new arrangement in the weighing at the customhouse. It was sent to me at Washington and forwarded from there here. I know nothing of its source and have no opinion on the subject of the supposed project.

The President's visit has pleased the people in New England amazingly. I hope to see you all in Washington early next week.

I am very truly yours, WM. M. EVARTS.

On the 14th of September, 1877, I sent to Hon. Stanley Matthews the following letter, giving my view of the position taken by General Ewing and Mr. Pendleton:

"At the request of General Robinson I have directed to you, in the care of Bickham, a number of documents for reference in your debate with Ewing, and as Robinson says you wish me to make suggestions, I venture to do so, but without any confidence that they can be of assistance, though they can do no harm.

"The most beneficial financial act of the administration is the reduction of the interest on the public debt. The amount already accomplished is stated in my printed speech. The rapidity of this process depends entirely upon the credit of the government. Ewing's policy would destroy our credit and stop the process. The very doubts created by him and Pendleton have already damaged the government very largely. Confidence is so sensitive that when prominent men like Ewing and Pendleton talk as they do, the injury is immediate.

"The whole difference between the amount of silver and gold at this moment is eight per cent., so that the payment of the debt in silver would lessen the burden of the debt eight per cent., but under the funding operations, which would be entirely destroyed by anything that alarmed the market, we are enabled to save thirty-three per cent. Whatever may be our right to pay our bonds, either in greenbacks or in silver, this question of expediency, as you very properly said in one of your speeches, is to be considered apart from the question of legal power.

"Refunding would go on with greatly accelerated speed if we could sell bonds for greenbacks. We make discrimination against the greenbacks by refusing to take them in payment of bonds. If I had the power to sell bonds for greenbacks I could make greenbacks equal to coin with scarcely a perceptible change. That is the advice of the most sagacious men in the

country. I know it. There is talk about the bondholder being a privileged person. He ought to be so no longer, and the moment that a bond could be bought with currency at par in gold, all discrimination in favor of the bondholder would disappear.

"The differences among Republicans about silver will be settled by the use of the silver dollar to the extent that it can be kept in circulation at par with greenbacks, and is a pure question of detail. The difference in the Democratic party about interconvertible currency is vital, and Ewing's doctrine overthrows the whole Democratic theory of finance before the war.

"The existence of the national banks is a question simply of policy not a question of principle. The right conferred upon banks to issue circulation is not conferred for their profit, but for the public convenience, and all Republicans can agree that that right should never be permitted to exist except when it is for the public convenience. The office of bank notes is simply to supply the ebb and flow of currency made necessary by the wants of business. The United States cannot lend United States notes, and therefore cannot meet this want. Ewing proposes to destroy the whole national bank system, interwoven with all the business of the country. I send you the last statement of the national banks. You can very easily show the effect upon the reviving industry of the country of the withdrawal of these loans and disturbing all this business. As at present organized the circulation is the vital thing, and if the bonds held by the banks to secure circulation were thrown upon the market, it would stop funding and compel also the withdrawal of loans, and create distress compared with which our present troubles are mere moonshine.

"I am afraid you will think I am going on to make a speech for you, so I will stop abruptly, with the promise that if I can furnish you any documents or information that may be of service to you I will do so with pleasure.

* * * * *

"I inclose the last statement of the national banks containing many points that may be of use.

"Upon the question of resumption I believe we are all agreed that it must come, and that the only standard value is gold or silver coin. The time and manner are the points of disagreement. Ewing is opposed to all resumption, but believes in printing a dollar and saying it is a dollar, while all the world would know that the declaration is a lie. The fact that we have advanced the greenbacks six per cent. in one year, by the movements made under the resumption act, shows that it is working pretty well. I send you a statement showing the changed condition in a year of our finances.

"While the people differ about the resumption act there is time to change it if it needs change, but Ewing would go back and commence the process over again. I am disposed to be tolerant about differences on the resumption act, for I think it will demonstrate its success or failure before Congress is likely to tamper with it."

On the 21st of September I wrote to General J. S. Robinson the following letter, evincing my anxiety as to the result of the canvass in Ohio, as it was then conducted:

"I am so deeply impressed with the importance of the campaign in Ohio that it makes me uneasy and restless that I cannot participate in it.

"What a magnificent chance the Republican party in Ohio now has, not only to place itself in the vanguard in the United States, but to do this country a service as great as any victory won by the Union army during the war. Here it is demonstrated by the cordial reception of the President in the south, by his hearty indorsement in Massachusetts, and by a public sentiment now growing and spreading with amazing rapidity, that in his southern policy he has opened the means of order, safety, peace and security in all the southern states.

"Now, when it is demonstrated that the difficulties in the way of resumption were myths conjured up by the fantasies of demagogues, when our notes are worth within three per cent. of gold, when Providence has favored us with boundless crops, and prosperity is again coming upon us after a dreary time of distress and trial caused by inflated paper money, why is it that we cannot see all these things and avail ourselves of the advantage they give us in our political contest? It seems to me that we ought to carry the state by an overwhelming majority, and if we do so we will establish the beneficial principles of our party beyond danger of overthrow by reaction, and we will secure the peaceful and orderly development of industry without a parallel in our previous history.

"I wish it were in my power to impress every Republican in Ohio with my earnest conviction about this matter, but here, constantly occupied by official duties, I can only remain watching and waiting in anxious suspense lest the great advantages we possess shall be frittered away or lost by inaction or mistakes.

"I know you will do your utmost for success, and only write you this to show you how earnestly I sympathize with you in your efforts."

The election in Ohio, in October, resulted in the defeat of William H. West, Republican, for governor, mainly on account of his position as to labor unions, but no doubt also because of a feeling of opposition against the resumption of specie payments. Richard M. Bishop, Democrat, was elected governor, with a Democratic legislature in both branches, which subsequently elected George H. Pendleton as United States Senator.

The following letter expresses my view of the election, and the causes which led to our defeat:

WASHINGTON, October 17, 1877.

DEAR SIR:—Your letter of the 13th inst. is received.

Your statement of the causes of our defeat in Ohio seems to me reasonable, though probably I would not agree with you in many points stated.

It is not worth while now to bother ourselves about what we cannot help. All we can do is to inquire how far we have been right, and to that extent pursue the right, whether victory or defeat is the result. No party can administer a government, that will not take the risk of temporary defeat when it is pursuing what, in the opinion of the great masses of it, is a beneficial policy for the country.

So far as the southern question is concerned, I feel that the President did right. The wisdom of his executive order as to office holders depends upon the construction given to it, and he is not responsible for a perverted construction not authorized by its words or terms. As to the resumption policy, the law is plain and mandatory, and, more than all, the law is right, and the Republican party might as well understand first as last, that the question of resumption is one higher than any party obligations and will be pursued by our adversaries if we do not. We can gain the credit of success, but we can gain no credit by retreating on this vital question. While the law stands nothing is left but to execute it, and for one I never would aid to alter the law, except to make it more effective, and would be very willing to retire on this question rather than to surrender.

The only way is for us to go steadily forward, with a certainty that public opinion in the end will sustain us if we do what is substantially right. The Republican party has been in this position many times and has never won success by retreat and cannot do so now. Very truly yours,
 JOHN SHERMAN.

A. P. MILLER, Esq., Toledo, Ohio.

It became necessary for the President to call an extra session of Congress, on account of the failure of the passage of the army bill at the previous session. Though the proclamation was issued on the 5th of May, 1877, Congress was not convened until the 15th of October following. Both Houses met on the day appointed. The Senate was organized by the election of Thomas W. Ferry, of Michigan, as president *pro tempore*, and Samuel J. Randall, a Democratic Member from Pennsylvania, was elected speaker of the House by a majority of seventeen over James A. Garfield, the Republican candidate.

The message of the President was confined mainly to the circumstances connected with the failure of the previous Congress to provide for the support of the army, and to certain

deficiencies in appropriations required for the government, the President stating that as certain acts of Congress, providing for reports of the government officials, required their submission at the regular annual session, he deferred until that time any further reference to subjects of public interest.

Congress, however, not being confined in its powers, and having full jurisdiction of all legislative questions, proceeded at once to discuss financial questions and especially the measures taken for the resumption of specie payments. No less than four bills were introduced in the Senate and fourteen in the House, providing for the repeal, in whole or in part, of the act for the resumption of specie payments. One of these bills was reported from the committee on banking and currency, by Mr. Ewing, on the 31st of October. It was the subject of debate during the remaining period of the session, and finally passed the House on the 23rd of November, by the vote of 133 yeas and 120 nays. It repealed all that part of the resumption act which authorized the Secretary of the Treasury to dispose of United States bonds, and to redeem and cancel the greenback currency, or practically all the resumption act except the clauses for the substitution of silver coin for fractional currency. It was sent to the Senate on the 26th of November, and referred to the committee on finance. No action was taken upon it during that session, which adjourned on the 3rd of December. The regular session convened on the same day, with this bill still pending in the committee on finance. On the 17th of April, 1878, Mr. Ferry, from that committee, reported back the bill with an amendment to strike out all after the enacting clause, and insert new matter. After a long debate ending on the 13th of June, the following amendment was adopted as a substitute for Mr. Ferry's amendment, by a vote of yeas 30, nays 29:

“That from and after the passage of this act United States notes shall be receivable the same as coin in payment for the four per cent. bonds now authorized by law to be issued; and on and after October 1, 1878, said notes shall be receivable for duties on imports.”

The bill, as amended, passed the Senate by a large majority. In this form it had no proper relevancy to the bill as it

passed the House, and the action of the Senate was regarded as a practical defeat of the bill. It was taken up in the House on the 14th of June, and the question being taken on concurring in the amendment of the Senate, the vote was yeas 112, nays 122, so the motion was disagreed to. On the 17th of June, a motion was made to suspend the rules and proceed to the consideration of the bill, but as two-thirds did not vote in favor of the motion it was not adopted, and the bill was not called up for action until the next session of Congress, when Mr. Ewing, on February 22, 1879, reported it from the committee on banking and currency, and moved to concur in the Senate amendments, with amendments changing the date on which the act should take effect, and also adding, "that the money hereafter received from any sale of bonds of the United States shall be applied only to the redemption of other bonds bearing a higher rate of interest, and subject to call."

This motion came too late, as the whole subject-matter had been disposed of by the resumption of specie payments on the 1st of January previous. It led, however, to a considerable debate in which Mr. Garfield participated. He made a humorous allusion to the revival of controversies that were past and gone since the 1st of January, and moved to lay the bill and the amendments upon the table. That was adopted by a vote of yeas 141, nays 118.

I have given the official history of the efforts to repeal the resumption act, but it would be beyond the limits of this book to quote, or even state, the copious speeches for and against resumption. I felt secure, for if such a bill should pass, the executive veto would prevent any action by Congress that would interfere with the execution of the law. My principal effort was to convince Congress that it ought not to interfere with what the House called a destructive experiment, but what I regarded as an easy and beneficial execution of existing law. A large part of the opposition was purely political. The resumption act was a Republican measure, voted for only by Republicans. The Democratic party had, by the elections just previous to its taking effect, secured a majority in the House, and, with the aid of a few Republican Senators, with strong

"greenback" proclivities, had the control of the Senate on the financial question.

This political condition in the fall of 1877 tended to prevent the sale of four per cent. bonds after the close of the popular loan. My official correspondence with members of the syndicate, and with Mr. Conant, published by order of the House of Representatives in the volume "Specie Resumption and Refunding of the National Debt," shows fully the earnest effort made by me to sell the four per cent. bonds. This was successful to a slight degree in August and September, but sales were substantially suspended after that date, until it became manifest that the two Houses could not agree upon the repeal of the resumption act, or the remonetization of silver. The threatened measure for the free coinage of silver, and the fear that the bonds would be paid in silver coin less valuable than the gold coin paid for them, tended, more than the efforts to repeal the resumption act, to prevent the sale of bonds.

While at Mansfield, in August, I wrote to Mr. Conant, in London, as follows:

MANSFIELD, OHIO, August 18, 1877.

DEAR MR. CONANT:—Your letter of the 4th was forwarded to me here. I notice what you say about the calls, but you must remember that out of the sales of four per cent. bonds we must provide five millions gold for each of the months of September and October, so that for ten millions of bonds there must be no calls. I should have informed you of this sooner, but neglected to do so before leaving. The parties in New York, and no doubt the Rothschilds, have been advised of it and agree to it. Until the popular subscription is paid for it will be difficult to press the sale of the four per cents., but I hope in September the sales will commence and be pushed rapidly. The movement of the crop has already commenced. The strike seems to be ended, with a better feeling among laborers, and some advance in freight. The necessity of the trunk lines combining on freight is so clear that it is likely to result in some agreement that will stand.

I made a speech here yesterday, which no doubt will be received by you in the New York papers in due time, and which contains some matters affecting your operations. It is substantially in conformity with the general wish of the administration as to financial affairs, and it might be well for you to call the attention of the Rothschilds to that part of it relating to our loans and the basis of our credit.

I return next week to Washington, where I will again be happy to hear from you.

Very truly,
JOHN SHERMAN, Secretary.

Mr. Conant answered as follows:

NEW COURT, ST. SWITHIN'S LANE,
LONDON, E. C. ENGLAND, August 23, 1877.

DEAR MR. SECRETARY:—I was very glad indeed to receive your letter of the 6th instant. I at once informed the contracting parties of what you had written in reference to the strikes and riots at home. The sale of our bonds has not been directly interfered with on account of the riots. In fact, the occurrence of the riots has almost been forgotten. The London 'Times,' of this morning, has, however, revived the subject by printing a letter from its Philadelphia correspondent, in which he says that the strikers, it is evident, are to get into politics through the organization of a party, to be called the 'Workingmen's party;' and he predicts that mischief will come out of it through the control of the state governments which the mob element may gain; and the consequent enactment of bad laws, etc., especially against capital. Another letter is also printed (written by a Mr. Connolly), by which it is made to appear that America is in a terrible financial condition. These two letters are made the subject of an editorial which, on the whole, is not very complimentary to us, nor calculated to improve our credit. The 'Times' of last Monday's date had an editorial on the speech which you made in Ohio on Friday last. I send you a copy, and think, if you can find time, you will rather enjoy reading the article. Nearly all of the English people, as you are aware, believe in the principle of 'free trade,' and it is but natural that they should, for the reason that England depends upon her great commerce and her markets in every part of the globe for the employment and maintenance of her people. People here think that our protectionist tariffs are not only detrimental to the commercial interest of our country, but that they are of a suicidal character so far as our fiscal policy is concerned. They think, in other words, that it would be vastly better for the real interest of the people of the United States if they would trade more extensively with the people of England. What the 'Times' editor has to say about the balance of trade will amuse you, and yet people talk about the advantages of a balance of trade as being an exploded idea. English interests are laboring to effect a new treaty with France, under which large reductions in duties are proposed.

I note what you are pleased to say in regard to sales of bonds during the present month. With the price of bonds at the present moment they cannot of course be sold. The parties will find it necessary to use great caution as well as care in managing the market, so as to get control of it. Any attempt to force the sale of the bonds during this, and, I think, next, month will only operate to keep the price so low that they cannot be sold at all. I am firm in the belief that the premium on gold will go gradually lower, and that the balance of trade in our favor will keep forcing it down.

I remain your obedient servant,

HON. JOHN SHERMAN.

CHAS. F. CONANT.

He again wrote on the 30th of August:

"On Tuesday last a further amount of gold (£130,000) was withdrawn from the Bank of England for shipment to the United States, and for the purpose of protecting its stock of bullion the bank immediately advanced its rate to three per cent., and also increased the price of American eagles.

"Great Britain must obtain from us this season a large supply of bread-stuffs and grain, larger than has been required in any one year during several years past, and at higher prices than those heretofore paid, and, in the present condition of trade between the two countries, gold, to quite an extent, will have to be sent over in payment for these articles. Therefore, advancing the rate of interest may check for a time, but will not stop altogether, the shipment of bullion, but it may attract here some of the gold held by the Bank of France. The bank rate does not govern the street rate, and a further advance by the bank, which it is very likely may be made, is not to be considered as indicating that we are to have a dearer money market. I inquired to-day of Mr. Morgan and the Messrs. Rothschild what they thought of the prospects of making any sales during next month, and their answer was: 'Wait patiently for the market to recuperate.' I am satisfied that good investment securities are scarce here; that they have been cleared from the market, and that as soon as the question of cheap or dear money is settled, sales of the four per cent. consols will be resumed. The amount of the sales will of course depend upon which way the question is settled. There were times during the placing of the five per cent. and four and a half per cent. bonds when, as you are aware, operations were suspended for quite a time, the condition of the market being such as to prevent anything being done. From semi-official accounts it appears that the famine in India is a very serious affair, and it is quite possible that large sums of money will be required from here with which to purchase supplies."

My experience thus far convinced me that it was bad public policy to continue the sale of bonds for refunding purposes through a syndicate of bankers, the chief of whom resided in London. I could see no reason why this function could not be performed by national banks, better than by bankers at home or abroad. A question arose whether the Secretary of the Treasury had the power to designate national banks as public depositories of the proceeds of bonds sold under the resumption and refunding acts. The object to be gained by this designation was to prevent the withdrawal of coin from circulation, and the undue accumulation of coin in the treasury of the United States. If the exchange of one bond by another could be directly effected through the banks without the

payment of coin, it would facilitate the process of refunding. I submitted this inquiry to Attorney General Devens, and on the 30th of August he stated his opinion and closed as follows :

" In answer to your inquiry, I have, therefore, the honor to say that the Secretary of the Treasury, if he deems it expedient as a matter of administrative policy, may sell bonds under the act known as the 'refunding' and 'resumption' acts, depositing the amounts received therefrom with such public depositories as he may select under the national bank act, taking such security as is required by the statutes."

The last of the popular subscriptions for the four per cent. bonds became due on the 16th of October, and all were paid for but three subscriptions aggregating \$1,600, and these were assumed by the syndicate. The bonds had been paid for by the syndicate either by called six per cent. bonds, which were canceled, or in gold coin deposited in the treasury, without the loss of a dollar. The called session of Congress, which met on the 15th of October, and the agitation of the repeal of the resumption act and the remonetization of silver, prevented for the time any further sales of the four per cent. bonds by the government.