

home a mere transfer of money from the right hand pocket to the left hand, inflation of prices prosperity, fall of prices rise of national faith; but by realizing the necessity like rational men, and meeting it like men. The continuance of a war for five years is time enough to organize means of revenue to pay the greater part of its expenses. We must have a currency of settled value or trade will be ruined. We must shoulder the burdens of the war, instead of shifting them upon the future at the ruinous rate of a dollar in the future burden for fifty cents for the present expenditure. And we must have reform and retrenchment in the Government in its war and civil expenditures, based upon sound ideas of the finances and the public burdens and necessities.

California and the National Currency

IMPORTANT CORRESPONDENCE.

Chronicle, 1166.
WASHINGTON, D. C., March 21, 1865.

To the Editor of the *Chronicle*:

I herewith enclose the copy of a correspondence between the honorable Secretary of the Treasury and myself, relating to the policy which the State of California has thus far pursued as regards the national currency. In view of the great influence which the views of the Secretary are destined to have in shaping the future financial policy of California, as well as their importance to the country generally, I am induced to ask the favor of having the correspondence published in the next issue of your paper.

Very truly, yours,
THOMPSON CAMPBELL.

LETTER OF THOMPSON CAMPBELL, ESQ., TO THE SECRETARY OF THE TREASURY.

WASHINGTON, March 24, 1865.

Hon. Hugh McCulloch, Secretary of the Treasury:

DEAR SIR: The State of California is the only loyal State in the Union where the national currency is not used as a circulating medium. The supreme court of that State decided at an early day that legal tender notes were not receivable in payment of taxes, on the ground that a tax is not a *debt*, in the legal and technical sense of that term, as used in the legal-tender law.

The legislature of California enacted, in 1863, what is known as the specific gold contract law, the object of which is to enable the courts, by process of law, to enforce the specific performance of all contracts for the payment of money, when it is specified in the contract that the sum when due shall be paid in gold coin. One effect of this law is to entirely prevent the circulation of the national currency in California, making it merely an article of traffic, its value being regulated by the price of gold in New York. The result is that all Federal officers, and the army and navy, are forced to convert, at a great sacrifice, the currency in which they are paid, into gold, at the market rate of greenbacks, before it can be made available to them, sometimes reducing their pay more than one-half, which is very oppressive, particularly upon those employed in the military and naval service, and in the end calculated to affect very

injuriously the public service on the whole Pacific coast.

While many true and loyal men in California sincerely entertain the opinion that the gold policy is not only the best for their State, but is also the best for the general Government, the opposite opinion is held by large numbers of loyal citizens; and from present indications I do not entertain a doubt but that the next legislature will open the way for the introduction of the national currency as the circulating medium of the State.

Knowing the influence that your views have with the loyal people of California on all questions relating to the financial policy of the Government, I have taken the liberty, as a citizen of that State, of addressing you this note for the purpose of eliciting your views on the questions here suggested.

Hoping you may find it convenient to reply, I have the honor to remain, very respectfully, your obedient servant,

THOMPSON CAMPBELL.

REPLY OF SECRETARY M' CULLOUGH.

TREASURY DEPARTMENT, March 28, 1865.

DEAR SIR: Your favor of the 25th inst. is received.

The decision of the Supreme Court of California that United States notes could not be received for taxes, and the subsequent act of the Legislature of the State, which seemed like an attempted nullification of the national authority making these notes lawful money, have undoubtedly done much mischief to the State, and not a little to the country generally.

Whatever opinions may have been entertained in regard to the propriety or necessity of the issue of these notes, and the making of them a legal tender, when Congress, in view of the situation of the country, and on the recommendation of the Secretary of the Treasury, upon whom was devolved the responsibility of providing the means for the prosecution of the war, determined this question, it was, in my judgment, the duty of California to conform her policy to this determination. The legal tender acts were war measures; and California could not place herself, as she has done apparently, in opposition to these war measures, without indirectly assailing the national credit, and casting her influence in no small degree on the side of those, who, with bloody hands, were attempting the dismemberment of the Union. That such was the intention or the spirit of the people of California, no one supposes. Truer or more loyal men than the majority of the people of that State, are not to be found in any other State of the Union. Unfortunately, they permitted their preference for a metallic currency, and the influence of the bankers, to place the State in opposition to the financial policy of the country, and to prevent her, in this particular, from being in hearty sympathy with the other loyal States.

Although situated upon the Pacific, no State has a deeper interest in the preservation of the Union than California; and none should have been in advance of her in sustaining those measures which the loyal people of the country had adopted as a means of accomplishing this object.

Footnote 1:

California and the National Currency, Correspondence printed in newspaper LETTER OF THOMPSON CAMPBELL, ESQ., TO THE SECRETARY OF THE TREASURY. Washington, March 24, 1865
Hon. Hugh McCulloch, Secretary of Treasury

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Although situated upon the Pacific, no State has a deeper interest in the preservation of the Union than California; and none should have been in advance of her in sustaining those measures which the loyal people of the country had adopted as a means of accomplishing this object.

In regard to the wisdom of her policy in adhering to an exclusive metallic currency, as far as California herself is concerned, it may seem to be almost indelicate for me to express an opinion. When, by refusing to recognize the authority of Congress in making United States notes lawful money, she places herself in antagonism to the credit of the Government, every supporter of the Government, no matter where he may reside, has the right to criticize and to condemn her action; but her domestic policy, so far as it affects California alone, is a matter in which the citizens of other States have no direct interest. I have, however, very decided opinions upon this subject, and I have no hesitation in saying that, in my judgment, California would have been a much richer and more prosperous State if her circulation had been a mixed instead of an exclusively metallic one; that she has not only failed properly to co-operate with the other States in maintaining the Government credit, but has misapprehended her own interest in discountenancing the use of paper money within her limits.

No country can prosper for any considerable time where money commands so high a rate of interest as it does in California, and nothing would tend more directly to reduce that rate of interest than the introduction of a sound paper circulating medium.

Paper money has been found to be a necessity in all commercial countries, and especially in the United States; and what is true elsewhere must be true in California. With her splendid climate, her fertile soil, and her inexhaustible mines, her wealth and population ought to have been more rapidly increased than they have been for some years past. With her great advantages, what has prevented her from receiving a constant flow of emigration from the other States? What has prevented her from being a commercial and manufacturing State? What is now repressing the enterprise of her enterprising people but the fact that money is dear, and credit, to a great degree, ignored?

California needs a well-regulated credit system; she needs a lower rate of interest; she needs to be cured of the mania for an exclusive metallic currency; in a word, she needs, in addition to the recognition of United States notes as a currency, a sound banking system—such as is provided for by the national currency act—and she will linger in the career of greatness and prosperity until these needs are supplied.

Regretting the necessity I am under, by reason of pressing official duties, of replying thus briefly and hastily to your letter, I am, very truly, yours,

H. McCulloch,
Thompson Campbell, Esq., Washington.

THE VIEWS expressed by the Secretary of the Treasury in his answer to the letter of Thompson Campbell, Esq., which we print in another column, are worthy of serious consideration. He says, in substance, that the obstinate attachment of the people of California to a metallic currency has been the means of retarding the de-

velopment of the great resources of that State, because, from the limited amount of circulation, it has been impracticable to inaugurate any sound system of banking. Two thousand years ago the merchants of the Old World used to carry on their exchanges only by the actual transportation of coin. Afterwards, bills of exchange came into use, and the sixteenth century saw the initiation of a system of banking which has been substantially followed by all the monetary corporations of the world. A sound system of banking must unquestionably develop the resources of a nation. The lending and borrowing of money will sometimes be carried to an extreme, as are all other theories. Wild-cat banks and bottomless brokers are a necessary evil, but a system of credit conducted on sound financial principles must be of great value anywhere, and to a new country indispensable. Secretary McCulloch says that California would more rapidly develop her resources and sooner come to the level of other States if she would inaugurate some banking system, which would render money abundant and cheap. In this he shows the sagacity of a practical business man. Though he is perfectly aware of the financial disasters and convulsions which have twice wrecked the anticipated fortunes of the speculators and merchants of the Northwest, he knows, as every business man does, that a credit system, when confined within proper bounds, is necessary to the convenient prosecution of business and the development of the resources of any country. The "hard-money" men may take some valuable suggestions from the few terse and vigorous sentences in which Secretary McCulloch expresses his "decided views" in regard to the financial condition of California, and the unfortunate decision of the Supreme Court of that State.

THE UNITED STATES CAN CARRY A BIGGER WAR DEBT THAN ENGLAND.

How England carried her war debt of 1816, and how she grew rich under its burden, and richer and richer, till she is the richest country in the Old World, all men know. That debt, inserted in her Eschiquier Books, was nominally \$916,000,000. The New World had forgotten that, in the twenty-two years of her wars with France, England expended upon her armies, her navy, and her Continental expeditions, \$5,471,000,000, derived from taxation. Her war debt should, of course, be charged with this amount, and then it would have stood the stupendous column in National Finance of \$6,387,000,000—more than three times as vast as our own war debt, just at the end of the Boshellian.

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California needs a well-regulated credit system; she needs a paper circulation to quicken enterprise, and give impetus to business; she needs a lower rate of interest; she needs to be cured of the mania for an exclusive metallic currency; in a word, she needs, in addition to the recognition of United States notes as a currency, a sound banking system—such as is provided for by the national currency act—and she will linger in the career of greatness and prosperity until these needs are supplied.

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