1898

History of the currency, 1848-1873

Walter G. Watt

State University of Iowa

This work has been identified with a Creative Commons Public Domain Mark 1.0. Material in the public domain. No restrictions on use.

This thesis is available at Iowa Research Online: https://ir.uiowa.edu/etd/3669

Recommended Citation


Follow this and additional works at: https://ir.uiowa.edu/etd

Part of the Economics Commons
HISTORY OF THE CURRENCY--1848-1873.

By

Walter G. Watt.

A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of Master of Arts in the Department of Political Economy and Sociology, State University of Iowa, 1898
Table of Contents

Introduction.

Part I.
Currency Legislation in the Decade Immediately Preceding the War of the Rebellion.

Part II.
The First Currency Legislation of the War.

Part III.
The Act of February 25, 1862.

Part IV.
Introduction.

The discoveries of gold in Russia, Australia and California at about the same time, exerted an important influence upon the currency of the leading commercial nations of the world. The influence of course was not immediately susceptible, but as early as 1851 the influx of gold from the mines of the Old and New Worlds began to make its presence manifest. The average annual production of the world, which from 1840-1850 had been about $8,000,000 rose in the early fifties to over $50,000,000. The effect of this great and sudden increase in the supply of the gold of the world could be but to lower the value of that metal as compared with commodities everywhere; but it is only with its effect upon the currency of the United States that we have to deal. Its effect upon that currency was first definitely recog-
sized by Congress in enacting a law providing for the coinage of gold dollars and double eagles; but its most important influence was on which was not immediately apparent, and which to be properly understood requires at least a momentary glance at a law passed by Congress fourteen years prior to the beginning of the period we are considering.

By this law, which was passed June 28, 1834, Congress changed the Mint ratio of gold and silver coin from 15 to 1 to 16 to 1. Neither of these ratios corresponded with the market ratio existing between the two metals. The ratio of 15 to 1 had rated silver too high, and so in accordance with the workings of Gresham’s Law gold had been almost completely driven out of circulation. After the changing of the ratio silver was rated too low, and the opposite effect to that formerly experienced was the result. Silver began to disappear. The rising of the price of gold by its largely
increased production augmented the forces already at work and drove silver out of circulation and its portability. This disappearance of silver soon began to cause inconvenience, to remedy which Congress passed the act of Feb. 21, 1853 which we will now proceed to discuss.
Part I

Currency Legislation in the Decade Immediately Preceding the War of the Rebellion.

The most serious difficulty arising from the disappearance of silver was the lack of fractional coin for making change. That the lack of such fractional currency was sufficient to be felt is indicated by the fact that Congress was memorialized by a large number of the members of the state legislature of New Jersey to pass the bill regulating the subsidiary coinage, as the merchants of that state found it difficult to carry on their business for the want of a suitable medium of exchange. That the value of gold and silver like the value of all other commodities is affected by an increase in their supply, and that the cheaper money tends to drive out the dearer, while facts that have long been appreciated
by nearly all economic writers, seem frequently not to have been understood by legislators. In settling the present difficulty, however, Congress seems to have appreciated the shortcomings of both these laws. Mr. Skelton, in addressing the House of Representatives on the bill which became the act of Feb. 21, 1853, said:

"But in as much as we have here both gold and silver as mediums of exchange, both representing the value of commodities in the community, any change in their relative values produces a derangement in the currency of the country, and one drives the other out of circulation."

As gold had decreased in value as a result of its increased abundance, it would naturally be supposed that any re-adjustment between the two metals would be effected by increasing the weight of the gold coins. This, however, Congress did not
do, but instead decreased the weight of the fractional silver coins, leaving the silver dollar, which contained 371.25 grs of pure silver, untouched; but reducing the pure silver in two half dollars to 345.6 grs, and the other fractional silver coins proportionally. Continuing the process of reducing the fractional silver coins to a subsidiary currency, Congress enacted that there should no longer be any free coinage of them at the Mint, but their amount should be left to the discretion of the Secretary of the Treasury. The first step taken in carrying out the policy which had been entered upon was to limit the legal tender power of fractional silver to payments of five dollars. It can not be doubted that Congress acted wisely in thus reducing the fractional silver coins to a purely subsidiary currency; for by doing so that part of the circulating medium so indispensable in carrying on the
minor transactions of trade have ever since remained undisturbed, except during the period of the Civil War.

The next act of importance in the history of the currency is that of Dec. 23, 1857, and was an attempt to remedy the financial conditions which brought about the panic of that year. The causes of the panic may be found in the large speculations in lands and in railroads which had been carried on either with borrowed money, or open credits, or by accommodation notes back of which there was no second party. The bill which by providing an increased circulation was to furnish relief for the strained conditions in financial circles, was similar in its main features to all the bills for the issue of paper currency passed since 1837 except in two respects. These were first, in striking
out the funding provision of the bill of 1847, and second, in the method of getting the notes into circulation. The reason for leaving out the funding provision of the bill of 1847 was to prevent the notes being converted into a loan by exchanging them for bonds. Under the law of 1847 the holder of the note instead of claiming what the law designed only to give him, namely, what was due on its face, first funded it into stock and then demanded a premium on the stock. As to the method of getting the notes into circulation, this bill marks a departure from its predecessor. Under former bills the Secretary of the Treasury with the approval of the President could fix at his own discretion the rate of interest which the notes should draw, provided only it did not exceed six per centum. Under the present bill $60,000,000 was to be put out in the old method, as it was important
to get at least a part of the notes into the channels of trade as soon as possible in order to relieve the financial stringency; but the remaining $4,000,000 was to be advertised and sold to the bidder who would agree to take them as specie at the lowest rate of interest. It was said that by adopting this method it would be possible to ascertain precisely what would be the specie par of the notes; in other words, the interest upon the notes was not to be made so high that they would be hoarded, nor so low that they would be below their face value as specie, and thus come into the Treasury in payment of duties. The measure was practically a loan to meet the current expenses of the Government, and was made necessary by the falling off of imports as a result of hard times, and the additional fact that the 34th Congress had passed a tariff bill which greatly decreased the customs duties.
The act was a legitimate effort to forestall the revenues to be derived from the duties on imports and from other sources.

The act of Dec. 17, 1860 providing for the issue of $10,000,000 in treasury notes was a loan bearing interest at the rate of 6 per centum. These notes when signed by the person to whose order they were made payable were assignables by delivery. There was considerable discussion in Congress as to whether the money accruing from the sales of public lands should not be specifically pledged for the redemption of these notes. In all former bills for the issue of notes their redemption had been provided for by a pledge of the general faith of the government. The argument that the pledging of a specific fund would have a tendency to throw suspicion on the credit of the government finally prevailed, and the clause providing
for setting apart the fund arising from the sale of public land was stricken out. The bill and its discussion are of importance as indicating that coming events together with the rapidly increasing national debt had already begun to have an influence on the credit of the government.
Part II.

The First Currency Legislation
of the War.

Seven months after the bill of Dec. 17, 1860 had become a law, Congress passed and the President signed a bill authorizing a loan of $250,000,000 to consist of coupon or registered bonds or treasury notes in such proportions as the Secretary of the Treasury should deem advisable. The bonds were to be payable at the pleasure of the government after twenty years, with interest at 7 per centum, while the treasury notes were to be payable after three years and to bear interest at 3.3 per centum. The bill also provided for the issue of non-interest-bearing treasury notes of denominations less than $50 which could be exchanged for coin or be used in paying salaries or other claims due by the United States to individuals. Authority was given to the Secretary
of the Treasury to negotiate if possible $100,000,000 of the loan in Europe. There was very little debate upon this measure in Congress, thus indicating that the paramount needs of the hour had aroused that body to a point where it was in no mood to quibble over details. In this respect it suggests the recent unanimity of Congress in placing $50,000,000 at the disposal of President McKinley for the purpose of strengthening the navy and the coast defenses.

On the fifth of the following month Congress passed an act supplementary to the preceding one of July 17, 1861 making the solvent specie paying banks of the country depositaries of the moneys obtained by the loan for which that act provided. This was done in order to conciliate and aid the banks from which the loan was expected to be negotiated, and necessitated the re-
 peace of part of the Sub-treasury act of Aug. 6, 1846. The fact that Congress acquiesced in this demand of the banks, in spite of the strong opposition of many of its members, is another indication of the necessities of the times and the dependence of the government upon the banks for money with which to carry on the war. Nor did the banks fail to make an effort to relieve the government. On Aug. 13, 1861, the banks of New York, Boston, and Philadelphia associated themselves together for the purpose of sustaining the government by loaning it money on its bonds. The capital of the banks thus associated together was about $120,000,000 and they had $63,485,039 of assets in coins. The association, at the time of its organization subscribed for a $150,000,000 loan to the government. Some of the banks opposed such an association, but all opposing arguments were silenced by the question, asked by the President
of one of them,— "What if we do not unite?" The purchasing of the bonds afterwards proved a good investment financially for the banks, but there is no question that at the time they advanced the money to the government they were prompted to do it by patriotic motives. The effort which it cost to make this advancement to the government, however, seems to have been more than they could stand, for upon Dec. 31 all the banks in the association suspended specie payments.
Part III.

The Act of February 25, 1862.

The condition into which the country had been forced by the throes of civil war led Congress to pass a bill which became a law on Feb. 25, 1862, concerning which both at the time of its passage and since there has been a great deal of discussion as to whether Congress in passing it did not exceed its constitutional powers. The main features of the bill were as follows: $50,000,000 of United States notes were authorized to be issued in denominations of not less than $5 each, $50,000,000 of these to be in lieu of the $50,000,000 of demand notes provided by the bill of July 17, 1861. The notes were to be receivable in payment of all dues to the United States except duties on imports, and of all claims against the United States except interest on bonds and notes, which was to be paid in coin; and the notes were to be a legal tender.
in payment of all debts both public and private within the United States. The Secretary of the Treasury was empowered to issue $500,000,000 of coupon or registered bonds, redeemable at the pleasure of the United States after five years, and payable in twenty years from date, and to bear interest at the rate of 6 per cent. per annum. These bonds were intended to furnish a means for funding all the floating debt of the government, including the notes provided by this bill. The bonds might be sold for either coin or treasury notes. A new feature appeared for the first time in this bill by which it was provided that the notes might be deposited for periods of not less than thirty days and in sums of not less than $100 with the assistant treasurers or in the national depositories, and while so deposited should bear interest at the rate of 5 per cent. The aggregate of such deposits was not to exceed $20,000,000 at any one time.
Three methods had been proposed in Congress for raising funds to carry on the war. The first was to increase taxation. The second contemplated a national banking act which should provide a currency secured by deposit of United States bonds, thus furnishing a uniform currency and at the same time a market for the government stock. The third method proposed was that of a further issue of treasury notes. The levying and collection of a tax, and the establishment of a new banking system, however, of necessity would consume considerable time, but as the government was nearly out of funds there was need for dispatch. A fourth method was also been open to Congress for raising the much-needed funds, namely, that of selling bonds for what they would bring upon the market, but as it was thought that a loan could not be negotiated in this manner except at ruinous rates the plan was not considered a feasible one.
Congress having, therefore, decided that the only feasible plan immediately available was that of a further issue of treasury notes, the question on which it decided was as to whether the notes should be made a legal tender or not. During the discussion of the measure it seemed to be conceded that the tax bill and the provision for a national bank system were to be passed as supplementary acts to that providing for the issue of treasury notes. The House bill as reported from the Committee on Ways and Means contained a legal tender clause, and it was apparent from the first that this feature was not to be retained in the bill without a great struggle. In the discussions in Congress these notes were often spoken of as demand notes, but they did not have any of the characteristics of demand notes, as they were not payable upon the demand of the holder, but at the pleasure of the government, unless
we are to say that the right to have
them exchanged for six twenty bonds
— gave them the characteristics of demand
— notes. Had the people generally been
— willing to accept and circulate as
— money the Treasury notes which had
— been previously issued, there would
— probably have been no necessity for
— adding a legal tender clause to this
— bill; but as many people refused to
— accept them in payment of debts, it
— was argued that a hardship was
— being worked upon those who were
— patriotic enough to so receive them.

Three different substitutes were
— offered for the bill in the House, the author
— of each claiming that his substitute would
— provide for the needs of the government
— without the obnoxious legal tender pro-
— vision. The first of these was introduced
— by Mr. Morrill of Vermont and represented
— the report of the majority of the Com-
— mittee on Ways and Means. The main
— features of Mr. Morrill's substitute bill
— were as follows. The $50,000,000 of treasury
notes provided by the bill of July 17, 1861, should not be disturbed. $100,000,000 of United States notes bearing interest at the rate of 3.65 per cent. per annum should be issued. These notes were to be payable at the pleasure of the government, and were to be receivable together with the accumulated interest for all debts and demands due to the United States except duties on imports. At the will of the holder the notes were to be exchangeable in sums of not less than $50 for United States coupon or registered bonds bearing interest at the rate of 7.3 per cent. per annum. Provision was also made for the issue of $50,000,000 in bonds. The notes provided by Mr. Morrill's bill were practically the same as the treasury notes which had been previously issued, and there is little likelihood that they would have been accepted any more readily than the earlier issues. It was claimed that the fact that they were to bear 3.65 per cent. interest would make them more readily
than the notes provided in the majority report, but it seems as though the effect must have been just the opposite, for the difficulty of keeping track of the interest on a note for the short time it would be in the possession of a holder would handicap it as a circulating medium. In the language of Senator Sherman, the notes without the legal tender feature would fall dead upon the market.

Conkling's substitute for the bill provided that $250,000,000 of bonds should be sold or exchanged for the currency of the banks of Boston, New York, and Philadelphia. But the banks of those cities had suspended specie payments. To exchange bonds payable at maturity in coin for depreciated bank currency and then pay the government contractors, soldiers, and other creditors in this depreciated money would have been a poor substitute for paying them in legal tender notes, for the redemption of which the faith of the
government was pledged. Conklin's substitute also provided for the issue of $200,000,000 in United States notes redeemable in one year in coin. But no one supposed that the notes could be redeemed in coin when due, and the dishonor by the government would have placed it in a much worse position than it was already in.

The third substitute for the bill recommended by the majority of the Committee was offered by Mr. Vallandigham of Ohio. It proposed to issue the same kind of notes as those provided in the bill for which it was to be substituted, except that they were not to be a legal tender. Mr. Vallandigham's bill, however, did not propose to make the notes payable on demand in coin. Its author claimed that the notes provided in his bill would be worth more in the market than the legal tender notes, but it is a little hard to see how notes which no one was obliged to take would be worth more
than those which every man must take when offered in payment of a debt. Certainly the banks would not be willing to take them as evidences of loans advanced to the government when they would not be able to pay them out over their counters, except at the pleasure of the person receiving them. In closing the discussion of the three substitute bills it seems but just to say that if the legal tender bill were a financial blunder there was nothing in the substitutes offered for it which possessed any advantage over it.

Mr. Bolles in his financial history of the United States strongly condemns Secretary Chase for the part he took in getting the legal tender bill passed and for his financial policy in general. Mr. Bolles says: "If instead of inventing paper-wings for money as soon as the banks had suspended specie payments, the President had selected Mr. Tessender or another man equally com-
intent to manage the treasury depart- 
ment, the banks would have co-operated with him, and new loans 
would have been negotiated. But 
"it was hopeless to attempt to work 
with Mr. Chase." (2) Mr. Doolis' work, how-
ever, seems to show somewhat of an 
attempt to vindicate the action of the 
banks, and there may be some question 
as to whether he is altogether an im-
partial judge. As has been previously 
remarked, there is some doubt as to 
whether depreciated and irredeemable 
bank currency has any advantage 
over the same kind of currency when 
issue by the government, though of 
course either kind is bad enough. It is 
true that while ostensibly the purpose of 
the bill was to furnish the country with a 
new increased circulating medium, it 
was in reality a forced loan from the 
people. But the treasury notes provided by 
previous bills were likewise a forced 
loan, though they were not made a 
legal tender, for the creditors of the govern-
ment were obliged to take them on nothing in payment of their claims.

We come now to the discussion of the question of the constitutionality of the issue of the legal tender notes. During the debates on the bill in Congress a great many arguments pro and con were adduced as to its constitutionality, but as most of these arguments are summed up in the so called "Legal Tender Cases" decided by the United States Supreme Court the subject has been left till the consideration of these cases. In 1870 in the case of Hepburn v. Griswold the Supreme Court by a vote of 5 to 3 decided that the legal tender act was unconstitutional. The grounds for taking this position were stated to be: First, that it impaired the obligation of contracts. This of course had reference to contracts entered into prior to Feb. 25, 1862. The court held that contracts for the payment of money entered into prior to that time, implied that money meant lawful currency at the time the contract
was made, which in this case was gold and silver coin. The second ground given for the unconstitutio-
nality of the notes is found in that part of the fifth amendment where it says, "nor shall private property be taken
for public use without just com-
penation." The third ground stated
by the court is also found in the
fifth amendment in the clause which
provides, that no person shall be
deprived of life, liberty, or property
without due process of law. It is of
interest to note the fact that it
was Chief Justice Chase who wrote
the opinion of the court in Hepburn
v. Griswold. It would seem that Mr.
Chase must have changed his opinion
on the constitutionality of the legal tender
notes in his transition from the
office of Secretary of the Treasury to
that of Chief Justice. That there was such
a change in his opinions, however, is
not entirely certain. The issue of the legal
tender notes in his own words was
placed on the grounds of "indispensable
necessity," and it may be that he thought it better to cross the bounds of the Constitution rather than see, as he thought, the Union dismembered. In 1872 in the cases of Knox v. Lee and Parker v. Davis the Supreme Court by a vote of 5 to 4 reversed the position it had taken in Sepbruw/ Drieuwold as to the constitutionality of the legal tender act; and again in 1884 in Frieland v. Greenman it sustained the position it had taken in the two cases just named. Justice Field alone dissenting and holding to the position he had taken in the earlier cases. In the discussions of the bill in Congress nearly all of those who defended the constitutionality of the act did so on the grounds of the power of Congress to regulate commerce, or to carry on war, or both of these. In Knox v. Lee and Parker v. Davis the power of Congress to make treasury notes a legal tender is made to rest on the general power of Congress to legislate for the welfare of the country as deduced from a number of the powers delegated to that body rather
than any one particular power. As to the argument used in Hepburn v. Griswold that the act of Feb. 25, 1862 was unconstitutional because it impaired the obligation of contracts, the court said, that the argument assumed two things: first, that the act did impair the obligation of contracts; and second, that Congress is prohibited from taking any action that would have that effect. But neither of these assumptions are true. A contract to pay money at a future date, in the absence of a specific agreement of something else, meant not what was money at the time the contract was made, but what is lawful money at the time it is to be paid. For does the Constitution say that Congress shall not pass a law impairing the obligation of contracts, though it does place such a restriction on the states. In Guilliard v. Green- man the court also bases the power of Congress to make a legal tender of paper currency upon its right to pass "needful laws for carrying into execution the powers..."
...granted to that body as indicated in the following clause: "To make all laws which shall be necessary and proper for carrying into execution the foregoing powers, and all other powers vested by this constitution in the government of the United States, or in any department or officer thereof." While this general clause is cited as one under which Congress had the power to make paper money a legal tender, the court places it more specifically under its powers to borrow money and to provide a national currency. The court cites as an authority Mr. Cullock's Maryland in which Chief Justice Marshall says: "Let the end be legitimate, let it be within the scope of the Constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consistent with the letter and spirit of the Constitution, are constitutional. The case ofuiiliard v. Greenman having been passed at a time when it could not be said, as was suggested about the earlier
legal tender cases, that the court was influenced by politics, it can be safely said that the question of the constitutionality of the legal tender acts has been finally settled.

Conceding then the constitutionality of the act of Feb. 25, 1862, the question still remains whether it was expedient or not. So far as any of the substitutes offered in Congress for the bill are concerned, the bill which was passed was, all things considered, the best one. We must concede, however, that at best it was a forced loan, and there is no doubt but that our national debt at the close of the war was very much larger than it would have been could we have kept our currency on a metallic basis. That there was an absolute necessity for passing such an act as that of Feb. 25, at that time, may seriously be doubted. Some writers on political economy think it would have been possible to have conducted the war to success fully to its close without resorting to
the dangerous and vicious device of an irredeemable paper currency. F.A. Walker and Henry Adams in a joint article in the North American Review for April, 1876, say:

"The common impression undoubtedly is, that even though there was no actual necessity, for a law of legal tender as early as February, 1862, yet at some subsequent time the enactment of such a law would have proved inevitable....

...Without venturing at present on any absolute denial of the theory,...

...it is only fair to say, that, although the subject is scarcely capable of positive demonstration, there is absolutely no evidence to prove that the government might not have carried the war to a successful conclusion without the issue of a single dollar of its legal tender paper."

Whether the war could have been conducted to a successful termination without a resort to irredeemable paper currency will probably always be a mooted question, but in behalf of the men who voted for
the bill it will be well to bear in mind that it is much easier to tell how it should have been fought after the battle is over, than it is to conduct it while it is on, and that even the most irproachable of theories do not always work smoothly in practice. It is interesting in this connection to note, that as recently as the 12th of May, the Senate Committee on Finance reported a bill to the Senate in which the provisions of the House bill for the issuance of bonds and certificates of indebtedness were stricken out, and an amendment inserted providing for the issue during the next fiscal year of greenbacks to the amount of $50,000,000. Such action on the part of a Senate committee is certainly a surprise. Surely if there was ever a time in the history of the nation when there was need for the issue of irredeemable paper currency, that time is now when the recent victory of Dewey seems to indicate the speedy ending of a war the final result of which has never been considered doubtful.
Part III.


Six months after the passage of the act of Feb. 25, 1862, a second act was passed providing for the issue of $50,000,000 more of United States notes similar to those provided in the earlier law. Already these notes were depreciated six or seven per cent below par. Mr. Wickliffe of New York made a strong plea in the House against issuing any more of the notes, the issuing of which he characterized as borrowing from the left hand to pay the right. Their great danger he said lay in the fact that they constituted a floating indebtedness. A man with a capital of $10,000 can carry a funded debt of $50,000, but one with $50,000 capital can not carry a floating debt of $10,000 without great danger. But running printing presses is a comparatively easy task, and once the issuing of paper money has been entered upon,
it is hard to stop and return to the
kontuous methods of selling bonds and
taxation.

On the last day of the 37th Congress
both Houses passed and the President
signed a bill making postage stamps ex-
dchangable for United States notes, and
providing that they should be received
in payment of all dues to the United
States for sums of less than five dollars.
The act provided for the deposit at place
designated by the Secretary of the Trea-
ury of both postage stamps and other
stamps of the United States, for the
purpose of exchanging them for
United States notes. The use of postage
stamps as currency was soon largely
discontinued, but the "other stamps" des-
ignated by the act were issued to the
amount of over $2,000,000 and constituted
the so called "postal currency." Previous
to this act a considerable quantity of
what were popularly known as "shun
plasters" had been issued by individuals
and corporations for their private con-
venience in making change; but by this act the issuing of any paper money of a denomination less than one dollar by any individual, firm, or corporation was forbidden. These notes were issued in denominations of 5, 10, 25 and 50 cents and were of inestimable service, the paper currency having driven the fractional silver coin out of circulation, and later even the copper coins disappeared. Numerous cities also issued this postal currency, the act not forbidding municipal corporations to do so. Mr. Phelps of Missouri in the House objected to the clause forbidding corporations to issue paper money of a less denomination than one dollar, as an implication that Congress had the power to forbid state institutions to issue paper money of any denomination whatever, as well as that of less than one dollar. Mr. Phelps considered the act unconstitutional. But the constitutionality of the act was not discussed by Congress to any considerable extent.
On Feb. 25, 1863, the national bank act was passed. The vote in both House and Senate was rather close, in the House being 78 to 64 and in the Senate 23 to 21. It was therefore just one year from the time of the passage of the first legal tender act to the time of the passage of the first of the two supplementary acts which were to assist it in raising funds to carry on the war. It is beyond the scope of this paper to enter into a discussion of the merits and weaknesses of our national banking system as first established by this act. It is needless to say that the national banks have rendered much valuable service both to the government and to the commercial world generally.

The act of March 3, 1863, was a very sweeping one in its provisions. The Secretary of the Treasury was authorized to borrow from time to time on the credit of the United States $300,000,000 for the present fiscal year and $600,000,000 for the succeeding year, and to issue therefore
coupon or registered bonds payable at the pleasure of the government in not less than ten years nor more than forty. In lieu of an equal amount of bonds the Secretary might issue $200,000,000 of Treasury notes bearing interest at 6 per cent., and $150,000,000 of United States legal tender notes. Again, on June 30, 1864 the Secretary of the Treasury was authorized to borrow $400,000,000 and issue bonds or treasury notes for it, and a like measure for $600,000,000 was passed on May 3, 1865. None of these acts, however, introduced any new features into the policy which had been adopted for raising the means to carry on the war. Before the funds obtained by this last loan were expended, Lee had surrendered to Grant at Appomattox and the war was at an end. These loans had been obtained at great sacrifices, but when we think of the results which were accomplished with their proceeds we hesitate to speak any word of criticism of those who, though possessing unbounded patriotism, may
not have always chosen the wisest policy for attaining their ends.

During the dark hours of the war, the legal tender notes depreciated greatly, and on July 1, 1864, gold reached a premium of 185 in New York, reaching the highest point to which it rose. But even after the war was over there was still much distrust of the government, people doubting whether or not it was going to redeem the greenbacks and bonds in specie. To allay this distrust Congress on May 18, 1869 passed an act to strengthen the public credit. By this act the faith of the government was pledged to pay in coin or its equivalent all its obligations not bearing interest, and also all its interest-bearing obligations except those which it had expressly provided by law might be paid in lawful money other than gold and silver. The faith of the government had been previously thus pledged, but grave doubts had existed in the minds of the people as to
how the law concerning the legal
tender notes was to be construed and
enforced, and it was to assure the
 doubting ones that the act was passed.
This act virtually ended the currency
legislation during the period we have
been considering, a period than which
there has been no more important one
in the financial history of the nation.