

S P E E C H

OF

M R . G A R L A N D ,

OF

V I R G I N I A ,

I N O P P O S I T I O N T O T H E

S U B - T R E A S U R Y S C H E M E .

D E L I V E R E D I N T H E

H O U S E O F R E P R E S E N T A T I V E S ,

S E P T E M B E R 25, 1837

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W A S H I N G T O N

P R I N T E D A T T H E M A D I S O N I A N O F F I C E .

1837.

## S P E E C H .

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Mr. CHAIRMAN—I am indebted to the kindness of the gentleman from Tennessee, (Mr. Williams) who was entitled to the floor, for the privilege of addressing the Committee at this hour. This privilege accorded by that gentleman and the House under existing circumstances will command my lasting gratitude.

After three years or more of seeming unparalleled prosperity, the nation has been overtaken by an adversity which has paralyzed its energy and prostrated all its branches of industry and enterprise. So vivid, and so real, were the appearances that the late President of the United States in his farewell address to the American people, felicitated the country, and himself, upon its unparalleled prosperity and happiness; yet its most important interests, as if this apparent prosperity were but a delusion, now lie prostrate, and bleed at every pore. It has withered like the beautiful and verdant flowers of spring, by the untimely nip of a premature frost. The blighting effects of this unlooked for adversity upon the agriculture, commerce and navigation of the country, and the obstacles which it obtrudes to the pecuniary operations of the government, has induced the President of the United States, in discharge of his high constitutional duties, to call together at this unpropitious season, the representatives of the States and the people, with a view of applying as far as legislation can do it, a remedy for the existing diseases of the country. *In his own*, I will remark, that legislation cannot afford that substantial, permanent relief which the distresses and embarrassments of the country require; *that*, can only be found in the industry, economy and elastic energy of the people, which heretofore upon like trying occasions has so effectually availed. Wise and judicious legislation may do much to mitigate the severity of the present calamity and hasten the period of relief, but it cannot of itself be effective; it must be *auxiliary*—it cannot be *primary*.

Before I proceed to discuss the merits of the principal remedy proposed by the President, for the relief of the government and the country, I ask the indulgence of the House, in making reference to the circumstances which place me in reference to that remedy, in a peculiar attitude—for no other consideration could induce me to obtrude upon the House any remark affecting me individually. The Journal of the House for the 23d Congress, exhibits the fact that my immediate predecessor, Gen. Gordon, of Va., (a gentleman of whom I take pleasure in saying that, he is honest, talented, honorable, mag-

nanimous and liberal in an eminent degree, who stood so strong in the confidence and affections of the people of his district that nothing but substantial differences of political opinion, could have brought me hither in his place,) offered a scheme embracing the very principles of the recommendations of the message. The principles of the bill, proposed by my predecessor in February, 1835, was opposed and denounced by the late administration, and all its prominent friends in both Houses of Congress, in no unmeasured terms. In this denunciation and opposition, I united, and defended Gen. Jackson's administration for its opposition to this scheme before the people of the congressional district, which I now feel honored in representing—Now, Mr. Chairman, in less than three years, I find myself compelled to defend the opinions I then entertained and defended, not against my political opponents, but against the attacks of the present administration and its friends, so completely have they changed their position. Finding for a few months past, that my opinions upon this subject were in collision with those of the administration and most of its prominent friends, I carefully and deliberately reviewed my former opinions, with a view to detect any fallacy, error, or delusion, under which I labored, if there was any which had contributed to form those opinions. The result of this review has been to rivet my conviction of the truth of those opinions, and an increased and more inflexible determination to adhere to them. Being satisfied that my opinions are correct, I dare not—I cannot—I will not vote, for this recommendation of the message.

This determination to resist the recommendation of the President's message upon this subject, and, as it may be called, my obstinate perseverance in maintaining my own honest and sincere opinions in the late election of printer to this House, has brought upon me individually, and in connection with many of my political friends, whose opinions and course have been in accordance with my own, severe and bitter denunciations from some presses professing democratic republicanism, in which we have been charged with *traitorism* to our party, and humble I, have been dignified as the head of "a party." God knows, Mr. Chairman, I never desired or dreamed of being a *party leader*; I have not upon this or upon any other occasion, since I have had the honor of a seat on this floor, attempted to lead or control the opinions of others, nor have I had any concern with any party arrangements, as every member with whom I heretofore acted, or with whom I now act, well knows. Why then have I been so dignified? As to the charge of traitorism, I shall only say, that I have not deserted my political party; but, upon this question, it has deserted *itself* as well as me. I have no more to say now; or shall I at any time hereafter refer to these editorial attacks—I leave them to revel in the glory of their achievements over the feelings of honorable men, as the Turks revelled amidst the ruins of bleeding and burning Messaloughi. It is to be regretted that the selections of our law givers are not confined to the editorial corps, who, from their course of remark, leave it to be inferred that they regard themselves as having *more wisdom, more information, and more, patriotism*, than every other class of citizens; and, above all, that they possess the power of infallible scrutiny into the hearts and motives of others, which enables them, unerringly, to expose the secret springs of every man's action.

In discussing the recommendation of the message, presented in the form of law by the Committee of Ways and Means, embracing the whole principle of the message, I shall not detain the committee by entering into a discussion of the comparative merits of a National Bank and State Banks, or the

expediency of establishing a National Bank.—There is now no proposition for the incorporation of a National Bank before the House, nor is it designed, so far as I am informed, to present one during the present session. If such a proposition were presented, and a National Bank were incorporated, it could not be organized and put into operation in time to afford any relief to the present embarrassments of the country, even if it would have that effect, which I by no means admit. The incorporation of such an institution, with such a redundancy of bank capital and bank circulation, would, in increasing the demand upon the existing banks for specie, and diverting it from the course of trade, do more to continue the present embarrassments of the country than all other causes combined. In this state of things the question to be decided is, whether the continuance of the present State Bank system of fiscal agency, with the improvements and restrictions which experience has pointed out as necessary and proper, or the “*untried experiment*” of excluding the State Banks as depositories of the public money, and restricting the receipts of the public revenue to *gold and silver only*, shall be adopted. This is the true issue, to the decision of which, as affects the future happiness and prosperity of the nation, the most serious and deliberate attention of the House should be directed. I need not here repeat what I have before stated, that whenever the question of a National Bank is presented, if I shall have the honor of a seat upon this floor, that I shall oppose it, both upon the grounds of the want of constitutional power, and its inexpediency. The opinions I imbibed in my earliest youth, I learned from the state papers of Jefferson, Madison, and their republican cotemporaries, and shall never surrender them until I become a tenant of the tomb.

Although the recommendation of the President's message, and the provisions of the bill from the Committee of Ways embraces in its immediate scope, an exclusive metallic currency, for the operations of the Federal Government alone, yet it is manifest that in its operation it must come in collision with the “*credit system*,” and wage a war of extermination against it, in every form and shape, as a medium of circulation; with what prospect of success it is not for me to undertake to determine. This presents to the American people a question of momentous importance. In modern times banking institutions have been adopted as the most safe and efficient agencies of credit, by all the most enlightened and most commercial nations of the world. They had their origin in Venice, in the days of her commercial prosperity, and have been successively adopted by all commercial nations, particularly in England and France. Early in the history of our own Government, they were adopted, and have grown with our growth, strengthened with our strength, and have been enlarged from time to time to meet the exigencies of our increased and widely extended commerce, until they have become so intimately interwoven with our commerce and connected with our local institutions, as to make the separation difficult and dangerous in the extreme. This scheme however presents the question, and it must be ultimately met and decided. In the conflict, this exclusive metallic system proposed for the Government must be abandoned, or all our banking institutions perish; there is no middle ground.

Let it be remembered, that under the vivifying influence and salutary operations of our banking institutions, our country has flourished and prospered beyond parallel, in the history of nations. When we compare our condition, at the close of the revolution, with what it is at the present day, we perceive that in population, agriculture, commerce, manufactures, our improve-

ment has been rapid beyond precedent. Our villages, our towns, and our systems of internal improvement, flourishing and improving beyond example, bespeak an increase of wealth, power, and commercial facilities, which would not exist without the healthful action of a sound system of credit. The secret of the system is, that by its operation, it throws into active circulation, more than three times the amount of actual capital, and thereby supplies trade and commerce with the means of successful operation in the absence of an adequate supply of the metallic medium. It is true, that these institutions, like others, constructed and managed by frail human agency, have been mismanaged and abused. There is no perfection in human nature, and nothing perfect can be produced at its hands. What estimate would be placed upon the intelligence of the man who, because the boiler of the capacious and majestic steamboat sometimes bursts, would recommend the destruction of the steamboat, and the re-adoption of the canoe navigation? Your Government, which my much esteemed friend from Virginia, (Mr. Jones,) says is an experiment, has sometimes been abused. What estimate would you place upon the intelligence of the man who, for this cause, would recommend the entire destruction of our system, as the proper remedy? So in reference to the banking system, would it not be wiser to correct and cut off the abuses, and preserve the system, than rashly and inconsiderately destroy it? If the question were now presented as an original one, whether we should adopt the banking system, perhaps my own mind would be led to the adoption of a system organized upon a quite different plan; but we have the system, and the question is, how we shall act in reference to it. There is no man who really thinks that there is the slightest prospect that this system will or can be eradicated for a length of time, if ever; hence we must accommodate our action as far as we can, to the state of things as they are, and seek rather to aid and assist the State Governments in correcting the abuses of the Banks, and restore them to health and soundness. Whether we shall ultimately recur to an exclusive metallic system, and in anticipation prepare for that event, deserves consideration of more than ordinary gravity, and the exercise of extraordinary sagacity.

The system of deposits adopted from the foundation of the Government, and which has prevailed to the present hour, wherever it was practicable, is the Bank system. This fact, accompanied with the expressed opinions of every incumbent of the Treasury department until the present time, proves conclusively to every reflecting mind, that it was regarded as the safest, most economical, and most convenient system; without this means of keeping the public money, it must have been kept and distributed by individuals, and subject to all the extravagance, insecurity and liability to defalcation which has ever attended individual receipts and disbursements. All preceding Secretaries, and many of our most distinguished men of the old republican school, declared their opinions in favor of the plan now proposed. It is remarkable, that a system so republican, so safe, and so innocent as that now proposed, should never have been proposed for the adoption of Congress by any preceding administration, or any preceding treasury department, if it had been viewed in its present favorable and superior light, it certainly would have been recommended, but as it was not, I regret the omission to do it, as conclusive evidence that it was not approved. The only difficulty which has ever prevailed, has been between the selection of a National and State banks, some preferring the former, some the latter. There being now no national bank, the question of preference is directly presented between the State bank system and the Sub-Treasury sys-

tem, recommended by the Executive. The State bank system stands preferred, not only by the practice of the Government, but the expressed opinions of many of our most able and distinguished patriots and sages. In the year 1791, after the passage of the act incorporating the first Bank of the United State, Mr. Jefferson, in his official opinion to General Washington, as a member of his cabinet, upon the constitutionality of that act, resisted the argument of the necessity of that bank as the fiscal agent of the Government, on the ground that these facilities would be afforded by the State institutions, in that opinion he expressed himself thus :

"Perhaps, indeed, bank bills may be a more *convenient* vehicle than treasury orders; but a little *difference* in the degree of *convenience* cannot constitute the *necessity*, which the Constitution makes the ground for assuming any non-enumerated power.

"Besides, the *existing banks* will, without a doubt, enter into arrangements for lending their agency; and the more favorably, as there will be a competition among them for it; whereas the bill delivers us up bound to the national bank, who are free to refuse all arrangement, but on their own terms, and the public not free, on such refusal, to employ any other bank."

Mr. Madison in his able and unanswerable speech in opposition to the charter of that bank said,

"But the proposed bank could not even be called necessary to the Government; at most, it could be but convenient. Its uses to the Government could be supplied by keeping the taxes a little in advance; by loans from individuals; by the other banks over which the Government would have equal command, nay, greater, as it may grant or refuse to these the privilege, made a free and irrevocable gift to the proposed bank, of using their notes in the federal revenue."

The arguments urged in favor of the charter of this bank were principally those of its safety, economy and convenience as a depository and disbursing of the public money. This was a most propitious period in our history to have adopted a system of individual agency, and withheld all connexion with banks if it had been deemed safe, economical and convenient. When the question of the renewal of the charter of that bank was under consideration, a memorial was referred by the House of Representatives, praying the renewal of the charter of that bank. In his report upon that memorial, in enumerating the advantages of the bank to the Government, he speaks of the safe keeping of the public moneys thus:—"This applies not only to moneys already in the Treasury, but also to those in the hands of the principal collectors, of the commissioners of the loans, and of several other officers, and affords one of the best securities against delinquencies."

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It is true that Mr. Gallatin was speaking of a national bank, yet the principle is the same in reference to the plan proposed, for that strikes at all banks, national or state. But to prove that while this distinguished financier preferred a National to State banks, he preferred a State bank to an individual agency, I here quote from his report to a committee of the Senate of the 30th. of January, 1830, upon the same subject.—he says :

"The banking system is now firmly established; and, in its ramifications, extends to every part of the United States. Under that system, the assistance of banks appears to me necessary for the punctual collection of the revenue, and for the safe keeping and transmission of public moneys. That punctuality of payments is principally due to banks, is a fact generally acknowledged. It is, to a certain degree, enforced by the refusal of credit at the custom house, so long as a former revenue bond, actually due, remains unpaid. But I think, nevertheless, that, in order to ensure that precision in the collection, on which depends a corresponding discharge of the public engagements, it would, if no use was made of banks, be found necessary to abolish,

altogether, the credit now given on the payment of duties—a measure which would affect the commercial capital, and fall heavily on the consumers. That the public moneys are safer, by being weekly deposited in banks, instead of accumulating in the hands of collectors, is self-evident. And their transmission, whenever this may be wanted, for the purpose of making payments in other places than those of collection, cannot, with any convenience, be effected, on a large scale, in an extensive country, except through the medium of banks, or of persons acting as bankers.

“The question, therefore, is, whether a bank, incorporated by the United States, or a number of banks, incorporated by the several States, be most convenient for those purposes.

“State banks may be used, and must, in case of a non-renewal of the charter, be used by the Treasury.”

In this paragraph is found the expressed and decided opinions of Mr. Gallatin not only that the banking system is firmly established, but that if there be no national bank, the government must resort to State banks, and that the public moneys are *safer* in banks than accumulating in the hands of individuals, the opinion is entitled to great weight, as coming from a most able and experienced financier.

In addition to these, I refer to the opinions of several distinguished republican members of this House, in the session of 1810, upon the same subject.

Mr. Burwell said,

“I said, sir, it must be shown that the bank is necessary to the operations of the Government; without its aid our fiscal concerns cannot be managed. So far from subscribing to the necessity of the bank, I believe the revenue would be equally safe in the State Banks, and could be distributed with inconsiderable difficulty; the revenue received in most of the States is nearly equal to the expenditure within them, and when a deficiency occurred in any one, it could be supplied by arrangements with the different banks, by transportation or inland bills of exchange, in the same manner that the public engagements are fulfilled abroad.”

Mr. Eppes said,

“The creation of a bank with a capital of \$10,000,000, almost five times the capital of all the existing banks of the Union, under the patronage of the General Government, was calculated to produce and did produce a subserviency on the part of the stockholders, to the views of their party. The influence of this powerful money capital was long felt. Nothing but the multiplication of State Banks, and the increase of capital from the peculiar and fortunate circumstances under which the United States were placed, could have emancipated us from the shackles imposed on us by a moneyed interest wielded by foreigners.”

Mr. Giles said,

“I cannot see how putting down this institution can materially affect the pecuniary abilities of the nation; its actual funds for discounting will be nearly the same; the position of them only will be changed; they will find their way into the State Banks, and their ability to discount will be increased proportionably to the increase of their deposites. Nor am I at all alarmed at the suggestion that seven millions of dollars will be drawn out of the country by the British capitalists, because it will not be their interest to do so; their dollars are worth more here than in Great Britain; if drawn there, they would soon be melted down into their depreciated paper circulation. They might also draw bills to advantage, so that I doubt whether an additional dollar will be shipped from the country in consequence of the rejection of this bill. Certainly they will not to any great extent.”

Mr. Clay said,

“Upon the point of responsibility, I cannot subscribe to the opinion of the Secretary of the Treasury, if it is meant that the ability to pay the amount of any deposites which the Government may make, under any exigency, is greater than that of the State Banks. That the *accountability* of a ramified institution, whose affairs are managed by a single head, responsible for all its members, is more simple than that of a number of independent and unconnected establishments, I shall not deny; but, with regard to safety, I am strongly inclined to think it is on the side of the local banks. The corruption or misconduct of the parent, or any of its branches, may bankrupt or destroy the whole system, and the loss of the Government, in that event, will be of

the deposits made with each; whereas, in the failure of one State Bank, the loss will be confined to the deposit in the vaults of that bank."

All these gentlemen resisted the argument of necessity for the renewal of the charter of the old bank, on the ground that the State Banks were equally safe, and equally convenient, as the fiscal agents of the Government; so that the whole force of the argument, as applied in favor of a National Bank over the system of individual agency, applies with full force in favor of the State Banks. In the debate upon the charter of the late bank, the same opinions were expressed in favor of State Banks, by many able and distinguished gentlemen. It is remarkable that in the whole range of debate, at the two periods referred to, no gentlemen, so far as I recollect, expressed the slightest inclination to resort to the Sub-Treasury system.

The administration of General Jackson exhibits still stronger and more conclusive proof of the superiority of the State Bank Deposit system over any other which the "wit of man could devise." Indeed, so little was the Sub-treasury system in favor, that when the removal of the deposits was determined upon, it did not enter into consideration, as far as we are informed; but the State Banks were recommended and selected, as being in every point of view equal to the Bank of the United States, as fiscal agencies, and, in a political point of view, infinitely safer—the comparison being instituted between a National and State Bank alone. In General Jackson's expose to his cabinet on the — day of September, after reviewing the advantages and disadvantages of the United States and State Banks in contrast, says:

*"The President thinks, these facts and circumstances afford as strong a guarantee as can be had in human affairs, for the safety of the public funds, and the practicability of a new system of collection and disbursement through the agency of State Banks."*

Language could not be more unequivocal of the preference of the State Bank system over every other; yet the President seems to be aware that danger lurks in all human systems, and that this system might be disordered from those causes which are incident to human frailty. If there could be a lingering doubt upon the mind of any man that the late President designed the State Banks as the permanent system of the Government, it will be removed by the following extracts from his annual message, of December, 1834:

*"The attention of Congress is earnestly invited to the regulation of the Deposites in the State Banks."*

In the same message he expresses himself thus:

*"Happily it is already illustrated that the agency of such an institution (the U. S. Bank) is not necessary to the fiscal operations of the Government. The State Banks are found fully adequate to the performance of all services which were required of the Bank of the United States, quite as promptly and with the same cheapness. They have maintained themselves and discharged all their duties, while the Bank of the United States was still powerful, and in the field as an open enemy; and it is not possible to conceive that they will find greater difficulties when that enemy shall cease to exist."*

In his annual message to Congress in December, 1835, General Jackson expresses himself thus:

*"By the use of the State Banks, which do not claim their charter from the General Government, and are not CONTROLLED BY ITS AUTHORITY, it is ASCERTAINED that the moneys of the United States can be COLLECTED and DISBURSED without LOSS or INCONVENIENCE, and that all the wants of the community in relation to exchange and currency, are supplied as well as they ever have been before."*

In the annual message of December, 1836, which was the last Gen. Jackson

delivered after the emanation of the Treasury circular, requiring gold and silver for the purchases of the public lands, and a full knowledge of the facts upon which that order was deemed necessary in the following strong and emphatic terms, he expressed his unabated confidence in the State Bank system.

“Experience continues to realize the expectations entertained as to the capacity of the State Banks to perform the duties of fiscal agents for the government, at the time of the removal of the deposits. It was alleged by the advocates of the Bank of the United States that the State Banks, whatever might be the regulations of the Treasury Department, could not make the transfers required by the government, or negotiate the domestic exchanges of the country. It is now well ascertained that the real domestic exchanges performed, through discounts, by the United States Bank and its twenty-five branches, were at least one-third less than those of the deposite banks for an equal period of time; and if a comparison be instituted between the amounts of service rendered by these institutions, on the broader basis which has been used by the advocates of the United States Bank in estimating what they consider the domestic exchanges transacted by it, the result will be still more favorable to the deposite banks.”

Thus we have the unequivocal evidence that the late President of the United States, preferred the State Bank to any other system; as to the Subtreasury scheme, he did not in a single expression in any of the messages referred to, or in any other state paper emanating from him, intimate a desire to resort to it.

The evidences from which the preference for the State Bank system by the late administration is to be derived, is not confined to the quotations which I have made from Gen. Jackson's messages. Mr. Taney the Secretary of the Treasury, who directed the discontinuance of the Bank of the United States, and adopted the State Banks as the depositories of the public money in his annual report of the 3d December, 1833, after contrasting the advantages and disadvantages of both agencies, decidedly recommends the State Banks, he said :

“For no one of these corporations will possess that absolute and almost unlimited dominion over the property of the citizens of the United States which the present bank holds, and which enables it at any moment, at its own pleasure, to bring distress upon any portion of the community, whenever it may deem it useful to its interest to make its power felt. The influence of each of the State banks is necessarily limited to its own immediate neighborhood, and they will be kept in check by the other local banks. They will not, therefore, be tempted by the consciousness of power to aspire to political influence, nor likely to interfere in the elections of the public servants. They will, moreover, be managed by persons who reside in the midst of the people who are to be immediately affected by their measures; and they cannot be insensible or indifferent to the opinions and peculiar interests of those by whom they are daily surrounded, and with whom they are constantly associated. These circumstances always furnish strong safeguards against an oppressive exercise of power, and forcibly recommend the employment of State banks in preference to a Bank of the United States, with its numerous and distant branches.”

Mr Taney did not in this or any of his reports hint at the propriety of adopting the Subtreasury scheme.

The present Secretary of the Treasury, in his supplementary report of December, 1834, discussed at length and with more than ordinary ability, the two systems of individual and bank agency. In relation to individual agency he came to the following conclusion: “Individual agents *will probably be found less RESPONSIBLE, SAFE, CONVENIENT, and ECONOMICAL.*” In the same report the Secretary of the Treasury, referring to the possible contingency of the Government being compelled to resort to individual agencies, and that the Government could get on with these agencies, expressed his decided opinion, that these agencies should be avoided, if possible, and the Bank system adopted. His opinion is thus expressed :

"After the charter shall expire, no difficulty is anticipated in having any of these duties, which may then remain, discharged by state banks. But, if any should occur, it will become necessary to devolve these duties on some responsible Receiver or Collector already in office, or on some safe agent, not now in office, as has been the practice for years in this country in paying pensions at convenient places, near which there was no State bank, or branch of the United States' Bank; and, as has long been the usage in some countries in Europe, by having the public revenue in certain districts chiefly received, kept, and transmitted through private agents and brokers. *This kind of personal agency, however, is, in the opinion of the undersigned, to be avoided, in all practicable and safe cases, under our present system of selected banks. Because it would render the system less convenient, less secure and more complex, if not more expensive. Hence, it has not yet been resorted to.*

"But, it was considered proper to mention this contingency, in order that its effect, if ever anticipated, may, beforehand, be duly weighed in the examination of the whole subject; and to add, that, if this contingency be extended to the whole establishment of State Banks, as well as of the United States' Bank, on the possibility they may all cease to exist, or may refuse to receive and manage the public deposits, [however improbable the occurrence of such an event may be] the fiscal operations of the Government could, undoubtedly, still proceed, through the personal agencies before mentioned. It is admitted, however, that it would be at some inconvenience and some increase of expense, unless remedied in a manner that may hereafter be developed, and would not in the opinion of this department, and in the present condition of things, be so eligible a system as the present one. Because banks, though exposed to some dangers and evils, and though not believed to be necessary for the fiscal purposes of any government, and much less one in the present happy financial situation of ours, are frankly acknowledged to be in many respects a class of agents, economical, convenient and useful.

In the same document he points out, in forcible terms, the advantages of the State Bank system. He says:

1. "In regard to the convenient situation of the selected banks, whether looking to the accommodation of the public officers, or of the public creditors, it is believed to be fully equal to that of the United States' Bank, and its branches. Some banks have been chosen in places in which none were before employed, and in this respect facilities for deposits and payments have been furnished nearer to some points, where our collections and disbursements are very considerable. In this way, as it is now an established rule, long practised in most cases by this department, and revised and republished in 1827, to make payments generally at the banks nearest to the residence of the public officer or creditor to be paid, or to the place where his services were performed; the payments under the present system have been made equally near and sometimes nearer than formerly. The departures from this usual course never occur without the consent, and indeed the request of the persons interested. So far as these departures may in any cases be deemed favors to those persons, they were formerly granted on application to the department, under such circumstances as the public interests, on the assignment of satisfactory reasons, appeared to permit. The same course of indulgence is now pursued—it is that, most convenient to the public in general as well as to the Treasury, and the only one, feasible under any system, without incurring the unnecessary and inconvenient expenses of furnishing funds enough, at every different point of collection and disbursement, to meet, not merely the ordinary and usual expenditures in the neighborhood of each point, but all the drafts which caprice, speculation or a high rate of exchange might induce officers or creditors to draw on places greatly remote from their residence, or from the theatre of their public services.

2. "The safety of the newly selected banks, is the next subject of inquiry. The chief change in this respect, under the present system, has been in procuring the separate responsibility of several institutions for separate and smaller sums of money, instead of the single responsibility of one institution for a very large sum; and in having the guarantie of State laws and State supervision over the conduct and solvency of these separate institutions, combined with the information and cognizance of the department and Congress as to their condition and prospects, by means of their weekly returns and other general sources of intelligence, instead of the guarantie of the acts of Congress and the supervision of the United States' Government over the single institution, formerly and chiefly employed.

"Considering these differences, coupled with the fact, that the selected banks, without disparagement to others, are or ought to be, chosen from the most flourishing and secure; that they may be changed, whenever any circumstance may indicate a change to be prudent, and that collateral security can be required whenever the deposit is so large as to seem to render it judicious; that the Government possesses advantages superior in case of their embarrassment and that the whole capital stock must be lost before the deposit debt will become desperate; there certainly can be no very disadvantageous comparison, in theory, between the safety to the Government under the present rather than the former system.

"In practice, thus far, no loss whatever has been sustained by any of the newly selected banks, nor does any particular reason exist for anticipating a loss. It is due to them to remark, without derogating from the reputation of other banking institutions, whose condition is less accurately known to the department, that the weekly returns of the selected banks show all of them to be in a secure, and most of them to be in a very flourishing condition, and that the whole of them united, on the 1st of July last possessed specie in proportion to their notes in circulation, greater than did the Bank of the United States or the bank of England, on the 1st of July last; and that their immediate available means to meet all the immediate demands upon them, including the whole of their large public and private deposits, have since been constantly improving, and are quite equal to those of most banking institutions in existence, and to what is required by the most approved banking principles."

In his annual report of the 8th of December, 1835, he expresses himself in the following terms: "The department takes pleasure in stating that the public money continues to be collected and deposited under the present system of selected Banks, with great ease and economy in all cases, and with greater in some than at any former period. The transfers of it to every quarter of the country, where it is needed for disbursement, have never been effected with more promptitude, and have been made entirely free of expense to the Treasury." In his annual report of December last, speaking on the same subject he says: "The money in the Treasury has been safely kept during the year 1836. Until July last, as during the two previous years, it was placed in the State Banks, selected according to the discretion of this department, on account of their high standing and favorable position for fiscal purposes, and regulated in a manner considered most secure to the Treasury, and convenient to the community as well as useful to all concerned. *It is a source of high gratification to be able to add, that while so selected and employed, not a single dollar was lost to the Government by any of them, nor a single failure occurred to transmit promptly, and pay out satisfactorily, the public money entrusted to their care.*" \* \* "Nor is it believed, that the domestic exchanges of the country were ever lower or more regular than during that period."

These assurances in favor of the state bank system were made to the country near the close of the late administration, and in the last annual communications of its high functionaries after the practical effects of more than three years experience had tested their truth, which gives as much force to the opinions expressed as can be imparted.

This is not all.—The committee of Ways and Means, during the session of 1834-5, consisting of Messrs. Polk, (now speaker) Wilde, Cambreleng, Gorham, McKim, Binney, Loyall, McKinley, and Hubbard, six of them decided friends of the administration, in their report upon this very subject, evidenced their decided preference for the State bank system in the 2d and 3d resolutions which they reported.

2d. "Resolved, That the public deposits ought not to be restored to the Bank of the United States."

3d. "Resolved, That the State banks ought to be continued as the place of deposits of the public moneys; and that it is expedient for Congress to make further provisions by law, prescribing the mode of selection, the securities to be taken, and the manner and terms on which they are to be employed."

These resolutions were sustained by a very able, and, to my mind, unanswerable argument. It is true the committee did not enter into a comparison between this and the subtreasury system, which has suddenly grown into such high favor, because then it had not merit enough to command the favorable consideration of the friends of the administration as was proved at the next session of Congress, by a unanimous vote (save one) when the scheme was presented by Mr. Gordon.

Mr. Benton, a Senator from Missouri, and distinguished friend of the late and present administration, in a speech delivered by him in the Senate of the United States on the 2d of June, 1834, on the subject of the restoration of the deposits to the Bank of the United States, ably vindicated the State Bank system, and defended the State banks against the various attacks of the opposition. I here quote his remarks upon that occasion.

"Mr. BENTON proceeded to state several reasons, and to urge many considerations in favor of adopting it. He deprecated the spirit which seemed to have broken out against State Banks, and said that it augured badly for the rights of the States. The strongest current of consolidation which was now observable in the Union, was that which sat in favor of the Federal bank and against the State banks, and threatened to consolidate all moneyed power, and with it all political power, in favor of a great central institution, independent of the States, and able, by its own avowal, to crush the State institutions at its pleasure. He said this spirit against the State banks was an impulsion of modern origin—unknown to the fathers of the republic, and to the early history of the country—and strongest now where the spirit of consolidation was strongest, and where the defence of State rights was weakest. At the commencement of this Federal Government, said Mr. B., there was no Federal bank, and all the public moneys were kept in State banks, or drawn direct, and as fast as they were received, out of the hands of receivers and collectors. General Hamilton, when Secretary of the Treasury, kept the public moneys, for the first year of his administration, in these banks, and kept them safely there. When the Federal bank was proposed in 1791, and the keeping of the public moneys was one of the services attributed to it, Mr. Jefferson, then a member of President Washington's cabinet, denied the necessity of a Federal bank for any such purpose, and openly declared himself in favor of the State banks. He said that these banks had already done this business for the Government, and done it well, and would no doubt enter into arrangements with the Treasury for doing it permanently, and on better terms than it could be done by the Federal bank. Mr. B. read an extract from Mr. Jefferson's cabinet opinion, delivered to General Washington at the creation of the first Federal bank, to sustain what he said of his opinions. The extract was in these words :

"The existing banks will, without a doubt, enter into arrangements for lending their agency ; and the more favorably, as there will be a competition among them for it ; whereas, the bill delivers us up bound to the national bank, who are free to refuse all arrangement, but on their own terms, and the public not free, on such refusal, to employ any other bank. That of Philadelphia, I believe, now does this business by their post notes, which, by an arrangement with the Treasury, are paid by any other State collector to whom they are presented. This expedient alone suffices to prevent the existence of that necessity which may justify the assumption of a non-enumerated power as a means for carrying into effect an enumerated one. The thing may be done, and has been done, and well done, without this assumption ; therefore, it does not stand in that degree of necessity, which can honestly justify it."

"Mr. B. said, that what Mr. Jefferson affirmed in 1791, was afterwards proved under his own administration, and that of Mr. Madison. During the whole of their administrations, a large portion of the public moneys was kept in the State banks, and safely kept there. Mr. Gallatin, in answer to a call made by the House of Representatives, sometime before the expiration of the charter of the first bank, showed that the public moneys were then kept in twenty different banks, of which nine were the United States Bank and its branches, and eleven were State banks ! Mr. B. thought this point so material, that he would read an extract from Mr. Gallatin's report, to show that he neither overstated nor mistook the facts. He then read the names of the State banks employed by Mr. Gallatin, and the amount of public money in each. They were : the Bank of Columbia, \$115,192 ; the Bank of Alexandria, \$61,917 ; the Bank of Newport, Rhode Island, \$35,788 ; the Bank of Pittsburg, \$137,462 ; Roger Williams's Bank, \$53,882 ; the Bank of Pennsylvania, \$92,628 ; the Bank of Saco, \$28,528 ; the Manhattan Bank, \$188,670 ; the Bank of Maine, \$50,747 ; the Marietta Bank, \$19,601 ; and the Bank of Kentucky, \$91,061.

Such, said Mr. B., was the distribution of the deposits of the public moneys in the time of Mr. Gallatin ; more State banks employed than the whole number of branches and the mother Bank of the United States put together ! In several instances, a State bank was employed in the same place in which a branch of the Federal bank was situated, and some of those employed then are employed now. Of this class, Mr. B. instanced the Manhattan Bank of New York, and stated that the stock of this bank was, at this day, about twenty dollars in the hundred higher than the stock of the United States Bank ! And this after all the efforts which had been made to shake public confidence in the State banks, and especially those of New York. The Bank of Alexandria, which he said had lately stopped, with a small amount of public money in it, and the payment of which is secured, was also in the list of Mr. Gallatin's deposite banks, and had double as much money in it in his time, as when it lately stopped. That bank had been a

deposit bank for forty-five years, and the Government had lost nothing by it, notwithstanding the attempt lately made to delude the public with a belief that it had just been selected by Mr. Taney, and had immediately failed, with an immense loss to the United States.

Mr. B. said, it was thus proved, by an experience of twenty years—an experience running through the whole of the administrations of Jefferson and Madison, and a part of their predecessors—that the public moneys may be safely kept in the State banks; and that Mr. Jefferson was right, in his cabinet opinion of 1791, when he gave it as his solemn opinion to President Washington, that there was no necessity for chartering a Federal bank to act as the fiscal agent of the Federal Treasury, and that the State banks would enter into arrangements for that purpose, and do the business well!

Mr. B. said it was true that the Federal Government had since lost about a million and a half of dollars by State banks; but that loss took place in a season of universal embarrassment, growing out of a state of war and general stagnation of trade and commerce; a season which cannot be made the rule for judging State banks, without extending it to the Federal bank also; and then it would be fatal to that bank, for the United States lost about eleven millions of dollars in sustaining the present Federal bank in the same season of embarrassment, and saving that bank from sharing the general fate of the State institutions. This statement, Mr. B. said, was one of those facts which it was good to prove, and as the proof was in the documents of the Senate, he would use it, and extinguish at once this delusive and deceptive comparison between State banks and the Federal banks.

Mr. Benton was sustained in his preference for the State banks by Mr. Wright, of New York. The present Speaker of the House, in a speech delivered by him on this subject, on the 20th of June, 1834; ably vindicated the State bank system, in the course of which he made the following remarks:—

“The State banks, then, are to be employed, either under our law as it exists, or under the law as Congress may modify it. The bill before us proposes modifications, limiting and defining, with more precision than has heretofore been done, the executive discretion and power. It is tendered to the House, and especially to those who have raised the cry of a union in the President of the sword and the purse, when in fact he possesses neither. The present Executive does not desire, and never has desired, to retain any discretionary power in the execution of the laws, which, from its nature, is susceptible of being defined by law. The Executive, and his friends upon this floor who sustain him in the recent executive measure of the removal of the deposits, desire to see him, and not only him, but his successors in the executive office, relieved from the responsibility of exercising discretionary power in relation to the safe-keeping, management, and disbursement of the public money, as far as, by legislative provisions, it can be done. The bill which has been presented contains provisions suited, in the opinion of the committee who prepared and brought it forward, to attain this end. I have invited gentlemen who may think its provisions inadequate, or who may suppose that too much power is still left in the hands of the Executive, to come forward with their modifications, still further limiting and confining his power. If they will neither accept this bill, nor propose to amend and make it more perfect, the conclusion must be, that they prefer the law as it is to any new legislative provision. If they do not co-operate with us in perfecting and passing this bill, the conclusion will be irresistible that the charge which has been made against the President, of a desire to seize upon powers which do not belong to him, was designed to produce an erroneous impression upon the public mind, and is wholly unfounded in fact; that they prefer the existing laws to any amendments which can be made; and, in a word, that the real purpose to be effected by all the violent and impassioned appeals which have been made, charging him with usurpation, was to operate upon the public, with a view to procure a continuance of the present odious bank monopoly.”

In a speech delivered by him on the 10th of February, 1835, he said—

“The State banks are not only competent to furnish all the domestic exchange required for the convenience of trade, but they furnish it at cheaper rates, in many parts of the Union, than the Bank of the United States has heretofore done the same business.”

In relation to the sub-treasury scheme, offered by Mr. Gordon, which seems to be the pioneer of the present, in the same speech, Mr. Polk said—

“As regards the second objection, the alleged incompetency of these banks as fiscal agents, the manner in which they have performed and are performing these duties must remove all doubts which may have existed on that point. It is no longer a question of doubt whether they can, with facility and promptness, transfer the public funds to the most distant points for disbursement, and perform all other duties which, as fiscal agents, they may be required to perform.”

*See insert extracts under "Errors"*  
*page 66*

These evidences, added to the fact, that upon the question of adopting the sub-treasury plan proposed by Mr. Gordon, every friend of the administration, save one (Mr. Beale, of Virginia) voted against it, as did a majority of the opposition. It has been said that the friends of the administration voted against this scheme with a view of trying the sufficiency of the State bank system, that is to make an experiment; but General Jackson's, Mr. Woodbury's, Mr. Benton's, and Mr. Polk's assertions are at war with this imputation. Each of them attested that the State bank system had been well tried, and found amply sufficient for all the purposes of fiscal agency, domestic exchanges, and sound surrency. I cannot believe that the friends of the administration would thus have experimented upon such an important and delicate subject as the currency, when there was presented for their adoption a scheme so *constitutional*, so *republican*, so *wise*, and so *efficient*, as the Treasury scheme is now thought to be.

But, Mr. Chairman, I am not without further evidence from very high authority, although the President of the United States, in his message to this Congress, represents that this is the third fiscal connection between the State banks and the Government which has failed, yet he certainly did not regard the two previous failures as constituting any serious objection to the system, for in August, 1837, ~~1837~~ ~~preceding the last presidential election~~, in a letter to the honorable Sherod Williams, of Kentucky, he ably sustained the State bank system. In that letter he used the following language:—

“Although I have always been opposed to the increase of banks, I would nevertheless pursue towards the existing institutions a just and liberal course—protecting them in the right-ful enjoyment of the principles which have been granted to them, and extending to them the good will of the community, so long as they discharge with fidelity the delicate and important public trusts with which they have been invested.”

These, Mr. Chairman, which have been afforded from the foundation of the Government to the present hour of the value of the state banks as fiscal agents, mainly offered by those who now seek to destroy that fiscal agency, and refuse their notes in the receipts of the public dues. This system which was sound democracy in 1835 is bank rag aristocracy in 1837. While de-fending this system in 1835 I was a *good democrat*; but in 1837, for still de-fending the same system, I have become a *bank aristocrat*; from this it would seem that democratic principles, like deranged currency, is *somewhat fluctua-ting*.

Mr. Chairman, experience, which is the most unerring of all human guides, one truth tested by which is worth a thousand theories, has taught us that *credit* is a plant of delicate character, and cannot, with safety, be rudely handled; it must be touched as cautiously as you would touch the sensitive plant. Often has the soundest credit, with the most ample, although not im-mediately available means, withered and sunk beneath the breath of unjust and unwarranted suspicion. No credit, and no credit system can be sustain-ed, without confidence—confidence is its very essence, and whenever with-drawn, whether justly or not, seriously affects it. The banking institutions of the country are sustained entirely by confidence, without it their notes would have no circulation, and they would not be able to conduct their business pro-fitably. Want of confidence, then, or withdrawal of existing confidence, must, in the nature of things, greatly prejudice these institutions, and derange and embarrass their operations.

The recommendation of the President and the Secretary of the Treasury to discontinue the present deposite system, and the receipt of the notes of the

Suggested as conclusion of the  
 preference of the late address;  
 = violation for the State bank  
 = own any other system

are the evidences

banking institutions, is based upon the allegation that these institutions have been unfaithful to their high obligations, and therefore not worthy of continued confidence. The present suspension of specie payments and its consequences, is the ground upon which this recommendation is founded. I propose, Mr. Chairman, briefly to examine whether the present condition of the banks, both as relates to their ability to meet all their liabilities, and the propriety of the suspension of specie payments, justify this charge, and the entire withdrawal of public confidence. That the deposit banks will be able to redeem all their liabilities, and that at no very distant period, is very manifest, not only from the report of the Secretary of the Treasury, but from their actual condition as ascertained and reported to this House. After the cautious and rigid scrutiny instituted into the condition of the State Banks when they were about to be selected, I suppose it will not be doubted, that the selected banks were entirely responsible, and in high credit. I have selected eighteen of the principal banks in which the public money was deposited, and three others selected in 1835. The following comparison of their aggregate condition in relation to circulation and specie, when they were at first selected, and now according to the last returns, proves most conclusively, that in relation to specie and circulation, their condition is materially improved.

Condition of 18 of the principal Banks when first selected, and up to August 15th, 1837, including three of the principal selected Banks ~~under the act of 1836.~~ *in 1835.*

	Capital.	Circulation.	Specie.
When first selected, - - - - -	30,725,670	14,550,075	3,825,298
About Aug. 15th last, - - - - -	44,970,960	18,505,739	5,457,556
	14,245,290	3,955,664	1,632,258

The circulation not quite 3 to 1 of specie.

The annexed table shows their individual condition :

Banks.	WHEN FIRST SELECTED.	15TH AUGUST, 1837.		
		Specie.	Circulation.	Capital.
Commonwealth, Boston,		\$41,507	105,700	300,000
Merchant's, do		50,470	174,100	750,000
America, New York,		212,770	375,750	2,100,000
Mechanic's, do		264,040	603,000	2,050,000
Manhattan, do		257,262	345,000	2,050,000
Gerard, Philadelphia,		66,480	369,000	1,500,000
Union, Baltimore,		92,890	362,000	1,840,000
Metropolis, Washington,		17,050	105,400	500,000
Planter's, Savannah,		209,200	193,655	535,000
State Bank, Ala., Mobile,		425,560	1,145,600	1,000,000
Planter's, Natchez,		113,220	1,510,430	2,320,000
Union, Nashville,		69,211	1,747,000	1,213,800
Union, New Orleans,		329,275	921,000	5,500,000
Commercial, do		75,509	370,950	1,812,890
Michigan, Detroit,		40,340	228,600	350,000
Farmer's & Mechanic's, do		23,330	141,900	103,980
Bank of Virginia, <i>Selected in 1835.</i>		406,880	2,741,600	2,740,000
Plant. & Mechanic's, Charleston		237,350	2,073,200	1,080,000
State Bank N. Carolina,		167,600	953,070	1,080,000
State Bank Indiana,		637,102	944,200	800,000
		\$3,825,298	14,550,075	30,725,670
			5,457,556	18,505,739
				44,920,960

Comparison of Exchanges.

In 1834, Exchanges of the Bank of the United States, - - - - -	\$225,617,910
In 1836, by Deposit Banks, - - - - -	420,463,211

All other liabilities and responsibilities are improved in nearly the same ratio. I refer to the last returns from the Treasury Department, and those officially published by the different and most important banks, to prove that there has

been a general improvement in the condition of nearly all the banking institutions. I have before me an official statement of the condition of the banks of Virginia, exhibiting an improved, and improving condition, and entire solvency. I might refer to others, but time will not admit. The Treasury reports prove that notwithstanding the suspension of specie payments, the deposit banks have rapidly reduced, and have nearly extinguished their debt to the government. On the first day of January last, there was in the deposit banks to the credit of the Treasury, \$42,468,859 97; of this sum there has been transferred and paid to the States, under the deposit act, \$27,063,430 80, leaving a balance of \$15,405,429 17; of that balance and of all the deposits made since, there now remains only the sum of \$12,418,041 due to the government, of this there only remains \$8,166,492 85 subject to draft, drafts having been issued for the remainder; and I do not doubt the amount is now much less. Of this amount, there is due less than \$1,000,000 from the banks in the Atlantic States. Since the 1st of May, about the time specie payments were suspended, according to the report of the Secretary of the Treasury, the deposit banks have reduced their discounts \$20,388,776, their circulation \$4,991,791, their *public deposits* \$15,607,316, while their specie has diminished less than \$3,000,000. The Secretary further informs us that, "of the number of eighty-six banks employed at the time of the suspension, ten or eleven are supposed to have paid over all the public money, which was then in their possession, to the credit of the Treasurer. In the custody of *more than half* of the others, an aggregate of less than \$700,000 remains unadjusted. Several of the rest, still possess large sums; but many of them have continued promptly to furnish such payments from time to time, for meeting the public necessities." Mr. Chairman, these payments and these exertions afford most conclusively, evidences of the frauds and insolvency of the local banks; would to God, all fraudulent and insolvent men would furnish a little more evidence of dishonesty and insolvency such as this, sir. The Secretary of the Treasury from his report, does not expect to lose a single dollar of the public money, so that the disconnection recommended, cannot have any foundation on this ground. But, sir, the Treasury Department affords us another important fact, in its circular to the banks of the 3d of July last, upon the subject of the suspension of specie payments, and additional security for the public dues, he says:

"It affords me much gratification to find, so far as regards the inquiry concerning the payment and security, a great willingness expressed to make the United States amply safe for the eventual payment of all that is due, and a strong conviction entertained by the banks that no loss will be ultimately sustained by the Government."

Again he says,

"Another portion of that circular communicated information concerning the lenient mode which, under the severe losses experienced by many of the banks from mercantile failures, and under the embarrassments to others, caused by panic and want of confidence, was contemplated to be adopted in recalling the public funds. That mode was by such moderate drafts and transfers as the public necessities should from time to time demand; and an earnest request having been made for a satisfactory compliance with it on the part of the banks, assurances have generally been given of a readiness to answer those calls with promptitude, and in an acceptable manner."

Again he says,

"The returns of the condition of the selected banks, which were requested to be continued, have generally been made with promptitude and regularity. But while it is very satisfactory to see, in most cases, a reduction in discounts and circulation, and which course is the most efficient to cure one of the existing evils in banking, and to enable the institutions which have sus-

pendent specie payments to resume them at an early day, and with much greater safety, it is regretted that, in a few instances, this course has not been adopted. But whenever departed from in such a crisis, the error has tended, and must tend hereafter, to impair the confidence of the Department in the sound management of the institution, and to justify such steps as may lead to a more speedy withdrawal of the public money, or to the procurement of increased security."

From these evidences, I take it for granted, that the deposit banks are solvent, and that the government will not lose a single dollar by them.

This is not the only evidence afforded by the Secretary of the Treasury of the solvency of many of the deposit banks, and the reliance placed upon them to aid in redeeming the country from its present embarrassed condition—on the 13th of the present month, while the bill authorizing the issue of Treasury notes was depending, the Secretary addressed the following letter to several of these institutions, proposing to them to purchase the Treasury notes which shall be authorized, and to pass the proceeds to the credit of the Treasury as specie to be paid as the wants of the government may require—this is the letter:

" TREASURY DEPARTMENT, }  
September 19th, 1837. }

" SIR: A bill is now before Congress to authorize the President of the United States to cause the issue of Treasury notes for such sum or sums as he may think expedient; but not exceeding in the whole amount of notes issued, the sum of twelve millions of dollars, and of denominations of not less than one hundred dollars for any one note, to be reimbursed at the Treasury of the United States, after the expiration of one year from the dates of the said notes respectively.

" I will thank you to state whether, in the event of the passage of this bill, you will agree to take the said notes from the government, and give the Treasurer of the United States a credit for the amount; to be drawn for as may be necessary, and payable in specie if required, and, if so, to state what amount you will receive, and the lowest rate of interest to be borne by said notes.

I am, very respectfully,

Your obedient servant,

LEVI WOODBURY.

Yes, sir, some of these faithless and unworthy institutions are appealed to, to purchase Treasury notes, and pass the proceeds to the credit of the government, and hold it until it was wanting by the government.

Judging from the generally admitted principle, that the soundness of a bank is to be determined by the proportion of its actual specie capital to its circulation, the deposit banks are sounder than the Bank of England, or the English Joint Stock banks. Up to the 25th July last, the relative proportion between the specie capital and its circulation was as follows:

	Specie.		Circulation.
Bank of England	26,150,000	Bank of England	91,305,000
Private and Joint Stock Banks	00,000,000	Private and Joint Stock Banks	5,362,165
	\$26,150,000		\$96,667,165
	Specie.		Circulation.
United States Deposit Banks	\$11,429,012	United States Deposit Banks	31,779,804

From this comparison it is manifest that the deposit banks in the United States, were in a condition better to sustain a sound currency and specie payments than the English banks, unless some other cause should operate a different effect. Yet, although the same causes which embarrassed the commerce and credit of the United States existed in England, the Bank of England continued specie payments, and the Bank of the United States suspended—Why? four causes are manifest: 1. the Government of England continued their confidence in their institutions, ours withdrew its; 2. a large debt was due from the American to the foreign merchants, and a necessity for large

specie exportations produced; 3. the continuance of the specie circular; and 4. the execution of the deposit act of the 23d June, 1836.

From the connection which existed between the Government and the State Banks, growing out of their adoption as fiscal agents, and the general impression which it produced, that the Government was disposed to cherish and sustain them, the slightest manifestation of the want of confidence on the part of the Government, was calculated to produce the most disastrous effects upon their credit, and cripple their operations. It was calculated to impair general confidence, and produce a rush for specie, so sudden and violent, that but few banking institutions could be prepared to withstand it. *This want of confidence was clearly manifested in the Treasury Circular of July, 1836, in which danger was distinctly announced to the country.* This measure of itself, however, could not have exerted any very deleterious influence, upon the credit of the banks; but, operating in conjunction with other causes, was calculated seriously to impair public confidence, and to produce serious embarrassments in the monetary system of the country.

The Treasury circular, which required specie for the payment of the public lands, produced an unusual and unnecessary drain of specie from the Atlantic to the Western banks, and of course, it was incumbent on the Eastern banks, to use the usual precaution of contraction to meet the demand, whatever it might be. Independent of this direct operation, emigrants, who were numerous from the Eastern to the Western States, sought that kind of currency which was receivable at the Land Offices. Hence, specie being only receivable there, they demanded specie for their notes, which being principally Eastern, the Eastern banks were bound to pay. These drafts for specie were calculated to produce a corresponding curtailment of the circulation and loans of the banks, which were among the professed objects of the order. The gold and silver thus drawn from the Eastern, was deposited in the Western banks, and there kept entirely unemployed, to the great detriment of trade, awaiting the drafts of the Government. In addition to the operation of the specie circular, and about the time of its utmost severity, the pressure of a heavy foreign debt created an additional heavy demand for specie, which was principally to be drawn from the vaults of the banks. The effect of this demand for specie to pay the foreign debt, necessarily produced a contraction of loans and circulation, corresponding with the extent of the demand. We all remember the gloomy period of 1819, when distress and ruin pervaded the whole community, and filled it with dismay, and as it is fair to judge of the present by the past, I have selected the four years preceding 1819, and the present preceding four years, with a view to contrast the state of trade then, with its present state; in order, in part, to account for the present revulsion and derangement of commerce, and the effects now, as then, produced. In the years 1815, 1816, 1817 and 1818, the state of foreign trade was as follows:

	EXPORTS.	IMPORTS.
1815	\$52,557,753	\$113,041,274
1816	81,920,452	147,103,000
1817	82,671,509	99,250,000
1818	93,281,133	121,750,000
	<hr/>	
	\$310,430,907	\$481,144,274
		<hr/>
		310,430,907
		<hr/>
		\$170,713,365

Excess of importations over exports

\$170,713,365

Which, after proper allowance for tonnage and other expenses, left a heavy balance. The effect was, that a bank circulation in 1816, of \$110,000,000, was

reduced in 1819, to \$45,000,000; we all recollect during this year, the immense deduction which property, produce and labor underwent. The foreign trade for 1833, 1834, 1835 and 1836, is as follows:

	EXPORTS.	IMPORTS.
1833	\$90,140,438	\$108,118,311
1834	104,336,973	126,521,339
1835	118,955,239	151,030,368
1836	128,663,040	189,980,035
	<u>\$442,095,690</u>	<u>\$575,650,046</u>
		<u>442,095,690</u>
		\$133,554,356

The excess of importations,

Leaves a large foreign debt; and although the balance now is \$37,000,000 less than in 1819, yet it is sufficiently large to render a *heavy reduction in bank loans and circulation*, necessary to meet it—because exchanges, being materially reduced, *it could be met in nothing but specie*. The heavy importation of specie from England, through the instrumentality of acceptances of American drafts, alarmed the Bank of England for its own safety; and to counteract this drain, it refused to discount for any merchant who accepted American bills, thus making it necessary to demand more specie for the payment of the foreign debt, than would otherwise have been required. This policy was more rigidly pursued than perhaps it otherwise would have been, had it not been supposed from the declarations of a great portion of the American press, that it was a part of the policy of our Government to prevent the exportation of specie entirely, and continue, as far as possible, the drain from Europe. Combined with these causes, was the execution of the Deposit Act of June, 1837.

It having been ascertained from the rapid increase of the revenue from the sales of the public lands, and the duties on foreign importations, that there would be a large surplus in the Treasury on the 1st of January, 1837, it was determined to withdraw it from the control of the Federal Government, (which its possession offered so many strong and dangerous temptations,) and from the custody of the deposit banks, to prevent its being made the foundation of dangerous and excessive issues of bank paper; and to place it in the custody of the State Governments, thus to remain to be employed for the local benefit of the people, (from where it had been unconstitutionally and improperly drawn,) until needed for the legitimate purposes of the Government, a disposition, in my humble opinion, both wise and salutary, both as regards the currency and the purity of the Government. For the purposes of giving the banks timely notice, and to enable them to meet the demands of this law without detriment to themselves or the public, the operation of the act was not to commence until the 1st day of January after its passage, a period of six months, and then to be met in four equal quarterly instalments. This was ample time to prevent any serious derangement of the affairs of the banks, and the commerce of the country. In a short time after the passage of this act, and long before it was ascertained what would be the amount to be distributed, and of course the first instalment, the Secretary of the Treasury issued orders to the deposit banks, directing them, by a fixed period, to transfer specified points, about \$13,000,000, (as well as I recollect,) instead of giving drafts to the States for their several quotas on the most convenient banks, to pay the amount on the day it was due; which might have been met, according to the usual mode of commercial exchange, between creditor and debtor banks and merchants; and by which they would have been performing but the usual commercial functions; whereas, by the operation of the orders of the Treasury

Department, the amount to be transferred, was abstracted from commercial employment, from the time of the transfer till the payment; and created a demand, in some instances, for specie, which might have been avoided. Thus was inflicted upon commerce an injury from the *injudicious execution of the law*, which is dexteriously ascribed to the provisions of the law itself! This operation was particularly severe upon the New York Banks, which held in the neighborhood of \$20,000,000 of the public deposits. The deposit act in itself did not necessarily decrease, or tend to decrease, the active capital of the country; it was taken from banks to be again put into banks. While it reduced the active means of some, it increased that of others. In many instances the credit was only passed from the Federal to the State Governments. There was nothing in it to embarrass the trade and commerce of the country. The effect was produced by its unwise execution, coming in aid of other causes of an embarrassing character. In this opinion I am sustained by the most able and skillful financiers of the country.

At about the time of the suspension of specie payments, there were in the banks, (if my estimate be correct,) about \$155,000,000 of private deposits. These private deposits were generally made in bank notes; yet the depositors had the right to demand specie for them. When the operation of these causes were perceived, and the diminution of confidence on the part of the Government manifest, the private depositors, in place of their deposited notes, began to demand specie. Brokers also began to demand specie for all the notes which they held, or could purchase, and this was no small amount.

The banks in the city of New York, where the storm first began to rage and to produce most serious effects, although ultimately responsible for all their obligations, could not meet this sudden rush upon their vaults without sin to themselves and the people; they therefore suspended specie payments. This suspension, the causes of which were not understood by the country, produced alarm throughout the whole community; and a general suspension of specie payments was the result. By this suspension I do not doubt that the banks have not only saved themselves but the country from utter ruin and destruction. I confidently believe that the withdrawal of the confidence of the Government, so strengthened the operation of all the causes to which I have adverted, that it compelled the banks to a course, which with the fostering care and continued confidence of the Government, could and would have been avoided: for the banks have no interest, whatever, to embarrass their own operations by an act so destructive of that credit which is so necessary to the successful extension of their business—for sound unsuspected credit is the very soul of their operations, and the foundation of their profits.

The truth of this argument is fully sustained by recurrence to the history of the Bank of England, as well as our own banking institutions. On many occasions the Bank of England has been sorely pressed, *yet it retains the confidence, and was aided by the Government*, and was enabled thereby to surmount its embarrassment, and recover from its difficulties. In 1793 particularly, its operations were so embarrassed, and the rush for specie so great, that it was compelled to suspend specie payments; and continued the suspension, without intermission, from that time till 1829, many of the causes which produced the suspension, continuing to exist during the whole time. In this state of embarrassment, its course was justified by the British Government, whose confidence, and that of the mercantile community continued, and its suspension was legalized, until finally, by a prudential course of measures, adopted to its true condition, it triumphed over all difficulties; and, in 1829,

resumed specie payments, which it still continues. *The confidence of the Government and merchants enabled the bank thus to sustain itself ; to maintain its solvency and its credit ; and to perform, with success, its commercial and fiscal duties.*

In 1815, the State Banks, from the operation of many causes, suspended specie payments, yet the confidence of the Government was not withdrawn. Mr. Dallas and Mr. Crawford, both able and patriotic men, as Secretaries of the Treasury, having sustained their credit by all the means in their power. Mr. Crawford, particularly, made large deposits of public money in many of them ; and thereby enabled them to indulge the people, maintain their own credit, redeem their debt to the public, and finally, in 1817, to resume specie payment. *I believe if the same benevolent and patriotic policy had been pursued towards the State Banks, at the present period, the existing suspension would not have continued to this time, if it had taken place at all.* Mr. Dallas nor Mr. Crawford, however, had *not* conceived the idea of a total *separation between the Government and the banking institutions* of the country as fiscal agents ; and, therefore, felt some inducement to sustain and preserve them ; but a different feeling seems to prevail with the present Secretary of the Treasury, who can only expect to succeed in his views by the embarrassments and difficulties of the banks. While I do not ascribe to him any design to produce the embarrassment which has overtaken the banks, and, with them the commerce of the country, yet I am well satisfied, that he has withheld from them that confidence, which might justly have been extended ; and which would, before this, have redeemed them from their embarrassing difficulties, and have afforded salutary relief to the people, and the commerce of the country.

The charge made by the President, and those who now favor a total separation between the fiscal operations of the Government and the Banks, "that they have been guilty of an excessive issue and circulation of their paper," is true—lamentably true. Yet I cannot perceive in all the facts and circumstances, connected with the charge, that they have been actuated by any improper or impure motives. These institutions are conducted by men who are liable to be misled by the same impulses which betray the most prudent and the most cautious of mankind into occasional error. A spirit of speculation had extensively spread itself throughout the country ; acted and re-acted from the people to the banks, and from the banks to the people, until all, absorbed by brilliant prospects of immeasurable wealth, were led beyond the bounds of prudence and discretion ; and ruin, to many, has been the penalty. These impulses have occasionally produced like effects through all periods, and resulted in like catastrophes, whether their currency was exclusively metallic or not.

All these evils carry with them, however, sure antidotes. The current of money always has its level ; and whenever it exceeds that level, the redundancy runs off and leaves the current at its proper level. In its reduction, serious and distressing injury is often inflicted ; yet the return is gradual and sure. But a question arises, whether the banks are entirely in fault in this matter ? Is not the Government itself much in fault ? And shall the banks be compelled to take the whole responsibility for an error in which the Government has largely participated ? At the time the public deposits were removed from the Bank of the United States, the then Secretary of the Treasury, acting under the impression, that the charter of the Bank of the United States was not to be renewed, and that its extensive circulation and discounts were to be called in, in order that no shock to the business of the country might

be sustained, urged upon the State Banks, in the following note, the duty which would devolve upon them to supply the vacuum which would be created by this withdrawal, growing out of their fiscal connection with the Government. This the banks attempted to do, and gradually increased their accommodations and enlarged their circulation. He says,

TREASURY DEPARTMENT,  
September 26, 1833.

SIR: The Girard Bank has been selected by this Department as the depository of the public money collected in Philadelphia and its vicinity, and the collector at Philadelphia, will hand to you the form of a contract proposed to be executed, with a copy of his instructions from this Department.

In selecting your institution as one of the fiscal agents of the Government, I not only rely on its solidity and established character, as affording a sufficient guarantee for the safety of the public money intrusted to its keeping, but I confide, also, in its disposition to adopt the most liberal course which circumstances will admit towards our moneyed institutions generally, and particularly to those in the city of Philadelphia.

The deposits of the public money will enable you to afford increased facilities to commerce, and to extend your accommodation to individuals. And as the duties which are payable to the Government arises from the business and enterprise of the merchants engaged in foreign trade, it is but reasonable that they should be preferred, in the additional accommodation which the public deposits will enable your institution to give, whenever it can be done without injustice to the claims of other classes of the community.

I am, very respectfully, your obedient servant,

R. B. TANEY,  
Secretary of the Treasury.

To the PRESIDENT of the Girard Bank Philadelphia.

This recommendation was repeated by the late President in his succeeding annual Message. By the deposit act of June, 1836, for proportions of the public money beyond a specific amount, *the Deposit Banks were required to pay interest*, which made it a *principle of self-defence*, that they should *extend their loans and increase their circulation*; because it was not to be expected that they would lock up, and *keep unemployed, the public money, on which they were bound to pay interest!* These two causes combined, certainly produced an excess in the bank discounts and circulation of the country. This excess has been increased by another cause, which Mr. Taney nor Congress did not, or could not, have anticipated. The vacuum which was anticipated by the refusal to renew the charter of the Bank of the United States, was never produced; for, contrary to all expectation, the capital and stockholders of that bank were subsequently incorporated by the State of Pennsylvania, which continued in circulation its notes, and prevented any material diminution in its discounts.

I appeal, then, to the good sense of this House to say, whether the excessive issues complained of, have not been produced by causes, calculated in their very nature to mislead, and produce the excess complained of, without the slightest imputation of fraud or corruption against the banks?

Mr. Chairman, the connection which now exists between the finances of the Government and the Deposit Banks, was produced by the solicitations of the Government itself. The Government found itself engaged in a severe and dubious conflict with the Bank of the United States, which it had determined to overthrow. To do this, it was necessary so to conduct its operations, that the commerce and business of the country might not be materially shocked, and the sensibilities of the people excited. To effect this, it sought the aid, and procured the operation, of the late Deposit Banks, without whose aid and co-operation, I have no hesitation in believing, the Bank of the United States would have triumphed. Yes, Sir, I believe that it would have successfully resisted even Andrew Jackson, with all his popularity, his acknowledged firmness and courage. *The State Banks came to the aid of the Government, and*

*the Government triumphed.* For this they incurred the undying hostility of the Bank of the United States, which still pursues them. They incurred the denunciations and prophecies of evils of the Opposition, who opened upon them all their batteries. This they withstood; but in the hour of victory, which they so signally contributed to achieve, in the very first hour of their difficulties and perils, the *very friends* whom they rescued from defeat, have taken possession of the batteries of the enemy, and *now pour thick volleys* upon their devoted heads! Is this generous? Is it magnanimous? Is it liberal? I leave you, sir, to give the answer. I leave you to determine whether, for causes which makes the act not only excusable, but justifiable. These institutions are to be utterly annihilated for their late suspension of specie payments, when they have, upon trying occasions, afforded seasonable relief to the country, and are entirely solvent.

That the State Banks are susceptible of such regulations as will secure to the country a sound currency, I do not doubt; for this is clearly proved by experience; and that the revenue of this Government may be so employed as to be a most potent engine in the accomplishment of such a desirable object, by the force with which either their hopes or their fears may be addressed, cannot be reasonably doubted. In 1816, when specie payments were suspended, and the evils of a redundant and deranged currency afflicted the country much more severely than now, Mr. Webster, in a speech delivered in this House on 30th April, 1816, expressed himself thus: "That if these banks, (meaning the State Banks,) what engine, he asked, was Congress to use for remedying the existing evil? Their only legitimate power, he said, was to interdict the paper of such banks as do not pay specie from being received at the custom-house. With a receipt of forty millions a year, he said, if the Government were faithful to itself and the interests of the people, they could control the evil, and it was their duty to make the effort. They should have made it long ago, and they ought now to make it; the evil grows worse by indulgence. If Congress did not now make a stand, and stop the current whilst they might, would they when the current grew stronger and stronger, hereafter do it? If this Congress should adjourn without attempting a remedy, he said, it would desert its duty."

If *then*, how much more potently could Congress *now* operate with the enlarged revenues of the Government? Yet Mr. Webster did not hold over the heads of the banks the terrors of a final and eternal separation. Mr. Biddle, the President of the Bank of the United States, in his triennial report to the stockholders, in 1831, says: "And they (the Bank of the United States and branches,) received freely the notes of solvent State Banks, with whom periodical and convenient, but certain, settlements of accounts were made."

"By receiving freely the notes of the State Banks, within convenient reach of the bank and its branches, and by *frequent settlements* with them, these institutions are kept in the habitual presence of an accountability, which naturally induces them so to apportion their issues to their means as to secure the *soundness of the currency.*"

I do not doubt the soundness of an opinion, so thoroughly demonstrated by the practice which fell under the observation of him who expressed it; and I do not doubt that the Government in the employment of its revenues, and the observance of the same rules, may, through the instrumentality of the state institutions, preserve a sound currency, with much more success than the United States Bank did. *Frequent periodical, and certain settlements* are the efficient instruments by which excessive issues may be avoided, and sound currency preserved.

Mr. Chairman, if existing laws, which prohibit the continuance of any deposite bank as a fiscal agent of the Government, and the refusal of their notes in payment of the public revenue, had not sufficient terror to prevent the suspension of specie payment, how much more efficacious do you suppose the adoption of this measure as the permanent law of the land, will be in restoring specie payments—so much to be desired, and so necessary to the prosperity and tranquility of the country? Sir, it will not only not hasten, but greatly prolong that important event. During the suspension of 1816, Mr. Dallas, then Secretary of the Treasury, in his annual report to Congress of the 3d of December, 1816, expressing his opinion upon this identical subject, and the propriety of exercising the power of such restriction, said: "The successive attempts made by this department to relieve the administration of the finances from its embarrassments, have been ineffectual. There was no magic in a mere Treasury instruction to the collectors of the revenue, which could by its virtue, charm gold and silver into circulation. **THE PEOPLE, INDIVIDUALLY, DID NOT POSSESS A METALLIC MEDIUM, and could not be expected to procure it throughout the country, as well as in cities, by any exertion unaided by the banks. And the banks too timid or too interested, declined every overture to a co-operation for reinstating the lawful currency. In this state of things, the Treasury, nay the Legislature, remained passive. The power of coercing the banks was limited to the rejection of their notes in the payments of dues and taxes, and to the exclusion of their agency in the custody and distribution of the revenue; but the exercise of that power could not GENERATE A COIN CURRENCY, although it would certainly ACT OPPRESSIVELY UPON THE PEOPLE, and put at hazard every sum of money which was due to the Government. Until, therefore, a substitute was proposed for the paper of the Bank, it would have been a measure of IMPOLITIC and useless SEVERITY towards the community to insist, that all contributions to the expenses of the Government, should be paid in a medium which, it is repeated, the community DID NOT POSSESS and COULD NOT PROCURE."**

In addition to these strong views of Mr. Dallas which apply with irresistible force to the present state of things, I add those of the able, the patriotic and practiced statesman, William H. Crawford, who succeeded him in the office of Secretary of the Treasury. In a letter dated Nov. 29, 1816 addressed to Wm. Jones, then President of the Bank of the United States, he says:

Extract of a letter of William H. Crawford, to William Jones, President of the Bank of the United States, dated Nov. 29, 1816:

"From this view of the subject, as well as from a general knowledge of the means with which the Bank of the United States will have to commence its operations, and of the difficulties which it will have to surmount if the *State Banks* do not make a simultaneous effort, it is manifest that, without their co-operation a national currency equal to the indispensable demands of the community cannot be obtained by the 20th of February next, from the efforts of the bank and Treasury, under the existing legal provisions."

Again—In the same letter he says:

"It is, however most ardently desired by the Government that the necessity of resorting to the issue of Government paper may be avoided, by the resumption of specie payments by the *State Banks* on or before the 20th of February next. As an inducement to this measure, the Government can only aid their operations by withholding from circulation as much of their paper now in the Treasury, or which may hereafter be received, as the demands upon the Treasury during the ensuing year will permit: as the sum which it will be in the power of the Government to retain in the Treasury, will be considerable, it may present a sufficient inducement to change their determination not to resume specie payments before the 1st day of July next."

Again, he says:

"How far the discrediting of their paper, by refusing to receive it in discharge of dues and taxes, will influence their conduct, can only be ascertained by the EXPERIMENT."

These views of these two able and distinguished men, expressed in the midst of a pressure more severe and infinitely more alarming than the present, are entitled to the greatest weight. It was then, so it may now be truly said, that this bill will *not legislate a coin currency into existence*, nor put *gold and silver into the pockets of the people!* Its only effect will be to prolong the resumption of specie payments; reduce and depreciate the already reduced currency of the country, and ruin and oppress the people. Sir, if you would secure the resumption of specie payments within a short time, instead of crippling you must encourage and support the banks in their exertions to resume, which we have good reason to believe they are honestly exerting themselves to do. They now only need a little further reduction of the foreign debt, (which presses on them so severely, but which is rapidly being reduced,) and the restoration of the confidence of the Government, to resume specie payments. This I do not doubt they will be able to do by the 1st of April. Let us only imitate the examples, and practise the lessons of Crawford and Dallas, and all will be well; confidence will be restored and commerce resume its usual activity. Even if the scheme proposed by the committee of Ways and Means were wise and practicable, it cannot be carried into execution at this time, without ruin to the whole mercantile community. Until the vaults of the banks are unlocked by the resumption of specie payments, specie in sufficient quantities cannot be procured. The attempt to enforce this law in the present state of the metallic currency, would produce unparalleled distress. The maximum exchanges of the United States Bank in 1832, amounted to \$254,000,000; that of the State Banks in 1836 to \$ millions which proves the capacity of the State Banks, to conduct the exchanges of the country, beyond doubt. From the foregoing considerations I conclude that there is no reason for discontinuing the State Banks as fiscal agents of the Government, that did not equally exist against their employment.

Notwithstanding the fact, that the States from the foundation of the Government, have chartered, and continue to charter banking institutions, and this government has been in the uniform practice of employing them as fiscal agents, it is now gravely contended by some that these institutions are unconstitutional. This argument is derived from the constitutional prohibition upon the States to emit "*bills of credit.*" If the States had made the notes of the banks which they have incorporated, a *legal tender*, then the argument would have been good; but so long as they are not made a legal tender, and every man is at liberty to receive them or not, at his pleasure, then the prohibition of the constitution does not apply. I need not detain the committee by any argument of mine. This question was determined directly by the Supreme Court of the United States, at its last session—a *democratic Supreme Court*, of which Roger B. Taney is Chief Justice. I will simply refer to the able, lucid, and unanswerable arguments of the judge, the opinion of the court, in the case of *Briscoe vs. the Commonwealth of Kentucky*. But it is contended by some that it is equally unconstitutional to employ State Banks as fiscal agents, as to charter a National Bank. I cannot see the force of this very recent objection; there is a material difference between creating an institution which is not authorised by the constitution, and entering into compacts with corporations which are created by governments, having the constitutional power to create them, and imparting to them the express power of contracting. I do not perceive that, because the Government of the United States cannot, by authority of the constitution, incorporate a National Bank, that it therefore cannot enter into a contract with individuals, which it is daily in the habit of

doing. The State Banks, being constitutionally incorporated and having the power to contract, stand to the Government precisely in the same relation as individuals, who have the power, and may contract with the Government. Sir, I have been much surprised to hear an argument so fallacious, so gravely, and so earnestly urged.

I will now, Mr. Chairman, call the attention of the Committee to the scheme presented to the consideration of Congress by the Executive, and offer to its consideration as briefly as I can, my objections to it.

The *first* objection is, that it will be trying an experiment, to say the least of it, of very doubtful results. My friend from Virginia, (Mr. Jones,) in a very able speech a few days past, seems to justify embarking on *this experiment*, as he admits it to be, on the ground that the Government itself is but an experiment. It is true, that our system of Government when it was entered upon, was but *an experiment*, yet it was a *necessary one*, and in its progress has developed the wisdom of its adoption. But surely my friend would not argue that because the system was originally an experiment, that it would be prudent to abandon that part of the system which has worked well, and adopt one which has no practical result to recommend it. I regard it as the part of wisdom to adhere to every system which experience has taught to be wise and salutary. I am sure my honorable friend would not be willing to surrender our admirable system of government and adopt another which had nothing more to recommend it than that it was *an experiment*. The system of bank deposits has been tried, and although there have occasionally been some disorder and derangement, as there has been in all human affairs, has generally worked well—so far as *the experiment* now proposed has had any practice, it has been unsuccessful, and proved its utter insufficiency.

The second objection which I present is, that the public money will be *unsafe* and its effects demoralizing. The safety of the public funds is an important matter, and should enter deeply into the consideration of Congress in the adoption of any system which may be proposed. We all know that there is no system which human ingenuity and sagacity can devise, that would be entirely safe. Yet reason and experience teach us that there are some *more safe* than others, and that which reason and experience teaches to be the most safe, should be adopted. In view of this question of greater safety, let the present and the system proposed be contrasted. Place, if you please, the *estate* of any individual who might be selected as the depositor and keeper of the public money, by the side of the capital of any bank which would in the exercise of a sound discretion, be selected, and how vast the difference in favor of the bank—compare the inducement which the bank has to preserve its good faith and credit, in a mere pecuniary point of view, with that of an individual, and how great the disparity in favor of the bank—compare the force of the moral obligation on the part of the bank with that of the individual, all the officers of the bank, the directors and the stockholders are deeply interested in preserving its faith with the Government and all other depositors. Under the proposed system a single individual is interested—contrast, if you please, the means of detecting fraud, speculation, and defalcation. In the banks the officers are in daily watch and check upon each other. The directors hold weekly sessions and superintend the officers, and the stockholders hold annual meetings and examine and scrutinize into the conduct and management of the whole—as to the individual depositor, there would be only the Secretary of the Treasury, who residing at the seat of Government, would have but little opportunity to detect defalcation and other malversations. But

it is urged by the President, that ample security may be taken which will remove all these objections. Sir, whatever collateral security you can take of individuals, you can also take of the banks, which leaves the question of safety still decidedly in favor of the banks, the best security which can be had is in the adequate responsibility of the depositor, and that in every sense of the word is with the banks. The President seems to be under the impression that the high obligations of official duty which the public officers will feel, will afford strong security against abuses. Sir, however honestly the President may entertain this opinion, I regard it entirely illusory. Official parchment never yet made a man honest who was naturally dishonest; nor did it ever yet protect against the seductive influences of temptation, where without it they would have been yielded to. Nothing, no nothing, Sir, will resist temptation but the stern and inflexible principles of integrity which are implanted in the heart of man by the God of nature. Mr. Chairman, we are not without that most unerring of all guides, EXPERIENCE, upon this subject, and the result of that experience is decidedly favorable to the banks. There has been, since the formation of the Government, deposited with and disbursed by the banks about \$650,000,000, with but little or no loss, according to Mr. Crawford's estimate about the 45th part of one per cent., while of the money which has been kept by individuals, which is infinitely less, much greater loss has been sustained. Let the Treasury department open to the inspection of the American people, all its outstanding balances against collectors and receivers, and I do not doubt that it will exhibit such decided evidences in favor of the bank deposit system as to decide this question now and forever. Here, Mr. Chairman, I cannot but recur to the experience of my own state upon this subject, although I do it with much regret. Sir, there was a man many years ago at the head of the Treasury department of Virginia, who was connected with a family of the highest standing and respectability of the state, in whose integrity every man who knew him had the most entire confidence—he was proverbial for his honesty. This man, under the influence of those kind and benevolent feelings which sometimes dignify and ennoble frail human nature, but yet mislead it, was tempted to divert to his individual use larger sums of the public money than he was afterwards able to restore, and thus became recorded a public defaulter. Although he was a defaulter, he honestly surrendered to the government and his securities his whole estate, but it was not sufficient to meet the whole defalcation. This man was John Preston, whose fate affords a melancholy proof of the power of temptation over the human heart, for I feel confident in the assertion, that in life as in death, he was an honest man. When this man's defalcation was discovered, the man who became his successor was a member of the state legislature, and was one of the most ardent denouncers of the defalcation, and untiring investigators of its extent—his constant cry was *crucify him, crucify him*. This man too, who stood high in public confidence, was also overtaken by the same irresistible temptation, and fell a victim to the same fate. He also was at heart an honest man I do not doubt.—I do not doubt that the fiscal history of many of the states affords some melancholy examples of this kind. If we descend from high state officers to the collectors in the counties, we find many memorable and melancholy instances of defalcations in collectors and keepers of the revenue. With so many examples, Mr. Chairman, before our eyes, will Congress plunge into a system where the inducements will be greater, and the temptations necessarily stronger on account of the immense sums of money which will be placed within the reach of individual depositors. I trust not, I hope

we shall be warned by the dangers of the past, and avoid them for the future. The collateral security which may be taken by the Government will afford little or no relief from the effects of defalcation, because if the collecting officer fails, the Government cannot reach the securities except by a tedious course of litigation, and then it very often fails to recover the money, for it is now generally regarded as a sort of *moral principle*, for a man to secure his estate against liability for security debts, particularly to Government; and it very often happens that before judgment is recovered the securities have, by conveyances and settlements of one description or other, placed their property beyond the reach of execution. Another strong argument in favor of the State Bank system is, that if the public money be plundered from the vaults of the banks, the loss falls upon the banks; if from individual depositors, the loss falls upon the Government. This fact increases the vigilance and watchfulness of the banks, and relaxes that of the individual agent. Although I feel very great respect for the opinions of the President, yet I cannot agree with him, that this is a question between the strength of a *Treasury* and a *bank* vault; neither of these vaults of themselves would ever, however weak or however strong, plunder the public money. They are incapable of that; but the question is between those who hold the *keys* of the vaults, between the inducements and opportunities of the one or the other to plunder the public treasure, between their liability to be plundered by *one* or a hundred *hands*.

This system, if adopted, will also exercise a very demoralising influence upon society. Nothing is so well calculated to engender corruption in individuals or government, as to place within their reach the means of corruption. Let every man inquire of himself, how strong the temptation to plunder, or to speculate upon the immense masses of public money which the operation of the proposed system will necessarily throw into the immediate possession and control of individuals. If lesser sums have produced the melancholy catastrophes to which I have referred, how many more may be expected when the inducements shall be so largely increased. Sir, I do not know, you do not know, this House does not know, who it is that has so much inflexible integrity and firmness of character as to be safely trusted with this immense amount. David is said to have been a man after God's own heart, yet even he was overcome by the power of temptation, and was plunged into crimes of the deepest die. I might here inquire, who is it that has a proper regard for his own character and that of his posterity, that will trust himself in a situation so seductive, when he has before his eyes so many melancholy instances of human infirmity—few, very few, who are trustworthy.

The *third* objection which I urge is, that it will increase the difficulty, risk, and expense of transporting the public money, and subject the public debtors to great inconvenience. I regard it entirely unnecessary to detain the committee to prove that which experience has so well ascertained. If the public money is to be transported from point to point, throughout our immense territory in gold and silver, its bulk creates inconvenience—its exposure to public gaze begets risk, and the necessary employment of a sufficient guard to protect it against robbery, will incur heavy expenses; all this is avoided by the aid of the banks, for they now transfer public money, to any point directed by the Treasury department, at their own risk and charge. The Treasury Department, which has had the superintendence of this operation from the foundation of the Government, and which can therefore, afford the most satisfactory evidence upon this point is uniform and undeviating in its testimony in favor of the

bank system, which I should regard as conclusive. But what substitute are we to have for this convenience, safety, and destitution of expense under the proposed system. Nothing sir, but Treasury drafts that I can perceive. These will not answer the purpose unless a sufficient amount of money can always be found at every point where it is wanted. This, in the nature of things cannot be so, and to supply the amount necessary, specie must be transported, or Treasury drafts employed as a medium of circulation, which would introduce a system of government paper circulation incapable of adequate restriction, liable to abuse, and at war with the genius of our institutions. This system in the course of time might be perverted to the most dangerous purposes, and become an engine of most potent influence. Sound policy is opposed to the creation of Government paper of any kind as a permanent circulating medium, liable to the catastrophe of the old continental paper system. It would in effect, become a Government Bank, which legislation might be found totally incapable of regulating or controlling. If the Government receives and pays out nothing but specie, the inevitable result will be, that its drafts must become not only a medium of transfer, but of circulation also.

The fourth objection which I urge is, that it will indefinitely postpone the resumption of specie payments by the banks. I do not profess, Mr. Chairman, to be skilled in matters of finance, or versed in banking operations, but I am clearly convinced that this increased and continual demand for specie, must operate a heavy drain upon the vaults of the banks, the very moment they resume specie payments. The merchants who have duties to pay, can only rely upon the banks to supply them, for they have it not themselves. The banks already suffering under a pressure which was well nigh exhausting them, foreseeing the effect of this new demand would forbear to resume, and this would not only seriously embarrass the merchants and the people, but the Government itself; for as I before remarked, the passage of the bill will neither coin money, or put it into the pockets of the merchants or the people. I then, emphatically ask how is this demand to be met. Sir, you may call spirits from the vasty deep, but calling will not bring them. You may pass this bill, but it will not coin gold and silver. Connected with this objection is that of the derangement of the exchanges, and the general confusion of business which this system will produce. There is no United States Bank in existence which can regulate and supply the exchange demand. Individual sources have been almost entirely destroyed by the banking system. The State Banks then afford the only certain reliance to the community for the supply and regulation of commercial exchanges. I need not urge upon the committee, that which every man's observation and experience must have taught him, that next to the *means* of commerce, the facility of a sound, well regulated, uniform system of exchanges is essential to its successful operation. The demand for such a system for the accommodation of our widely extended, and constantly increasing commerce, both foreign and domestic, must be manifest to every one. If, then, the policy of the Government shall compel the banks, and this system must necessarily do so, still further to curtail their circulation and loans, and restrict their exchange accommodations, is it not most manifest that the effect will be still more to embarrass commercial intercourse, and paralyse the industry and business of the whole country. By curtailing the already too limited exchange accommodations with a deranged, unsteady, fluctuating system of exchanges, commerce becomes embarrassed, and with it the whole business of the country.

The limitation of exchanges below the demands of commerce, the still further reduction of bank circulation, connected with the continued suspension of specie payments, will force upon the importing merchants the necessity of purchasing specie at heavy and exorbitant premiums, to meet the claims of the Government and their foreign creditors, if even they can procure it in sufficient amounts at any premium. These profits although they are at first paid by the merchants, are generally exacted from the agricultural and mechanical portions of the community, who principally consume foreign goods, in the shape of profits; and in this way a heavy tax is imposed upon them. Thus while the apparent operation is upon the merchant, under the *guise* of an indirect system of taxation, yet the real operation is upon the laboring class, and thus a system proposed for the *good of the people*, will operate to their serious injury. For sir, be assured that the people who purchase, are always taxed with these exactions upon the merchants. This system will also exert a very deleterious influence upon the commerce of the country, by diverting from the ordinary channels of trade, the amount of specie which will be in active requisition to meet the demands of the Government, which I think is estimated by the Secretary of the Treasury greatly below the real amount, for I am confident five millions will be greatly inadequate. The almost daily arrival of foreign goods, and purchases of public lands, will restrict the circulation of the Government funds to very narrow bounds, so narrow that they will be of no value to the general commerce of the country.

The fifth objection which presents itself to my mind is, that this system will create a substantial distinction between the currency of *the Government* and the currency of *the people*. I have weighed with great deliberation, and I trust impartially, the argument of the President against the truth of this proposition, as well on account of the source from which it emanates, as the intrinsic importance of the subject itself, and I am decidedly convinced that the proposition is *literally* and *substantially* true. The very fact that the Executive desires to separate itself entirely from the banking institutions of the country, and to restrict their notes from being received in payment of the public dues, notwithstanding they constitute the general circulating medium of the country, proves that the Executive regards the metallic as a much sounder and safer currency than bank paper, although it may possess the essential quality of convertibility into specie. In the proposed scheme, the bank note circulation will be left exclusively to the people; and if it be not so safe or sound as the metallic, then it follows that the currency less sound and less safe, is confined to the people. Take this fact in connection with the fact, that the major part of the circulation is now, and likely will be, bank paper, and upon the principle of the distinction drawn in the Message, the conclusion is irresistible that there will be an exclusive metallic medium for the Government and its officers, and a medium mainly paper for the people. The bill now under consideration, as does the Message, draws the distinction, and its consequences must follow. Can this be sound policy? Is not the distinction invidious? Does it not make the Government supreme? whereas the people should be, and are supreme? Sir, in my humble opinion, it strikes at the very foundation of our system; it makes the people subordinate to the Government, whereas the Government is subordinate to the people. I know, sir, this is not designed by the President, but it is the inevitable result of the distinction. Mr. Chairman, there is no sound reason for this distinction, *none* whatever, the business transactions of the people are infinitely greater and more extended, and therefore of greater interest, than that of the Government, and demands the soundest

medium for their operation. If then, the metallic be the only safe and sound medium for the Government, it is necessarily more important for the people; if the paper medium be safe and sound for the people, there is no reason why it is not equally so for the Government; and instead of the Government disparaging and discrediting the medium necessarily belonging to the people, it should by the judicious employment of its immense revenues aid in preserving its safety and soundness, and extending its credit. This Government is charged by the Constitution with the regulation, the encouragement and protection of commerce; it could not more successfully perform that duty than by giving full credit to the general circulating medium of the country, so long as it is worthy. Sir, the conviction that the proposed system, contains this unjust, and anomalous, and invidious distinction between the Government and the people, is fast riveted in my mind, and if true, ought on that account, if no other, to be repudiated.

The sixth objection which I urge to the present system is, that it will greatly aid, if not render *indispensably necessary* a National Bank. I assume it as a fact, which the experience of the past well justifies, that unless this Nation and the States of this Union, shall abandon its commerce, their systems of internal improvement, so flourishing and so rapidly increasing, and their literary institutions, that the banking system in some form will be maintained; they have increased, and will continue to increase as the wealth, population, manufactures, agriculture and commerce of the country increases. The President himself expresses the opinion, in his Message, that the States will not abandon their systems of banking. The power of the States to incorporate these institutions, and the want of harmony in the exercise of this power, has rendered it difficult even with the aid of the national revenues, and the advantages of national credit to preserve a sound medium of circulation, and perform the fiscal and commercial duties which have devolved upon them. If then, they are farther discredited by the passage of this bill, and their operations reduced to narrower bounds, it is manifest that they will not be able, and will not have sufficient credits to supply the country with a safe, sound and ample commercial medium; for without credit, they are totally inefficient. It is admitted on all hands, that while gold and silver are safe and sound, they are not ample and convenient, hence the country will demand some other medium to keep pace with its rapid improvement, and that will be a National Bank medium. In the necessity of the demand all constitutional scruples will be overlooked, and a National institution incorporated. Sir, I shall not, if here, vote for it, but be assured that the overwhelming influence of public discontent will, as in 1816, drive to this resource, and when again established, it will obtain a hold which nothing can break, and will with all its obnoxious and fatal tendencies be the permanent policy of the country. This brings me to consider whether the passage of this bill will not discredit the bank paper, and impair its value as a circulating medium. If the course already taken by the Treasury Department toward these institutions, the calling of Congress together on account of the suspension of specie payments, the recommendation of the Message to discontinue them as depositories, and the receipt of their notes in payment of the public revenue, if the charge of the Executive that they have been faithless fiscal agents, more so than the Bank of England under like circumstances, and the sanction of these charges by passing the present bill, be not sufficient to discredit and cripple these institutions, then there is no cause whatever but absolute unqualified bankruptcy that would discredit them. We already see the blighting influence which the

withdrawal of the confidence of the Government has exerted upon the banks, and we may well anticipate the fatal effects which a blow from the representatives of the people will produce, all of which will ultimately act upon the people, in the great scarcity of money and reduction in the value of their property.

This is not all, Mr. Chairman, this measure I fear, if adopted, will exert a still more fatal influence upon the banks than any which I have attempted to predict, I fear it will ultimately, if not immediately, utterly destroy them, and produce a state of ruin and desolation, which it is appalling to contemplate. The connection and union between agriculture, manufactures, and commerce is so intimate, that one cannot be affected without, at the same time, affecting the other; whatever cause therefore that impairs the credit of the commercial medium of the country necessarily inflicts a serious injury upon agriculture and manufactures, particularly agriculture, for that is the foundation of commerce and manufactures. These banks are an essential and necessary part of the commercial community, and whatever embarrasses them, embarrasses the whole commercial community. This idea is very forcibly expressed by Mr. Calhoun in a speech delivered in 1816 in this House on the bank charter, speaking of the commercial qualities of the then proposed Bank of the United States, he says, "This bank is no more than a part of the commercial community in which it is established, and any embarrassment of the bank must press, also, on the whole commercial community, *that community would be the first to give way in such a case*, and this would produce a run on the bank, and compel the stoppage of payment." I cannot imagine to myself a more decisive step, in the present embarrassed condition of the country and the banks, than the passage of this bill, to force the banks to continue the stoppage of payments, and finally to wind up their business. If such would be the effect what would be the consequences to the people. I let the President of the United States, when he was Governor of New York, answer. In his annual message to the Legislature of New York, Mr. Van Buren speaking upon the expediency of renewing the charters of many of the New York banks, which were about to expire, portrayed the ruinous effects which their discontinuance would produce upon the State and the people, expressed himself in these forcible and conclusive terms:

"But we cannot close our eyes to the difficulties and pecuniary embarrassments that must result from suddenly stopping the operations of so many and such long established institutions. Of the *thirty millions* that are owing to them, the principal part is probably due from merchants, manufacturers, and other large dealers in their vicinity; *but they in turn have their demands against persons pursuing similar business in the country, and those again must look to their customers, thus embracing all classes of society, in the liability to contribute towards a general settlement.* The amount due from the banks, especially all that portion which consists in bills issued by them, would be found scattered through the whole community. From even this superficial view of the subject, it must be evident to all reflecting minds, that the pecuniary convulsion that must result from a compulsory close of these extensive concerns, would be neither SLIGHT in its degree, nor TRANSIENT in its duration. You will, I am convinced, concur, with me in the sentiment, that a responsibility of so *serious* a character, and so *fearful* in its possible consequences, should not be incurred on slight grounds, or from motives of expediency in the least degree questionable."

Mr. Calhoun, in a speech in the Senate, in 1834, speaking upon the subject of the banks and the effects of their sudden suppression, thus expresses himself, "To suppress them (the banks) at once would, if it were possible, work a *greater revolution, a greater change* in the relative condition of the various classes of the community, than would the conquest of the country by a *savage enemy.*" This sentiment is true, inevitably true, and by it I propose

to test the effects which the destruction of the banks would at this time produce upon the people. In 1834, the people were indebted to the banks \$324,000,000; in 1837, \$591,000,000, if then the suppression of the banks in 1834 would have produced such distressing effects, what would it do now? Ruin the whole community. When the banks are pressed, they press in turn the mercantile community, and that presses the people who are the victims, for they have no debtors to resort to, they must resort to their property. Again. If the Government demands specie in payment of the public revenue, the merchants must in turn demand specie of their debtors, THE PEOPLE, which, if they cannot procure, will lead to the most destructive sacrifices in the sales of their property. No creditor is bound to receive any thing but specie, and this system will afford a pretext for such a demand; for the creditor may well refuse to receive discredited, depreciated bank paper, and therefore cause immense sacrifices of property.

Mr. Chairman, the bank circulation is already reduced from about 160 to 100 millions dollars, as is also the active specie circulation greatly reduced; the present circulation is founded upon an adequate specie basis, and cannot, with due regard to the interest of the people, be further reduced. This system will render a further reduction inevitable, and produce a corresponding inability on the part of the people to pay debts, and a fearful depreciation in the value of property, and in this point of view will operate most injuriously upon the debtor class of the community.

The eighth objection which I have to the proposed system is, that it will greatly enlarge the Executive patronage, and fearfully increase its power. Upon this point, Mr. Chairman, I am brought into direct collision with the opinion of the President, who seems to be of the opinion that this measure will not only not *increase* but actually *diminish* Executive patronage. I am not satisfied with the reasoning of the message, and find nothing in it although ably urged, to change the opinion which I took up in 1834, as to the effect of such a measure. The Secretary of the Treasury seems to think that the appointment of ten additional officers and an increased expenditure of about 60,000 dollars, will enable that department to conduct this system with success. In this opinion, Mr. Chairman, I differ widely with the Secretary, although I do not doubt his sincerity. All propositions for the creation of new systems are accompanied with the most rigid regard to economy, but after their organization their wants gradually develop themselves, till finally, by legislation after legislation, the officers and the expenses are fearfully increased. All the departments of the Government had small and economical beginnings, yet in the progress of time the number of their officers and the amount of their salaries, and other expenses, have greatly increased, such will be the course of this system. This will be but the germ, and your ten additional officers and \$60,000 additional expense, will swell into hundreds of officers, and hundreds of thousands of increased expenditure. To tell me that all the increase of clerks, house-rent, stationary, and other incidental expenses which this system will require can be met with \$60,000, is to tax my credulity with the belief of an utter impossibility. Sir, the Secretary of the Treasury will find himself utterly mistaken in his estimate, if, by the passage of this bill, he shall be authorized to put this system into practice. In considering this question it should be borne in mind that our country is rapidly increasing in population, wealth, power, and commerce, and that necessarily as these progress, increased duties on the part of the Government in all its departments will be unquestionable, and on no department of the Government

will these increased duties devolve so materially as on the Treasury Department. Hence, sir, I look to the adoption of this system as laying the foundation of an immense increase of the patronage of the Executive in the appointing and disbursing power. Mr. Chairman, the patronage of the Executive is the most dangerous of all its powers, and the most likely to end in the overthrow of the liberties of the country; by the exercise of this power, the Executive ramifies in every section of this widely extended empire, its officers indebted to the Executive for their appointment, and holding them at its will. When we consider their number, the influence which they exercise, and the positions which they occupy, we cannot but feel sensibly alive to the mischiefs which they may produce. Their number already exceeds one hundred thousand, and is constantly increasing—add to this immense array of public officers ramified into every section of the country, the amount of money which is annually disbursed by the Executive, and we may form some idea of the already fearful power of the Executive patronage. But, sir, pass this bill, and this power becomes ten fold stronger and more dangerous. Now the Executive has not the actual but the legal custody only of the public purse; barriers hitherto safe have been interposed. This bill not only places the public revenues in the legal but the actual custody of the Executive; it removes all *barriers*, all *restrictions*; it places the custody of the public purse in the hands of those who will hold their place at the will of the President, who has the power to remove at pleasure. Sir, will an American Congress place this fearful power in the hands of the Executive? Will they place in the hands of the President, already having the power of the “*sword*”—the power of the “*purse*” also? For this bill completely invests him with the power of the “*purse*.” He will hold it in *actual* keeping. Will they commit their liberties to the keeping of any man? Will they trust such immense and such fearful means of mischief in the hands of any Executive Magistrate?

Mr. Chairman, I shall make no professions of unbounded confidence in any man. I will not say that I have more, or that I have less confidence in Mr. Van Buren than in other men; but, sir, this is a power which I would not have committed to George Washington himself, or any man that ever lived, or now lives. Sir, I will not commit my liberty to the keeping of any man. I fear all. If the people intend to preserve their liberties, they should not commit them to the keeping of any man; but keep them under their own immediate care and protection. A wise man said, “*eternal watchfulness* is the price which the people pay for liberty.” Sir, I warn them to watch, and that incessantly; if they do not, fearful will be the consequences. Mr. Chairman, the patronage of the Executive is already sufficiently large for the safety of our free institutions, and I am not willing to enlarge it. While on this part of the subject, I cannot refrain from recurring to the fact, that when General Jackson’s protest to the resolution of the Senate, charging him with a violation of the constitution and the law, in the removal of the public deposits from the Bank of the United States, was construed into a claim for the Executive of the *actual* custody of the public money, he immediately and indignantly repelled it in a short explanatory message. This bill gives that very custody which General Jackson indignantly repelled, as desired by him. Mr. Chairman, I trust I shall be excused for recurring to my own State, for I assure the House I do not mean it as in the slightest degree invidious. But, sir, Virginia has always been jealous of the exercise of the powers of this Government, and of the increase of Executive power. From time to time, she has raised her voice against it. Even while this constitution was under discussion in her convention, many of her

patriotic and distinguished sons resisted its adoption from jealousy of the overwhelming power and influence which it would impart to this Government, and the Executive branch of it. Henry, with the thunders of his eloquence, denounced the constitution as tending to absorb all power into this central Government. Pass this bill, and you take the most important step towards the fulfilment of his predictions. You at once, to use his language, arm the Government with the power of the "*sword and the purse*;" which, I fear, will ultimately prove too strong for the liberties of the people. What might not an ambitious aspirant for despotic, uncontrolled, and unlimited power, not do with such means in his hands? Sir, if he wants money, he has only to demand it at the hands of its keepers. If they refuse, he has nothing to do but to exercise his constitutional power of removal, and then every obstacle is withdrawn. And what security have we, that, in the course of time, some such man may not, in the hour of popular infatuation and delusion, be elevated to the Executive chair? None sir, for history affords the important lesson, that every tyrant, who has ever overthrown the liberties of his country, has done it under the hollow professions of the *good of the people*, and have often made the people the deluded victims of their own destruction. It is enough for me to see that this bill places in the hands of the Executive, powers which may be easily perverted to the most dangerous purposes. ~~to~~ oppose it, although those who propose and those who advocate it, may not have, and I am sure entertain no such design. But, sir, one of the panaceas held out for the dangers which I have adverted to, is the reduction of the expenditures of the Government to its actual economical wants. Sir, this measure has been often read to this body; yet, as often as it has been read, the expenditures of the Government have as often departed from the true principle of economy. From some cause or other our expenditures constantly increase. For these extravagancies in expenditures, I do not hold the Executive responsible. I hold Congress responsible. It has almost uniformly appropriated largely beyond the Executive recommendations. Upon the subject of appropriations, a large number of the friends of the late administration voted for appropriations at war with its opinions; but whether sanctioned by the Executive or not, these appropriations have been, and will, I fear, continue to be made; and the expenditure, of course, placed in the hands of the Executive, so that the effect is the same, as far as the question of patronage is concerned.

Mr. Chairman, I conclude this part of my argument, by referring to the following extract from Gen. Jackson's Message of December, 1834, in which he says,

"IN THE REGULATIONS WHICH CONGRESS MAY PRESCRIBE RESPECTING THE CUSTODY OF THE PUBLIC MONEY, IT IS DESIRABLE THAT AS LITTLE DISCRETION AS MAY BE DEEMED CONSISTENT WITH THEIR SAFE KEEPING, SHOULD BE GIVEN TO EXECUTIVE AGENTS. No one can be more deeply impressed than I am with the soundness of the doctrine, which restrains and limits, by specific provisions, *Executive discretion*, as far as it can be done consistently with the preservation of its constitutional character. *In respect to the control over the public money, this doctrine is peculiarly applicable.*"—Gen. Jackson's Message, Dec., 1835.

In every word and every sentiment of which I most heartily concur, and shall give earnest of my concurrence by voting against this scheme, which is directly at war with it.

But, Mr. Chairman, in the Message of the President, and the Report of the Secretary of the Treasury, the dangerous political influence which a connection between the Government and the banks may exert upon the integrity and liberties of the country, is urged as a reason for discontinuing the connection which has existed from the foundation of the Government to the present hour.

Sir, I am not only surprised at this reason, but the source from which it comes; for, sir, practice disproves the danger, and it is directly at war with the opinions of the late Administration, and those previously expressed by these high public officers. This argument is directly at war with the argument of Gen. Jackson's Message of December, 1834, upon this subject, in which he says,

"The attention of Congress is earnestly invited to the regulation of the deposits in the State Banks, by law. Although the power now exercised by the Executive department in this behalf, is only such as was uniformly exerted through every administration from the origin of the Government up to the establishment of the present Bank, yet, it is one which is susceptible of regulation by law, and, therefore, ought so to be regulated. The power of Congress to direct in what places the treasurer shall keep the moneys in the treasury, and to impose restrictions upon the Executive authority, in relation to their custody and removal, is unlimited, and its exercise will rather be courted than discouraged by those public officers and agents on whom rests the responsibility for their safety. It is desirable that as little power as possible should be left to the President or Secretary of the Treasury over those institutions—which, being thus freed from executive influence, and without a common head to direct their operations, would have neither the temptation nor the ability to interfere in the political conflicts of the country. Not deriving their charters from the national authorities, they would never have those inducements to meddle in general elections, which have led the Bank of the United States to agitate and convulse the country for upwards of two years."

Also, his Message of December, 1835, in which he says,

"By the use of the State Banks, which do not derive their charters from the general government, and are not controlled by its authority, it is ascertained that the moneys of the United States can be collected and disbursed without loss or inconvenience, and that all the wants of the community, in relation to exchange and currency, are supplied as well as they ever have been before."—*Message of Dec., 1835.*

These sentiments were concurred in by the late Secretary of the Treasury, (Mr. Taney,) by the committee of ways and means of 1834, in their able reports; and by the present Secretary of the Treasury. I would now inquire what new developments have transpired, to change these decided and unequivocal opinions? What political intrigue has the banks been engaged in? what elections have they interfered with? what political influence have they attempted to exercise? and when? and has it been since the last session of Congress? I know of none, and I have heard of none. If the opinion is merely speculative, then experience leads to an opposite conclusion. Mr. Chairman, let us simply refer to facts, and draw from them the most rational and direct conclusions; and every man must be convinced that this reason is not sufficient to justify a resort to the system now under consideration—the officers of the banks hold their place, at the hands of the directory; the directory, of the stockholders, and the stockholders at the hands of the State Governments. The bank officers, directors, and stockholders, none of them, hold their place at the discretion of the federal Executive. The only influence, then, which the Executive can exercise over these institutions, will arise out of the profit, which may be derived from the use of the public money, which may, from time to time, be deposited in their vaults: this profit, with but one or two exceptions, will not be sufficient to benefit the banks to hazard the displeasure of the State Governments—always overlooking their operations—and to draw them into any of the corrupt purposes of this Government. Under the system proposed, the tenure of all the officers holding the public money, will be at the discretion of the President, without any counteracting influence whatever. Let any man, then, judge where there is most danger of Executive influence, with the banks or the executive officers. The response is not doubtful.

The next objection which occurs, to my mind, is, that the system proposed

will exert a hostile influence upon State institutions, and be subversive of State rights. Mr. Chairman, no member has intimated the idea, that for a long period of time ~~the~~ the country can divest itself of a paper circulation, if the soundness of the circulation is preserved, there must be some harmony of action. The natural war which paper wages against specie, and specie against paper, must be avoided. This bill, which strikes at the credit of the banks, by excluding their notes from payment of public dues, and thereby necessarily narrows the boundary of their circulation and lessens their profits will necessarily produce a counteracting policy on the part of the banks; that policy will be the resort to small note issues, for in this way alone can they drive specie out of circulation to enlarge their own, and thus add to the embarrassment of the country. But, Mr. Chairman, this is not the most serious objection to this bill: it will engender jealousy and hostility on the part of the States towards the federal Government; a state of things greatly to be deprecated, and pregnant with great evils to our institutions. Mr. Chairman, do you think that the States will be passive under the operation of a system which is so blighting to institutions created, nourished, and matured by them; and to which they are so much indebted for their present flourishing condition, and their rapid march in science, wealth, internal improvements and general prosperity. Will they see these means of their future prosperity sapped and destroyed. I think not. Pass this bill, and then arm this Government with the power of a bankrupt law, in relation to these banks, by which a board of commissioners, appointed by federal authority, may discontinue any of these institutions, and you at once place them at the mercy of this Government. This, sir, I cannot consent to do.

Mr. Chairman, every State of the Union, I do not doubt, has some interest in the preservation of the credit of its banks. The state of Virginia has invested in stock, in her various banks, *one million six hundred and seventy-two thousand dollars*. They are the depositories of her internal improvement fund, and her fund for the education of the poor. Think you, Mr. Chairman, she will stand quietly by and see these banks discredited and impaired to the hazard of these immense funds and their successful employment, and surrender her systems of improvement and education. I think not. How gentlemen have arrived at the conclusion that the people generally are opposed to the banking institutions of the country, I am at a loss to discern. These institutions were all chartered by the representatives of the people in their respective state legislatures—representatives who are annually elected, and whose conduct is strictly scrutinized. How many have been repudiated by the people for incorporating banks? Few, very few. How many would obtain re-election after voting for their destruction? Not one, I dare believe. This fact alone, sir, conclusively proves, that the people sustain these institutions, however much they may be disposed to correct, and no doubt will correct, abuses. Mr. Chairman, there is another aspect in which I view this subject as highly important, and which I am bound to consider. Sir, none of us can so far look into the vista of time as to see what even to-morrow may bring forth, although every feeling of our hearts may linger around this Union with the deepest filial regard and solicitude, yet on the tide of time, and amidst the storm of events it may be shivered into atoms. It is prudent at all times to be prepared for events which we most ardently deprecate, but which may by possibility occur. To meet any contingency, then, which coming events may produce, should not the states strengthen their internal resources, improve their strength, and cherish those institutions which might in coming events be indispensable to

their safety? The states entertaining these views, will not be disposed to submit to any system which may impair their strength and dry up their resources. Mr. Chairman, when in the progress of our history I saw this Government claiming the constitutional power to charter a National Bank, to construct a system of internal improvements within the jurisdiction of the states, and the power of taxing the country for the protection of domestic manufactures; my fears that all the powers of government would be concentrated into this great central power, were greatly aroused. But, Mr. Chairman, when the Government not only seeks to disconnect itself from these banks, and then in the form of a bankrupt law hold over them a power which in its exercise may destroy every one of them, my jealousy is increased. Now, Mr. Chairman, I deny to this Government the power in this way to interfere with institutions chartered by the states, having the clear and decided constitutional authority to do so. Sir, can it be that this Government is invested with power to impair or in a ~~black~~ embarrass the operations of the clear constitutional powers reserved to the states? If it has, where is the limitation? What institution may it not reach? what power may not be impaired? These views, Mr. Chairman, have brought my mind to the conclusion, which many of the distinguished friends of the administration formerly entertained, that this war upon the State Banks is a war upon *State rights*. I speak of it as the tendency, not as the design of this proposition.

Mr. Chairman, the Committee of Ways and Means have referred us to the examples of France and England as worthy of imitation in the receipts, safe-keeping, and disbursements of their revenues, and to enlighten us upon this subject, have had a view of their systems printed and laid upon our desks. Sir, their systems are essentially ours, for in their whole fiscal operations the banks are the principal agents. But, sir, I shall not look to the monarchies and despotisms of Europe for examples in so regulating the fiscal agency of this Government as to secure the liberties of the people and our free institutions. Sir, the actual custody of the public money in Europe by the governments, is accompanied with the employment of immense standing armies, who suppress and keep down liberal sentiments, and keep unbroken the fetters with which the oppressed people are bound down. Sir, it was left for republican America, for a free people, to devise a plan by which the public purse can be so kept as to be accessible to the Executive for all legal disbursements, and yet so withheld from its actual custody as to place it beyond the power of abuse. Such has been the effect of the system heretofore—such, I fear, will not be the effect of the proposed system if adopted.

I have thus, Mr. Speaker, presented my objections openly and fearlessly, and upon my responsibility to my constituents. I may be mistaken, and time may expose the error; yet, sir, until the fallacy of these objections are made manifest, I must respectfully to all with whom I differ, but firmly and decidedly oppose the plan recommended by the Executive.

Having thus, Mr. Chairman, attempted to prove the safety and capacity of the State Banks as fiscal and commercial agents, shown their present solvency, vindicated the propriety and necessity of their course in suspending specie payments, and urged my objections to the *Sub-Treasury scheme*, I will now offer to the committee a few brief remarks in support of the proposition which, by the kind indulgence of the House, I have had the honor of laying before it.

The scheme which I have presented is substantially the "currency bill" which passed both Houses of Congress at the late session of Congress, and which was retained by the late President under the apprehension that its construction might require the intervention of the Judiciary, on account of some supposed ambiguity in its language. The substantial features of this bill, requires the notes of all *specie paying* banks to be received in payment of the public revenues, whether derived from foreign importations, public lands,

or any other source, and restricts any distinction between different branches of the revenue, and for the purpose of enlarging the specie circulation of the country, by such a gradual process as to prevent any shock in the business and commerce of the country. It provides that the notes of no specie paying banks shall be received which shall not immediately discontinue the issue and circulation of all notes under five dollars, and at given periods thereafter, all notes under ten and twenty dollars. It also provides for the continuance of such of the present deposite banks as are sound and in good credit, as depositories of the public money, upon the condition of affording such collateral security as the Secretary of the Treasury, in the exercise of a sound discretion, may prescribe. This bill only presents the general features of a scheme which may be matured by amendments adapted to the present embarrassed and emergent condition of the country.

This bill also proposes a restriction of the number of State Banks to be continued as depositories of the public money within such bounds as to make it their interest to adopt the measures of reform in the currency which experience has proved to be necessary for its extension, its credit, and its soundness. This number will be in the discretion of Congress. This plan had the countenance, and was recommended by the late administration, as well as by the present Secretary of the Treasury. It was earnestly and repeatedly urged, and many of the states have adapted their legislation to its principles, and ██████████ is now no just cause for its abandonment—nor has the present state of things stripped it of any of its advantages or benefits. I think I have satisfactorily proved, unless it be necessary to the correctness of the system that banking institutions should be *infallible* and conducted by *infallible* men, which is unattainable.

In presenting this scheme, I have done it under the impression which seems generally to prevail, that the banking institutions of the country would not be abandoned, and that their notes under those modifications and restrictions which experience might from time to time prove to be necessary, would constitute a material part of the currency of the country. If this impression be true, and notes of banks shall continue to constitute a material part of the currency of the country, I regard it as strictly proper, and indeed necessary, that the Federal Government should so regulate its action in reference to the currency, which the states, in the exercise of their sovereign rights, have thrown into circulation, as to give to it as much credit and soundness as possible, because by such a course the intercourse between the states will be more regular, more uniform, more harmonious, more convenient, and more cordial. But it is said by some that Congress has no constitutional power to legitimize bank notes so far as to compel the Government to receive them. Sir, this notion is of modern origin, and is opposed to the principles upon which this Government has acted from almost its foundation. It is true this Government has no power to emit paper money, it can make nothing but metal "*money*," for that is the standard of value of the world. But there is a material distinction between *coining* money and receiving public dues. I do not see any constitutional restriction upon the Government in power of the Government to receive its dues in any thing it may deem most expedient, and such has been its constant and undeviating practice.

The bill which I have submitted, proposes also to enlarge the specie circulation of the country, by gradually retiring the notes of smaller denomination, and introducing in their stead, a metallic circulation. This, sir, I propose step by step to do, until the metallic circulation shall be so enlarged, as to confine the material paper circulation to their *legitimate sphere*, commercial transactions. And until the metallic basis shall assume such a relation to the paper circulation as to secure, without difficulty, the convertibility of the paper into specie. It is an admitted principle, that notes and coin of the same denomination will not circulate together. The superior value of the coin makes it a subject of commerce, and it always seeks distant employment, when there is a local and less valuable currency to supply its local circulation. The plan which I propose, seeks to prevent this effect by restricting the circulation of notes to an amount above the denomination of any coin in circulation, so as to that amount, to render coin indispensable; and if by the operation of this plan it shall be found expedient still farther to restrict bank notes, it can be done by the aid of that experience, which the progress of the plan will unfold, which will be a sure guide to truth. In the discussion of this subject, I shall not find it necessary to do much more than refer to the experience of two of the most commercial nations of the world, Great Britain and France, and the opinions of some of the most distinguished statesmen and financiers of Great Britain and the United States. The Bank of England in 1793, became seriously and alarmingly embarrassed, on account of the immense reduction of her bullion, and the heavy demands of depositors, the result of which was a suspension of specie payments; up to this time, the bank was not authorized to issue notes of less denomination than 5 pounds, to prevent driving from circulation coin of small denominations. The suspension was legalized by Act of Parliament, and the bank to supply the vacuum created by the withdrawal from circulation of small coin, which had been exported to the continent, was authorized to issue notes of £1 and £2 denominations. These notes were

issued to a large amount, and circulated to a great extent, the result was, what always will be, the expulsion from circulation of nearly all coins of the same denominations. Such were the effects of this act in enlarging the issues of the paper medium of England, and expelling its bullion, that after many efforts, in 1826 this law was repealed, and the bank required in 1829, to restrict its paper to the issue of £5 notes and over. The effect of this repeal, has been so to enlarge the specie, as to secure the convertibility of the paper circulation. The Bank of France is prohibited from issuing notes below five hundred francs, about \$93 of our money. This bank was chartered in 1800, and the restriction imposed in 1804. From that time to the present, notwithstanding the calamities of war, two invasions, and several commercial revulsions, the currency of France has remained sound and uniform, and the paper of the bank in good credit. Austria and Russia, who are making vigorous exertions to enlarge their commerce, have adopted the Bank of France as a model for their imitation, and have incorporated, banks upon the same principle. It would seem to me, that with such examples before us, there could be little doubt of the correctness of the principle of the bill, which I propose. But, sir, I will add to this evidence, by citing of the opinions of some of the most distinguished statesmen and financiers of Great Britain, who were witnesses of the operation of the bank restriction in England, and its injurious effects upon the currency of the country. The celebrated Edmund Burk, among the last letters which he ever wrote, in one addressed to Mr. Canning, upon the subject of the issuing of small notes, said: "Tell Mr. Pitt, that if he consents to the issue of ONE POUND NOTES, he will never see a guinea again." This prophecy was well nigh being fulfilled, and was probably only prevented from fulfillment by the repeal of the restriction. Mr. Huskisson, one of the purest and one of the ablest of statesmen, and one of the most skilful financiers of this or any other age, in a speech delivered in Parliament, on the 15th day of February, 1822, upon the agricultural distresses of Great Britain, said:

"In England it still formed a considerable part of our circulation, there being then no circulating paper under five, and only to a small extent, under ten pounds. The first effect of this restriction was, to add to the paper circulation by enlarged issues, not only from the national banks of England and Ireland, but also from all the country banks. This addition continued gradually to increase, and especially in the notes under five pounds. Every increase for the first two or three years was a *diminution* in the value of money, but not a *depreciation*. Why? Because the gold left the country, as the paper became its substitute, and by this process, the exchanges were kept at or near *par*. The effect of this exportation of our coin was everywhere to lower the value of money, and by so doing, to keep it upon a level with its diminished value in this country.

"In the progress of this operation the United Kingdom was drained of all its gold. There would, however, have been no real depreciation of the paper substituted in its stead, if, by imposing proper limits upon the issues of that paper, the *par* of exchange with foreign countries (which is necessarily equivalent with the standard of the gold coin in this country) had been made the criterion of its value. But the issues of paper not being confined within those limits, depreciation took place.

"The consequence, therefore, of the bank restriction was two-fold;—first, a diminution in the value of money generally, but without depreciation; and secondly, a depreciation specially super-added in this country, the degree of which at any particular period was the difference between the standard and the market price of gold. By the first result, the price of commodities, including of course all the raw productions of the soil, was raised generally. By the second, this general rise of prices was carried still further in this country, in proportion to the depreciation. The actual depreciation, therefore, as it was not the sole cause of the rise of prices (speaking now of that rise only in as far as it was influenced by changes in the value of money) during the war, so it cannot be taken as the measure of the fall of prices since 1819, unless we could have got rid of the depreciation without recalling into our own use a part of the gold which had been exported, or in any degree diminishing the extent in which credit had become a substitute for actual payments. That fall must be still greater, if, instead of importing gold for circulation here, the greatest part of it has been withdrawn from circulation in other countries, to be buried in the vaults and cellars of the bank. The proportion of the rise of prices generally during the war, and of fall since the peace, not in England only, but in all other countries, from these alternate operations, may be difficult to estimate; but it must be considerable; and the more so, as other countries, as well as England, had also a depreciated paper, and have since endeavored to replace it by a metallic currency."

In a speech delivered by him on the 10th day of February, on the Bank charter bill, he said:

"If they wished for a proof of the value of a steady, unchangeable currency, they had it in the example of France. That country had been twice invaded; twice had her capital been taken possession of; and she had been compelled, in 1816 and 1817, to pay large sums to foreign coun-

tries for corn. But she had a steady metallic currency; and however such visitations might have affected the great—however the extensive contractor might have been injured or ruined—the great body of the population remained unmolested. The storm which uprooted the forest tree, had passed over without injuring the humble reed; and this was mainly to be attributed to the permanent footing upon which the currency of the country had been placed.

“If the plan of his right honourable friend was carried into execution, he was satisfied it would have the effect of making the country banker as sensitive on the subject of the exchanges, and as watchful of any unfavorable turn which might take place in them, as the Bank of England now was. He would carefully watch the circumstances which were calculated to bring gold into, or send it out of, the country; and this caution being timely impressed upon him, the danger would, in a measure, be passed. There would then be no fear of any agitation or convulsion in the country, as the interest of every banker would compell him to provide himself for any coming emergency; in other words, every country banker would feel an equal interest with the Bank of England, in watching the state of the currency, and guarding against its fluctuations.

“If, then, it was necessary, for the best interests of the country, that the currency should be established on a sound and solid foundation, and that the country banks should be prevented from drawing the metallic currency out of the kingdom, by the issue of these small notes, the next question was—whether this was a proper time for carrying the measure into execution?—But before he touched upon this, perhaps it would be proper that he should make one preliminary observation respecting the country banks. He was far from being hostile to these banks. On the contrary, he thought they would be of great service to the country, provided they were placed under proper regulations. He wished to save these banks themselves from the consequences of their own proceedings—from the liability of each to be ruined by the failure of the others. But, to effect this, they must be prevented from issuing paper, as low as the highest denomination of the metallic currency of the country. They must not be permitted to issue their one-pound notes—corresponding with the sovereign—the highest denomination of metallic currency. To give them the privilege of making such issues was, in fact, to permit them to assume the powers of the prerogative. Let them continue to issue paper, and to extend an act upon their credit; but let them not issue their small notes, and thereby trench upon the prerogative.”

In the same debates these opinions were concurred in by many other distinguished men, and finally prevailed. This bill as I before remarked, is in strict accordance with the recommendations of the late President, Mr. Taney, Mr. Woodbury, the Committee of Ways and Means of 1834 before referred to, and in fact was the leading policy of the late administration. To prove this and to supply arguments of more force and weight than I am capable of urging, I quote from Gen. Jackson's Message of December, 1834.—Speaking upon this subject, he says: “Those institutions, (the State Banks,) have already shown themselves competent to purchase, and furnish domestic exchange for the convenience of trade, at reasonable rates, and not a doubt is entertained that in a short period, ALL THE WANTS OF THE COUNTRY IN BANK ACCOMMODATIONS AND EXCHANGE, will be supplied as promptly and cheaply as they have heretofore been by the Bank of the United States. If the several States shall be induced gradually to reform their banking systems, and prohibit the issue of ALL SMALL NOTES, we shall in a few years, have a currency as sound, and as little liable to fluctuations, as any other commercial country.”

In his annual message of December, 1835, Gen. Jackson said:

“It is also ascertained, that instead of being necessarily made to promote the evils of an unchecked paper system, the management of the revenue can be made auxiliary to the reform which the Legislatures of several of the States have already commenced in regard to the suppression of small bills; and which has only to be fostered by proper regulations on the part of Congress, to secure a practical return, to the extent required for the security of the currency, to the constitutional medium. Severed from the Government as political engines, and not susceptible of dangerous extension and combination, the State Banks will not be tempted, nor will they have the power which we have seen exercised, to divert the public funds from the legitimate purposes of the Government. The collection and custody of the revenue being, on the contrary, a source of credit to them, will increase the security which the States provide for a faithful execution of their trusts, by multiplying the scrutinies to which their operations and accounts will be subjected. Thus disposed, as well from interest as the obligations of their charters, it cannot be doubted that such conditions as Congress may see fit to adopt respecting the deposits in these institutions, with a view to the gradual disuse of the small bills, will be cheerfully complied with; and that we shall soon gain, in place of the Bank of the United States, a practical reform in the whole paper system of the country. If, by this policy, we can ultimately witness the suppression of all bank bills below twenty dollars, it is apparent that gold and silver will take their place, and become the principal circulating medium in the common business of the farmers and mechanics of the country. The attainment of such a result will form an era in the history of our country which will be dwelt upon with DELIGHT BY EVERY true friend of its liberty and INDEPENDENCE. It will lighten the great tax

which our paper system has so long collected from the earnings of labor, and do more to revive and perpetuate those habits of economy and simplicity which are so congenial to the character of republicans, than all the legislation which has yet been attempted."

This plan will so imperceptibly retrieve the paper and introduce the metallic circulation as to produce not the slightest shock or embarrassment in the commerce and business of the country, or reduction in the value of property. Property, the value of which has been regulated by the present currency, will retain its existing standard, and the country gradually recover from its depressed and ruinous condition.

It may be argued that the full excess of paper circulation will be kept up by the enlarged issues of notes of the larger denomination—this cannot be so. The commerce and business of the country can only bear a fixed amount of circulation—all excesses must and will be reduced—a fixed amount of money can only be necessary to the commerce and business of the country. Of that fixed amount, as specie is enlarged so must paper be reduced, and as specie is reduced so must paper be enlarged, as the plan which I propose requires a mixed circulation of metal and paper; I propose to reach such a proportion of the metallic, as will make certain the convertibility of paper into specie, which will always secure a sound currency. These are the objects which I have in view, and I confidently believe the scheme which I have offered, will effect it.

Mr. Chairman, this bill I firmly believe, with the aid of some provisions which may be attached to it, adapted to the present emergency, is well calculated speedily to remove the embarrassments of the country. Sir, as I have argued, *confidence* is all that is necessary to enable the banks in a short time, to resume specie payments, this bill extends that confidence, holds out to them a strong inducement to resume, and promises a restoration of their fiscal agency on that resumption. This, sir, is better than all your penalties and all your divorces.

Mr. Chairman, I well know that to effect the objects of reform which all desire, the aid of the State Governments must be invoked. This aid I do not doubt will be afforded, not only from considerations of patriotism, but of interest; for every State is deeply and importantly interested in securing a sound currency, both as relates to their own domestic concerns, and their commercial connection with the other States. They cannot flourish—they cannot prosper without it, and this is a guarantee that as the errors in their systems develop themselves they will correct them. Sir, I do not doubt that they will perform their duty to themselves and to the nation.

Mr. Chairman, I have heard much play, and much emphasis upon the term *divorce* of Bank and State. It is calculated to call up those feelings of abhorrence against the union of Church and State, out of which so much mischief to the lives and liberties of mankind has grown, which the people of the United States so justly entertain. Sir, are not these institutions the very creation of Government? Did not Government impart to them form, substance, and action; and now we are to divorce the Government from them! I know, sir, that these institutions were created by the State Governments; yet, sir, unless all their powers are buried in the powers of this Government: they were created by Governments having the power to do so. This political connection, so much desecrated and abhorred in these latter days, is as dangerous to the State Governments as to this, yet the States do not find it necessary to destroy their banking institutions; and I am sure, will defend them against the reckless war now waged against them. Sir, this term *divorce* will not take—you had as well talk of a divorce between man and wife, while they are indisposed to it.

One word more in relation to the suspension of specie payments by the banks, to show the propriety and wisdom of the measure. When the suspension took place, it was supposed by many, perhaps by most persons, that upon its being known in England, there would be an immediate prostration of the commercial credit of the United States, and, as a consequence, the destruction of the houses in England, commonly known by the name of the American Houses. But no such thing happened. Confidence was not diminished, but improved. They saw the thing at once in its true light—they saw it was a measure of relief to the merchants of the United States, which would give them time to gather in their resources, and finally make good their payments in England: Whereas, if the severe pressure necessary to continue the payment of specie by the banks, had been kept on, they must have been ruined, and through them the people who were in debt.—This was a sound view of the subject. In addition to this, the States continue to use them as depositories, and to receive their notes in payment of their taxes. Why, then, should there be so much alarm here?

Mr. Chairman, I admit that there are serious evils connected with our banking system. I admit that there are crying and grievous abuses, which require to be corrected; and I will go as far as any man in applying the knife and cutting these abuses off. Nor, sir, am I disposed, in the slightest degree, to countenance the refusal of the banks to resume specie payments in a reasonable length of time. While the country may be disposed to endure this state of things as long as it is necessary and proper, it will not—it ought not to

bear a wanton and unnecessary delay. The foreign debt is rapidly extinguishing; the elastic energy of the country is rapidly increasing, and overcoming all embarrassments: soon, very soon, all pretext will be removed for continuing the suspension, and the banks will merit the stern and withering rebuke of every patriot, if they persist in their refusal. Sir, my course upon the present occasion is not dictated by any interest which I take for the banks, separate and apart from the people: I only look to their interest and their security, as connected with that of the people, so deeply involved with them. I consider the interest and welfare of the people as deeply and materially concerned, and their prosperity endangered.

I have thus, Mr. Chairman, presented to the committee my views of this deep, this vital, this interesting question to this nation. I have exhibited the opinions entertained by the late Administration, and the prominent friends of the present; and having done so, confidently and fearlessly appeal to the American people, to determine whether I deserve to be stigmatized as a *traitor*, or shot as a *deserter*. Sir, if an adherence to the opinions heretofore entertained by the friends of the Administration, notwithstanding they have abandoned them, is *desertion*, I am guilty, and will meet the fate which awaits me without murmur. My opinions are unchanged, and no fear of personal consequences shall change them. My constituents are unchanged, so far as I have learned; at any event, they have not instructed me to vote contrary to my former opinions, and until they do, I will vote against your Sub-Treasury scheme, in spite of denunciation, or any other consequence which may follow. I regard that scheme as containing the elements of destruction to the purity of the Government, the rights of the States, and the liberties of the people.—Sir, so obnoxious is it to me, that although there is no constitutional objection in the way, I would infinitely prefer resigning my seat here, to voting for it. I do not call into the question the sincerity of gentlemen who have changed, but I protest that because I cannot change also, I should be denounced.

Mr. Chairman, if I am to be tried on a charge of desertion, the administration shall not judge me; its friends on this floor shall not judge me—I will be tried by my constituents alone—they know what opinions they sent me here to sustain—they know which I have deserted, and which I have maintained. I will meet them and let them pronounce the judgment; and if that judgment shall be—*guilty*, they alone shall be my executioners—~~them~~ by their confidence, I came here—by their command I am ready to retire. To ~~and~~ and their justice I commit myself. I will say to them, that,

Bound by no party's arbitrary sway,  
I'll follow truth, *wher'er it leads the way.*

#### APPENDIX.

*Comparative Statement of the condition of the Farmer's Bank of Virginia and Branches, on the 1st and 8th days of Jun', 1837, and on the 1st day of September, 1837.*

	1st June.	1st Sept.
Bills dis. at Richmond,.....	\$2,540,804	\$2,260,796
Norfolk.....	848,705	767,091
Petersburg,.....	602,299	526,576
Fredericksburg,.....	497,865	536,318
Lynchburg,.....	526,877	588,122
Winchester,.....	419,999	408,502
Danville,.....	402,214	290,029
	5,849,763	5,477,283

Showing an aggregate decrease of \$372,380, in the outstanding bills discounted between the 1st day of June, and the 1st day of September, 1837.

The specie on hand on the 1st Sept. 1837, was.....	\$425,234
On the 8th day of June, it was.....	412,672

Showing an increase of specie..... 12,562

The notes of other Banks on hand on 1st September, 1837, was.....	\$218,841
On the 8th of June, 1837, they amounted to.....	127,842

Showing an increase of..... 90,999

The aggregate balances due by the other Banks, was, on 1st September, .....	\$45,074
On the 8th June, they amounted to .....	20,267
Showing an increase of .....	24,807
The notes in circulation on 1st Sept. 1837, were .....	2,196,604
The deposit money at same time was,	
Individuals, .....	900,833
Treasurer of the United States, .....	118,173
	<u>\$3,215,610</u>
The liabilities on 8th June, 1837, were,	
Notes in circulation, .....	\$1,963,942
Individual deposits, .....	1,500,076
Treasurer of U. States, .....	297,047
	<u>3,761,065</u>
Showing a diminished liability equal to .....	545,455
The contingent fund, to cover losses was on 1st September, .....	\$369,771
It was on the 8th June, .....	277,412
Increase, .....	<u>92,369</u>

The whole bad and doubtful debts on 1st September, 1837, were estimated as follows:

At Richmond, .....	\$59,398
Norfolk, .....	226,036
Petersburg, .....	6,100
Lynchburg, .....	0,000
Fredericksburg, .....	3,950
Winchester, .....	17,526
Danville, .....	1,000
In all, .....	<u>324,003</u>
While the contingent fund is as above stated, .....	369,771

From the foregoing, the following statement may be made, showing the increased active means, and the diminished liabilities of the Bank, viz:

Increase of specie, .....	\$12,562
Do. of notes of other Banks, .....	90,999
Do. of debts due by other Banks, .....	24,807
Do. of contingent fund, .....	92,366
Decrease of notes in circulation, &c., .....	545,455
Making in all, .....	<u>776,192</u>

Against which, the loan from the Commonwealth, under the act of 24th June, 1837, may be made an offset.

Condition of the Boston Banks, omitting Massachusetts, Franklin, and Lafayette Banks, at the close of business, Sept. 16, 1837, agreeably to returns made to the standing Committees:

Capital .....	\$24,400,000 00
Circulation .....	1,938,326 00
Individual deposits .....	6,327,561 17
Specie .....	1,048,348 00
Real estate .....	653,523 15
Amount of loan .....	<u>33,359,510 93</u>

*General state of the Bank of Virginia on the 15th day of August, 1837.*

Loans and discounts, -	\$7,764,968 77	Capital Stock, -	\$3,240,000 00
Stocks, -	368,181 56	Contingent Fund, -	590,387 40
Real Estate, -	303,565 25	Discounts received, profit and loss, &c.	65,696 47
Due from other Banks,	821,918 76	Deposite money, Treasurer	
Specie, -	426,429 76	U. States, -	\$395,066 64
Other investments, (bal-		Treasurer Commonwealth, -	181,908 33
ances due from offices,	399,710 69	Other Deposites, -	1,373,879 55
Expenses, -	9,780 85	Due other Banks, -	1,950,854 52
		Circulation, -	393,308 77
		Other liabilities, notes pay-	2,812,088 31
		able to Bank U. S., -	
		Bond to Commonwealth, -	\$279,252 88
		Balances due to offices, -	325,000 00
			437,967 29
			1,042,220 17
	\$10,094,555 64		\$10,094,555 64

*Variations.*

	On 1st June, 1837	On 15th Aug., 1837.	
Loans and Discounts, - - -	\$8,064,142 22	\$7,764,968 77	299,173 45 redc'd
Circulation, - - - - -	2,735,870 60	2,812,088 31	76,217 71 incrs'd
Deposites, - - - - -	2,361,714 60	1,950,854 52	410,860 08 redc'd
Specie, - - - - -	449,783 33	426,429 76	23,353 57 redc'd
Due to other Banks, - - -	18,083 61		
Due from other Banks, - - -		428,609 99	446,693 60 incrs'd
Contingent fund, discounts received, and profit and loss, - - -	706,509 59	656,082 47	50,427 12 red'cd
			besides paying the dividend of July last, \$97,200

It Since the statement of the 1st June, so far as the President and Cashier are informed, nothing has been added to the bad and doubtful debt. The greater part of the increased suspended debt has been satisfactorily secured, and the residue is in a train of adjustment.

A. ROBINSON, Jr., Cashier.

City of Richmond, to wit :

On this second day of September, 1837, Anthony Robinson, Jr., Cashier of the Bank of Virginia, personally appeared before me, a Justice of the Peace for the said city, and made oath that the foregoing statement is truly compiled from the several statements returned from the different departments of the said Bank, according to the best of his knowledge.

Given under my hand on the day and year aforesaid.

EDWD. BAILEY, J. P.

## ERRATA.

At bottom of page 14, dele the extract made from Mr. Polk's Speech, and insert the following from the same :

"Unless the States, and the United States, should both deem it proper gradually, and in the end entirely, to dispense with the paper system, and which result is not anticipated, the Government cannot escape occasional losses from that quarter, and can never hope to escape all losses from banks as fiscal agents, except by the employment, in their place, of other and individual agents, who will probably be found less responsible, safe, convenient, or economical."

He concedes that it would be practicable to employ such agents, but does not recommend it, for the reasons stated in the paragraphs of the report which I have read, and because it would not, in the present condition of things, be so eligible a system as the present one."

A corporation may be safer than any individual agent, however, responsible he may be, because it consists of an association of individuals who have thrown together their aggregate wealth, and who are bound in their corporate character, to the extent of their whole capital stock, for the deposite. In addition to this, the Secretary of the Treasury may require as heavy collateral security, in addition to their capital paid in, from such a corporation, as he could from an individual collector or receiver, which makes the Government deposite safer in the hands of a bank than it could be with an individual.

It may be well questioned whether the heaviest security which the most wealthy individual could give, could make the public deposite safe at the point of large collection. In the city of

New York half the revenue is collected. Several millions of the public money may be in the hands of a receiver at one time ; and if he be corrupt, and shall engage in speculation or trade, and meet with a reverse of fortune, the loss sustained by Government would be inevitable.— With ample security, as it was supposed, the Government lost a million or more in the tea case a few years ago. The losses in three cases alone, as already stated, in 1827 and 1828, when it was supposed ample care had been taken to secure the debt, amounted to near two millions. As, then, between the responsibility of a public receiver and bank corporations, as banks do exist, and are likely to exist, under State authority, the latter upon the ground of safety to the public, are to be preferred.

Banks, when they are safe, recommend themselves to the service of the Treasury for other reasons.

1. The increased facility they possess over individual collectors or receivers, in making transfers of public money to distant points for disbursement, without charge to the public.— Indeed, this is a service which individuals, to the extent of our large revenues, could not perform.

2. It may happen in the fluctuation of the amount of revenue and expenditures, that there will be at some times a considerable surplus in the treasury ; which, though it may be temporary, if it be withdrawn from circulation, and placed in the strong box of a receiver, the amount of circulation will be injuriously disturbed, by hoarding the deposits, by which the value of every article of merchandise and property would be affected. So that, inasmuch as we cannot anticipate or estimate what the exact amount of revenue or expenditure may be from year to year, there may occur an excess of revenue in the treasury, not immediately called for to be disbursed, which it would be very inconvenient to abstract from trade and circulation. Whilst the deposit is in a bank, the bank may use it, keeping itself at the same time ready to pay when demanded, and it is not withdrawn from the general circulation, as so much money hoarded and withdrawn from the use of the community.

If in the hands of receivers, they must either hoard it, by keeping it locked up in a strong box, or use it at their own risk in private speculation or trade, or they must for their own security, or on their own responsibility, place it at last on deposit in banks for safe-keeping, until they are called on by the Government for it.

This temporary use of the money on deposit in a bank constitutes the only compensation which the bank receives for the risk of keeping it, and for the service it performs. If receivers be employed, they cannot perform any other service than to keep the money, and must be paid a compensation from the treasury."

THE END.