

REMARKS

OF THE

HON. JOHN C. CALHOUN,

DELIVERED

IN THE SENATE OF THE UNITED STATES,

MARCH 21, 1834,

ON THE

MOTION OF MR. WEBSTER,

FOR LEAVE TO INTRODUCE A BILL TO CONTINUE THE CHARTER OF THE BANK OF THE UNITED STATES FOR SIX YEARS AFTER THE EXPIRATION OF THE PRESENT CHARTER.

WASHINGTON.

1834.



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REMARKS

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THE HON. JOHN C. CALHOUN.

I rise, said Mr. C., in order to avail myself of an early opportunity to express my opinion on the measure proposed by the Senator from Massachusetts, and the questions immediately connected with it, on the ground that, on a subject so immediately connected with the interests of every class in the community, there should be an early declaration of their sentiments by the members of this body, so that all might know what to expect, and on what to calculate.

I shall vote for the motion of the Senator, not because I approve of the measure he proposes, but because I consider it due in courtesy, to grant leave, unless there be strong reasons to the contrary, which is not the case in this instance; but while I am prepared to vote for his motion, and, let me add, to do ample justice to his motives for introducing the bill, I cannot approve of the measure he proposes. In every view which I have been able to take, it is objectionable. Among the objections, I place the uncertainty as to its object. It is left perfectly open to conjecture, whether a renewal of the charter is intended, or a mere continuance with the view of affording the bank time to wind up its affairs; and what increases the uncertainty is, if we compare the provisions of the proposed bill with the one or the other of these objects, it is equally unsuited to either. If a renewal of the charter be intended, six years is too short; if a continuance, too long. I, however, state this as a mere minor objection. There is another of far more decisive character; it settles nothing, it leaves every thing unfix'd—it perpetuates the present struggle which so injuriously agitates the country—a struggle of bank against bank—one set of opinions against another; and prolongs the whole, without even an intervening armistice, to the year 1842—a period that covers two presidential terms, and, by inevitable consequence, running for two successive presidential elections, the politics of the country into the bank question, and the bank question into politics, with the mutual corruption which must be en-

gendered; and, during the whole period, keeping the currency of the country, which the public interest requires should have the utmost stability, in a state of uncertainty and fluctuation.

But why should I pursue the objections to the plan proposed by the Senator from Massachusetts, (Mr. WEBSTER.) He himself acknowledges the measure to be defective, and that he would prefer one of a more permanent character. He has not proposed this as the best measure, but has brought it forward under a supposed necessity—under the impression that something must be done—something prompt and immediate, to relieve the existing distress which overspreads the land. I concur with him in relation to the distress—that it is deep and extensive; that it fell upon us suddenly, and in the midst of prosperity almost unexampled; that it is daily consigning hundreds to poverty and misery; blasting the hopes of the enterprising; taking employment and bread from the laborer, and working a fearful change in the relative condition of the moneyed man and the money dealer on one side, and the man of business and the man of property on the other—taking up the former rapidly to the top of the wheel, whilst it is whirling the latter, with equal rapidity, to the bottom. While I thus agree with the Senator as to the distress, I am also sensible that there are great public emergencies in which no permanent relief can be afforded, and when the wisest are obliged to resort to expedients; to palliate and to temporize in order to gain time with a view to apply a more effectual remedy; but there are also emergencies of precisely the opposite character; when the best and most permanent is the only practical measure; and when mere expedients tend but to distract, to divide and confound, and thereby to delay or defeat all relief; and such, viewed in all its relations and bearing, I consider the present; and that the Senator from Massachusetts has not also so considered it, I attribute to the fact that, of the two questions blended in the subject under consideration, he has given an undue prominence to that

which has by far the least relative importance; I mean the questions of the bank and of the currency. As a mere bank question, as viewed by the Senator, it would be a matter of but little importance, whether the renewal should be for six years or for a longer period; and a preference might very properly be given to one or the other as it might be supposed most likely to succeed; but I must say that, in my opinion, in selecting the period of six years, he has taken that which will be much less likely to succeed than one of a reasonable and proper duration. But had he turned his view to the other and more prominent question involved; had he regarded the question as a question of currency, and that the great point was to give it uniformity, permanency, and safety; that in effecting these essential objects the bank is a mere subordinate agent, to be used or not to be used, and to be modified as to its duration and other provisions wholly in reference to the higher question of the currency, I cannot think that he would ever have proposed the measure which he has brought forward, which leaves, as I have already said, every thing connected with the subject in a state of uncertainty and fluctuation.

All feel that the currency is a delicate subject, requiring to be touched with the utmost caution; but in order that it may be seen, as well as felt, why it is so delicate; why slight touches, either in depressing or elevating it, agitate and convulse the whole community, I will pause to explain the cause. If we take the aggregate property of a community, that which forms the currency, constitutes in value, a very small proportion of the whole. What this proportion is in our country and other commercial and trading communities, is somewhat uncertain. I speak conjecturally in fixing it as one to twenty-five or thirty, though I presume that is not far from the truth; and yet this small proportion of the property of the community regulates the value of all the rest, and forms the medium of circulation by which all its exchanges are effected; bearing in this respect, a striking similarity, considering the diversity of the subjects, to the blood in the human or animal system.

If we turn our attention to the laws which govern the circulation, we shall find one of the most important to be, that, as the circulation is decreased or increased, the rest of the property will, all other circumstances remaining the same, be decreased or increased in value exactly in the same proportion. To illustrate: If a community should have an aggregate amount of property of thirty-one millions of dollars, of which one million constitutes its

currency; if that one million be reduced one-tenth part, that is to say, one hundred thousand dollars, the value of the rest will be reduced in like manner one-tenth part, that is, three million of dollars. And here a very important fact discloses itself, which explains why the currency should be touched with such delicacy, and why stability and uniformity are such essential qualities; I mean, that a small absolute reduction of the currency makes a great absolute reduction of the value of the entire property of the community, as we see in the case supposed; where a reduction of one hundred thousand dollars in the currency reduces the aggregate value of property three millions of dollars, a sum thirty times greater than the reduction of the currency. From this results an important consideration. If we suppose the entire currency to be in the hands of one portion of the community, and the property in the hands of the other portion, the former, by having the currency in their possession might control the value of all the property of the community, and possess themselves of it at their pleasure. Take the case already selected; and suppose that those who hold the currency diminish it one half by abstracting it from circulation; the effect of which would be to reduce the circulation to five hundred thousand dollars; the value of property would also be reduced one half; that is, fifteen millions of dollars. Let the process be reversed, and the money abstracted gradually restored to circulation, and the value of the property would again be increased to thirty millions. It must be obvious, that by alternating these processes and purchasing at the point of the greatest depression, when the circulation is the least, and selling at the point of the greatest elevation, when it is the fullest, the supposed monied class, who could at pleasure increase or diminish the circulation, by abstracting or restoring it, might also at pleasure control the entire property of the country. Let it be ever borne in mind, that the exchangeable value of the circulating medium, compared with the property and the business of the community, remains fixed, and can never be diminished or increased by increasing or diminishing its quantity; while on the contrary the exchangeable value of the property, compared to the currency, must increase or decrease with every addition or diminution of the latter. It results from this, that there is a dangerous antagonist relation between those who hold or command the currency and the rest of the community; but, fortunately for the country, the holders of property and of the currency, are so blended as not to con-

stitute separate classes. Yet, it is worthy of remark—it deserves strongly to attract the attention of those who have charge of the public affairs—that under the operation of the banking system, and that particular distribution of property existing in the shape of credit or stocks, public and private, which so strikingly distinguishes modern society from all that preceded it, there is a strong tendency to create a separate monied interest, accompanied with all the dangers which must necessarily result from such separation, which deserves to be most carefully watched and resisted.

I do not stand here the partisan of any particular class in society—the rich or the poor, the property holder, or the money holder; and, in making these remarks, I am not actuated by the slightest feeling of opposition to the latter. My object is simply to point out important relations that exist between them, resulting from the laws which govern the currency, in order that the necessity for a uniform, stable, and safe currency, to guard against dangerous control of one class over another, may be clearly seen. I stand in my place simply as a Senator from South Carolina, to represent her on this floor, and to advance the common interest of these States, as far as we have the constitutional power, and as far as it can be done consistently with equity and justice to the parts. I am the partisan, as I have said, of no class, nor, let me add, of any political party. I am neither of the opposition nor of the administration. If I act with the former in any instance, it is because I approve of their course on the particular occasion; and I shall always be happy to act with them when I do approve. If I oppose the administration—if I desire to see power change hands, it is because I disapprove of the general course of those in authority; because they have departed from the principles on which they came into office; because, instead of using the immense power and patronage put in their hands to secure the liberty of the country and advance the public good, they have perverted them into party instruments for personal objects.—But mine has not been, nor will it be, a systematic opposition. Whatever measure of theirs I may deem right, I shall cheerfully support; and I only desire that they shall afford me more frequent occasions for support, and fewer for opposition, than they have heretofore done.

With these impressions, and entertaining a deep conviction that an unfixed, unstable and fluctuating currency is to be ranked among the most fruitful sources of evil, whether viewed politically or in reference to the business transactions of the country, I cannot give my consent to any measure

that does not place the currency on a solid foundation. If I thought this determination would delay the relief so necessary to mitigate the present calamity, it would be to me a subject of the deepest regret. I feel that sympathy, which I trust I ought, for the suffering of so many of my fellow citizens, who see their hopes daily withered. I, however, console myself with the reflection that delay will not be the result, but, on the contrary, relief will be hastened by the view which I take of the subject. I hold it impossible that any thing can be effected regarding the subject as a mere bank question. Viewed in that light, the opinions of this House, and of the other branch of Congress, is probably definitively made up. In the Senate, it is known that we have three parties, whose views, considering it as a bank question, appear to be irreconcilable. All hope then, of relief, must centre in taking a more elevated view, and in considering it in its true light, as a subject of currency. Thus regarded, I shall be surprised if, on full investigation, there will not appear a remarkable coincidence of opinion, even between those whose views, on a slight inspection, would seem to be contradictory. Let us then proceed to the investigation of the subject, under the aspect which I have proposed.

What, then, is the currency of the United States? What its present state and condition? These are the questions which I propose now to consider, with a view of ascertaining what is the disease? what the remedy? and what the means of applying it, that may be necessary to restore our currency to a sound condition?

The legal currency of this country; that in which alone debts can be discharged according to law, are certain gold, silver, and copper coins, coined at the mint of the United States, and issued, by their authority, under an express provision of the Constitution. Such is the law. What, now, are the facts? That the currency consists almost exclusively of bank notes; gold having entirely disappeared, and silver, in a great measure, expelled by banks instituted by twenty-five distinct and independent powers, and notes issued under the authority of the direction of those institutions. They are, in point of fact, the mint of the United States. They coin the actual money, (for such we must call bank notes,) and regulate its issue, and consequently its value. If we inquire as to their number, the amount of their issue, and other circumstances calculated to show their actual condition, we shall find that, so rapid has been their increase, and so various their changes, that no accurate information can be had. According to the latest and best that I have been able to

ascertain, they number at least four hundred and fifty, with a capital of not less than one hundred and forty-five millions of dollars, with an issue exceeding seventy millions; and the whole of this immense fabric standing upon a metallic currency of less than fifteen millions of dollars, of which the greater part is held by the Bank of the U. States. If we compare the notes in circulation with the metallic currency in their vaults, we shall find the proportion about six to one, and if we compare the latter with the demands that may be made upon the banks, we shall find that the proportion is about one to eleven. If we examine the tendency of the system at this moment, we shall find that it is on the increase—rapidly on the increase. There is now pending a project of a ten million bank before the Legislature of New York; but recently one of five millions was established in Kentucky; within a short period, one of a large capital was established in Tennessee, besides others in agitation in several of the other States. [Here Mr. PORTER, of Louisiana, said that one of eleven millions had just been established in that State.]

This increase is not accidental. It may be laid down as a law, that where two currencies are permitted to circulate in any country, one of a cheap and the other of a dear material, the former necessarily tends to grow upon the latter, and will ultimately expel it from circulation, unless its tendency to increase be restrained by a powerful and efficient check. Experience tests the truth of this remark, as the history of the banking system clearly illustrates. The Senator from Massachusetts truly said that the Bank of England was derived from that of Amsterdam, as ours in turn are from that of England. Throughout its progress the truth of what I have stated to be a law of the system is strongly evinced. The Bank of Amsterdam was merely a bank of deposit—a store-house for the safe-keeping of the bullion and precious metal brought into that commercial metropolis, through all the channels of its widely extended trade. It was placed under the custody of the city authorities; and, on the deposit, a certificate was issued as evidence of the fact, which was transferrable, so as to entitle the holder to demand the return. An important fact was soon disclosed; that a large portion of the deposits might be withdrawn, and that the residue would be sufficient to meet the returning certificates; or, what is the same in effect, that certificates might be issued without making a deposit. This suggested the idea of a bank of discount as well as deposit. The fact thus disclosed fell too much in with the ge-

nius of the system to be lost, and, accordingly, when transplanted to England, it suggested the idea of a bank of discount and of deposit; the very essence of which form of banking, that on which their profit depends, consists in issuing a greater amount of notes than it has of specie in its vaults. But the system is regularly progressing under the impulse of the laws that govern it, from its present form to a mere paper machine—a machine for fabricating and issuing notes, not convertible into specie. Already has it once reached this condition, both in England and the United States, and from which it has been forced back, in both to a redemption of its notes with great difficulty.

This natural tendency of the system is accelerated in our country by peculiar causes, which have greatly increased its progress. There are two powerful causes in operation. The one resulting from that rivalry which must ever take place in States situated as ours are, under one general Government, and having a free and open commercial intercourse. The introduction of the banking system in one State necessarily, on this principle, introduces it into all the others, of which we have seen a striking illustration on the part of Virginia and some of the other southern States, which entertained, on principle, strong aversion to the system; yet they were compelled, after a long and stubborn resistance, to yield their objections, or permit their circulation to be furnished by the surrounding States at the expense of their own capital and commerce. The same cause which thus compels one State to imitate the example of another, in introducing the system from self-defence, will compel the other States in like manner and from the same cause, to enlarge and give increased activity to the banking operation, whenever any one of the States sets the example of so doing on its part; and thus, by mutual action and reaction, the whole system is rapidly accelerated to the final destiny which I have assigned.

This is strikingly exemplified in the rapid progress of the system since its first introduction into our country. At the adoption of our Constitution, a period of forty-five years, there were but three banks in the United States, the amount of whose capital I do not now recollect, but it was very small. In this short space they have increased to four hundred and fifty, with a capital of one hundred and forty-five millions, as has already been stated—an increase exceeding nearly a hundred fold the proportionate increase of our wealth and population, as great as they have been.

But it is not in numbers only that they have increased; there has in the same time

been a rapid advance in the proportion which their notes in circulation bear to the specie in their vaults. Some twenty or thirty years ago it was not considered safe for the issues to exceed the specie by more than two and a half or three for one; but now, taking the whole, and including the Bank of the United States with the State banks, the proportion is about six to one; and, excluding that bank, it would very greatly exceed that proportion. This increase of paper in proportion to metal, results from a cause which deserves much more notice than it has heretofore attracted. It originates mainly in the number of the banks. I will proceed to illustrate it.

The Senator from New York, (Mr. WRIGHT,) in assigning his reasons for believing the Bank of the United States to be more dangerous than those of the States, said that one bank was more dangerous than many. That, in some respects, may be true; but, in one, and that a most important one, it is strikingly the opposite; I mean in the tendency of the system to increase. Where there is but one bank, the tendency to increase is not near so strong as where there are many, as illustrated in England, where the system has advanced much less rapidly, in proportion to the wealth and population of the kingdom, than in the United States. But where there is no limitation as to their number, the increase will be inevitable, so long as banking continues to be among the most certain, eligible, and profitable employment of capital as is now the case. With these inducements, there must be constant application for new banks, whenever there is the least prospect of profitable employment—banks to be founded mainly on nominal and fictitious capital, and adding but little to that already in existence—and with our just and natural aversion to monopoly, it is difficult, on principles of equality and justice, to resist such application. The admission of a new bank tends to diminish the profits of the old, and between the aversion of the old to reduce their income, and the desire of the new to acquire profits, the result is an enlargement of discounts, affected by a mutual spirit of forbearance; an indisposition on the part of each to oppress the other; and finally, the creation of a community of feeling to stigmatize and oppose those, whether banks or individuals, who demand specie in payment of their notes. This community of feeling which ultimately identifies the whole, as a peculiar and distinct interest in the community, increases and becomes more and more intense just in proportion as banks multiply; as they become, if I may use the expression, too populous, and from the pres-

sure of increasing numbers, in maintaining their existence, there results a corresponding increase of issues, in proportion to their means; which explains the present extraordinary disproportion between specie and notes, in those States where banks have been most multiplied; equal in some to sixteen to one. There results, from this state of things, some political considerations which demand the profound attention of all who value the liberty and peace of the country.

While the banking system rests on a solid foundation, there will be, on their part, but little dependence on the Government, and but little means by which the Government can influence them, and as little disposition on the part of the banks to be connected with it; but in the progress of the system, when their number is greatly multiplied, and their issues, in proportion to their means, are correspondingly increased, the condition of the banks becomes more and more critical. Every adverse event in the commercial world, or political movement that disturbs the present state of things, agitates and endangers them. They become timid, and anxious for their safety, and necessarily court those in power, in order to secure their protection. Property is, in its nature, timid, and seeks protection, and nothing is more grateful to Government than to become a protector. A union is the result; and when that union takes place—when the Government, in fact, becomes the bank direction, regulating its favors and accommodation, the downfall of liberty is at hand. Are there not indications that we are not far removed from this state of things? Do we not behold in those events which have so deeply agitated us within the last few months, and which have interrupted all the business transactions of this community, a strong tendency to this union on the part of one department of this Government, and a portion of the banking system? Has not this union been, in fact, consummated in the largest and most commercial of the States? What is the safety fund system of New York but a union between the banks and the State, and a consummation, by law, of that community of feeling in the banking system, which I have attempted to illustrate; the object of which is to extend their discounts; and to obtain which, the interior banks of that State have actually put themselves under the immediate protection of the Government. The effects have been striking. Already have they become substantially mere paper machines; several having not more than from one to two cents in specie to the dollar, when compared with their circulation; and

taking the aggregate, their average condition will be found to be but little better. I care not (said Mr. C.) whether the present commissioners are partisans of the present State administration or not; or whether the assertion of the Senator from New York, (Mr. WRIGHT,) that the government of the State has not interfered in the control of these institutions be correct. Whether it has taken place or not, interference is inevitable. In such state of weakness, a feeling of dependence is unavoidable, and the control of the Government over the action of the banks, whenever that control shall become necessary to subserve the ambition or the avarice of those in power, is certain.

Such is the strong tendency of our banks to terminate their career in the paper system—in an open suspension of specie payment. Whenever that event occurs, the progress to convulsion and revolution will be rapid. The currency will become local, and each State will have a powerful interest to depreciate its currency more rapidly than its neighbor, as the means, at the same time, of exempting itself from the taxes of the Government and drawing the commerce of the country to its ports. This was strongly exemplified after the suspension of specie payment during the late war, when the depreciation made the most rapid progress, till checked by the establishment of the present Bank of the United States, and when the foreign trade of the country was as rapidly converging to the point of the greatest depreciation, with a view of exemption from duties, by paying in the debased currency of the place.

What, then, is the disease which afflicts the system; what the remedy; and what the means of applying it? These are the questions which I shall next proceed to consider. What I have already stated points out the disease. It consists in a great and growing disproportion between the metallic and paper circulation of the country, effected through the instrumentality of the banks, a disproportion daily and hourly increasing under the impulse of most powerful causes, which are rapidly accelerating the country to that state of convulsion and revolution which I have indicated. The remedy is to arrest its future progress, and to diminish the existing disproportion—to increase the metals and to diminish the paper—advancing till the currency shall be restored to a sound, safe, and settled condition. On these two points all must be agreed.—There is no man of any party capable of reflecting, and who will take the pains to inform himself, but must agree that our currency is in a dangerous condition, and

that the danger is increasing; nor is there any one who can doubt that the only safe and effectual remedy is to diminish the disproportion to which I have referred.—Here the extremes unite—the Senator from Missouri, (Mr. BENTON,) who is the open and avowed advocate of a pure metallic currency, and the Senator from Massachusetts, (Mr. WEBSTER,) who stands here as the able and strenuous advocate of the banking system, are on this point united, and must move from it in the same direction, though it may be the design of the one to go through, and of the other to halt after a moderate advance.

There is another point in which all must be agreed; that the remedy must be gradual—the change, from the present to another and sounder condition, slow and cautious. The necessity for this results from that highly delicate nature of currency which I have already illustrated. Any sudden and great change from our present to even a sounder condition, would agitate and convulse society to the centre. On another point there can be but little disagreement. Whatever may be the different theoretical opinions of the members of the Senate, as to the extent to which the reformation of the currency should be carried, even those who think it may be carried practically and safely to the restoration of a metallic currency, to the entire exclusion of paper, must agree that the restoration ought not to be carried further than a cautious and a slow experience shall prove that it can be done, consistently with the prosperity of the country, in the existing fiscal and commercial condition of the world. To go beyond the point to which experience shall show it is proper to go, would be to sacrifice the public interest merely to a favorite conception.—There may be ultimately a disagreement of opinion where that point is, but since all must be agreed to move forward in the same direction and at the same pace, let us set out in the spirit of harmony and peace, though we intend to stop at different points. It may be that, enlightened by experience, those who intended to stop at the nearest point may be disposed to advance farther, and that those who intended the farthest, may halt on this side, so that finally all may agree to terminate the journey together.

This brings us to the question of how shall so salutary a change be effected?—What the means and the mode of application? A great and difficult question, on which some diversity of opinion may be expected.

No one can be more sensible than I am of the responsibility that must be incurred

in proposing measures on questions of so much magnitude, and which, in so distracted a state of the public mind, must effect seriously great and influential interests.—But this is no time to shun responsibility. The danger is great and menacing, and delay hazardous if not ruinous. While, however, I would not shun, I have not sought the responsibility. I have waited for others, and had any one proposed an adequate remedy, I would have remained silent. And here, (said Mr. CALHOUN,) let me express the deep regret which I feel that the administration, with all that weight of authority which belongs to its power and immense patronage, had not, instead of the deposite question, which has caused such agitation and distress, taken up the great subject of the currency; examined it gravely and deliberately in all its bearings; pointed out its diseased condition; designated the remedy, and proposed some safe, gradual, and effectual means of applying it. Had that course been pursued, my zealous and hearty co-operation would not have been wanting. Permit me also to express a similar regret, that the administration having failed in this great point of duty, the opposition, with all its weight and talents, headed on this question by the distinguished and able Senator from Massachusetts, who is so capable of comprehending this subject in all its bearings, had not brought forward, under its auspices, some permanent system of measures, based upon a deliberate and mature investigation into the cause of the existing disease, and calculated to remedy the disordered state of the currency. What might have been brought forward by them with such fair prospects of success, has been thrown on more incompetent hands; unaided by patronage or influence, saving only that influence which truth, clearly developed, and honestly and zealously advanced, may be supposed to possess; and on which I must wholly rely.

But to return to the subject. Whatever diversity of sentiment there may be as to the means, on one point all must be agreed; nothing effectual can be done; no check interposed to restore or arrest the progress of the system by the action of the States. The reasons already assigned to prove that banking by one State compels all others to bank, and that the excess of banking in one, in like manner compels all others to like excess, equally demonstrate that it is impossible for the States, acting separately, to interpose any means to prevent the catastrophe which certainly awaits the system and perhaps the Government itself, unless the great and growing danger to which I refer be timely and effectually arrested. There

is no power any where, but in this Government—the joint agent of all the States, and through which the concert of the action of the whole can be effected, adequate to this great task. The responsibility is upon us, and upon us alone. The means, if means there be, must be applied by our hands, or not applied at all—a consideration, in so great an emergency, and in the presence of such imminent danger, calculated, I would suppose, to dispose all to co-operation, and to allay every party feeling in the heart even of the least patriotic.

What means do we possess, and how can they be applied?

If the entire banking system was under the immediate control of the General Government, there would be no difficulty in devising a safe and effectual remedy to restore the equilibrium, so desirable between the specie and the paper which compose our currency. But the fact is otherwise. With the exception of the Bank of the U. States, all the other banks owe their origin to the authority of the several States, and are under their immediate control, which presents the great difficulty experienced in devising the proper means of effecting the remedy, which all feel to be so desirable.

Among the means which have been suggested, a Senator from Virginia, not now a member of this body, (Mr. RIVES,) proposed to apply the taxing power to suppress the circulation of small notes, with a view of diminishing the paper and increasing the specie circulation. The remedy would be simple and effective, but is liable to great objection. The taxing power is odious under any circumstances; it would be doubly so when called into exercise with an overflowing treasury; and still more so, with the necessity of organizing an expensive body of officers to collect a single tax, and that on an inconsiderable subject. But there is another, and of itself, a decisive objection. It would be unconstitutional—palpably and dangerously so. All political powers, as I stated on another occasion, are trust powers, and limited in their exercise to the subject and object of the grant. The tax power was granted to raise revenue for the sole purpose of supplying the necessary means of carrying on the operations of the Government. To pervert this power from the object thus intended by the Constitution, to that of repressing the circulation of bank notes, would be to convert it from a revenue into a penal power—a power in its nature and object essentially different from that intended to be granted in the Constitution; and a power, which in its full extension, if once admitted, would be suffi-

cient of itself to give an entire control to this Government over the property and the pursuits of the community, and thus concentrate and consolidate the entire power of the system in this Government.

Rejecting, then, the taxing power, there remains two obvious and direct means in possession of the Government which may be brought into action to effect the object intended, but neither of which, either separately or jointly, are of sufficient efficacy, however indispensable they may be as a part of an efficient system of measures, to correct the present or repress the growing disorders of the currency; I mean that provision in the Constitution which empowers Congress to coin money, regulate the value thereof and of foreign coin, and the power of prohibiting any thing but the legal currency to be received either in whole or in part, in the dues of the Government. The mere power of coining and regulating the value of coins, of itself, and unsustained by any other measure, can exercise but a limited control over the actual currency of the country, and is inadequate to check excess or correct disorder, as is demonstrated by the present diseased state of the currency. Congress has had, from the beginning, laws upon the statute books to regulate the value of the coins; and at an early period of the Government the mint was erected, and has been in active operation ever since; and yet, of the immense amount which has been coined a small residue only remains in the country; the great body having been expelled under the operation of the banking system. To give efficacy to this power, then, some other must be combined with it. The most immediate and obvious is that which has been suggested, of excluding all but specie in the receipts of the Government. This measure would be effectual to a certain extent; but with a declining income, which must take place under the operation of the act of the last session, to adjust the tariff, and which must greatly reduce the revenue, (a point of the utmost importance to the reformation and regeneration of our institutions,) the efficacy of the measure must be correspondingly diminished. From the nature of things, it cannot greatly exceed the average of the Government deposits, which I hope will before many years be reduced to the smallest possible amount, so as to prevent the possibility of the recurrence of the shameful and dangerous state of things which now exists, and which has been caused by the vast amount of the surplus revenue.— But there is in my opinion a strong, if not an insuperable objection against resorting to this measure, resulting from

the fact that an exclusive receipt of specie in the Treasury would, to give it efficacy and to prevent extensive speculation and fraud, require an entire disconnection on the part of the Government with the banking system in all its forms, and a resort to the strong box as the means of preserving and guarding its funds—a means, if practicable at all, in the present state of things, liable to the objection of being far less safe, economical, and efficient than the present.

What then, Mr. C. inquired, what other means do we possess of sufficient efficacy, in combination with those to which I have referred, to arrest the farther progress and correct the disordered state of the currency? This is the deeply important question, and here some division of opinion must be expected, however united we may be, as I trust we are thus far, on all other points. I intend to meet this question explicitly and directly, without reservation or concealment.

After a full survey of the whole subject, I see none, I can conjecture no means of extricating the country from its present danger and to arrest its farther increase, but a bank—the agency of which, in some form or under some authority, is indispensable. The country has been brought into the present diseased state of the currency by banks, and must be extricated by their agency. We must, in a word, use a bank to unbank the banks, to the extent that may be necessary to restore a safe and stable currency—just as we apply snow to a frozen limb in order to restore vitality and circulation, or hold up a burn to the flame to extract the inflammation. All must see that it is impossible to suppress the banking system at once. It must continue for a time. Its greatest enemies, and the advocates of an exclusive specie circulation, must make it a part of their system to tolerate the banks for a longer or a shorter period. To suppress them 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. What, then, must be done? I answer, a new and safe system must gradually grow up under and replace the old—imitating, in this respect, the beautiful process which we sometimes see, of a wounded or diseased part in a living organic body, gradually superseded by the healing process of nature.

How is this to be effected? How is a bank to be used as the means of correcting the excess of the banking system? And what bank is to be selected as the agent of effecting this salutary change? I know, said

Mr. C., that a diversity of opinion will be found to exist as to the agent to be selected, among those who agree on every other point, and who, in particular, agree on the necessity of using some bank as the means of effecting the object intended; one preferring a simple recharter of the existing bank—another the charter of a new bank of the U. States—a third a new bank engrafted upon the old, and a fourth the use of the State banks as the agent. I wish (said Mr. C.) to leave all these as open questions; to be carefully surveyed and compared with each other; calmly and dispassionately, without prejudice to party feeling; and that to be selected which, on the whole, shall appear to be best—the most safe; the most efficient; the most prompt in application; and the least liable to constitutional objection. It would, however, be wanting in candor on my part, not to declare that my impression is, that a new Bank of the United States, engrafted upon the old, will be found, under all the circumstances of the case, to combine the greatest advantages, and to be liable to the fewest objections; but this impression is not so firmly fixed as to be inconsistent with a calm review of the whole ground, or to prevent my yielding to the conviction of reason, should the result of such review prove that any other is preferable. Among its peculiar recommendations may be ranked the consideration, that while it would afford the means of a prompt and effectual application for mitigating and finally removing the existing distress, it would at the same time open to the whole community a fair opportunity of participation in the advantages of the institution, be they what they may.

Let us then suppose, (in order to illustrate and not to indicate a preference,) that the present bank be selected as the agent to effect the intended object. What provisions will be necessary? I will suggest those that have occurred to me, mainly, however, with a view of exciting the reflection of those much more familiar with banking operations than myself, and who of course, are more competent to form a correct judgment on their practical effect.

Let, then, the bank charter be renewed for twelve years after the expiration of the present term, with such modifications and limitations as may be judged proper, and that, after that period, it shall issue no notes under ten dollars; that Government shall not receive in its dues any sum less than ten dollars, except in the legal coins of the United States; that it shall not receive in its dues the notes of any bank that issues notes of a denomination less than five dollars; and that the United States Bank shall not receive in payment,

or on deposit, the notes of any bank whose notes are not receivable in the dues of the Government; nor the notes of any bank which may receive the notes of any bank whose notes are not receivable by the Government. At the expiration of six years from the commencement of the renewed charter, let the bank be prohibited from issuing any note under twenty dollars, and let no sum under that amount be received in the dues of the Government, except in specie: and let the value of gold be raised at least equal to that of silver, to take effect immediately, so that the country may be replenished with the coin, the lightest and the most portable in proportion to its value, to take the place of the receding bank notes. It is unnecessary for me to state, that at present the standard value of gold is several per cent. less than that of silver, the necessary effect of which has been to expel gold entirely from our circulation, and thus to deprive us of a coin so well calculated for the circulation of a country so great in extent, and having so vast an intercourse, commercial, social, and political, between all its parts, as ours. As an additional recommendation to raise its relative value, gold has, of late, become an important product of three considerable States of the Union—Virginia, North Carolina, and Georgia—to the industry of which, the measure proposed would give a strong impulse, and which in turn would greatly increase the quantity produced.

Such are the means which have occurred to me. There are members of this body far more competent to judge of their practical operation than myself, and as my object is simply to suggest them for their reflection, and for that of others who are more familiar with this part of the subject, I will not at present enter into an inquiry as to their efficiency, with a view of determining whether they are fully adequate to effect the object in view or not. There are doubtless others of a similar description, and perhaps more efficacious, that may occur to the experienced, which I would freely embrace, as my object is to adopt the best and most efficient. And it may be hoped that, in on experience it should be found that neither these provisions, nor any other in the power of Congress, are fully adequate to effect the important reform which I have proposed, the co-operation of the States may be afforded, at least to the extent of suppressing the circulation of notes under five dollars, where such are permitted to be issued under their authority.

I omitted in the proper place to state my reason for suggesting twelve years as the term for the renewal of the charter of the bank. It appears to me that it is long

enough to permit the agitation and distraction which now disturbs the country to subside, while it is sufficiently short to enable us to avail ourselves of the full benefit of the light of experience, which may be expected to be derived from the operation of the system under its new provisions. But there is another reason which appears to me to be entitled to great weight. The charter of the Bank of England has recently been renewed for the term of ten years, with very important changes, calculated to furnish much experience upon the nature of banking operations and currency. It is highly desirable, if the bank charter should be renewed, or a new bank created, that we should have the full benefit of that experience before the expiration of the term, which would be effected by fixing the period for the time I have designated. But as my object in selecting the recharter of the Bank of the United States was simply to enable me to present the suggestions I have made, in the clearest form, and not to advocate the recharter, I shall omit to indicate many limitations and provisions, which seem to me to be important to be considered, when the question of its permanent renewal is presented, should it ever be. Among others, I entirely concur in the suggestion of the Senator from Georgia, of fixing the rate of interest at five per cent.; a suggestion of the very highest importance, as having a most important bearing on the value of property and the prosperity of the country, in every branch of its industry, and to which but one objection can, in my opinion, be presented; I mean the opposing interest of existing State institutions, all of which discount at higher rates, and which may defeat any measure of which it constitutes a part. In addition, I will simply say, that I, for one, shall feel disposed to adopt such provisions as are best calculated to secure the Government from any supposed influence on the part of the bank, or the bank from an improper interference on the part of the Government; or which may be necessary to protect the rights or interests of the States.

Having now stated the measure necessary to apply the remedy, I am thus brought to the question—can the measure succeed? which brings up the inquiry of how far it may be expected to receive the support of the several parties which compose the Senate, and on which I shall next proceed to make a few remarks.

First, then, can the State right party give it their support—that party of which I am proud of being a member, and for which I entertain so strong an attachment—the stronger because we are few among many. In proposing this question, I am not igno-

rant of their long standing constitutional objection to the bank, on the ground that this was intended to be, as it is usually expressed, a hard money Government—a Government whose circulating medium was intended to consist of the precious metals, and for which object the power of coining money and regulating the value thereof, was expressly conferred by the constitution. I know how long and how sincerely this opinion has been entertained, and under how many difficulties it has been maintained. It is not my intention to attempt to change an opinion so firmly fixed, but I may be permitted to make a few observations, in order to present what appears to me to be the true question in reference to this constitutional point—in order that we may fully comprehend the circumstances under which we are placed in reference to it. With this view, I do not deem it necessary to inquire whether, in conferring the power to coin money and to regulate the value thereof, the constitution intended to limit the power strictly to coining money and regulating its value, or whether it intended to confer a more general power over the currency; nor do I intend to inquire whether the word coin is limited simply to the metals, or may be extended to other substances, if through a gradual change they may become the medium of the general circulation of the world. I pass these points. Whatever opinion there may be entertained in reference to them, we all must agree, as a fixed principle in our system of thinking on constitutional questions, that the power under consideration, like other political powers, is a trust power, and that like all such powers, it must be so exercised as to effect the object of the trust as far as it may be practicable. Nor can we disagree, that the object of the power was to secure to these States a safe, uniform, and stable currency. The nature of the power; the terms used to convey it; the history of the times; the necessity, with the creation of a common Government, of having a common and uniform circulating medium; and the power conferred to punish those who, by counterfeiting, may attempt to debase and degrade the coins of the country; all proclaim this to be the object.

It is not my purpose to inquire whether, admitting this to be the object, Congress is not bound to use all the means in its power to give this safety, this stability, this uniformity to the currency, for which the power was conferred—nor to inquire whether the States are not bound to abstain from acts on their part, inconsistent with these objects; nor to inquire whether the right of banking, on the part of a State, does not directly, and by immediate consequence,

injuriously affect the currency—whether the effect of banking is not to expel the specie currency, which, according to the assumption, that this is a hard money government, it was the object of the Constitution to furnish, in conferring the power to coin money; or whether the effect of banking does not necessarily tend to diminish the value of a specie currency, as certainly as clipping or reducing its weight would; and whether it has not, in fact, since its introduction, reduced the value of the coins one half. Nor do I intend to inquire whether Congress is not bound to abstain from all acts on its part, calculated to affect injuriously the specie circulation, and whether the receiving of any thing but specie, in its dues, must not necessarily so affect it by diminishing the quantity in circulation, and depreciating the value of what remains. All these questions I leave open: I decide none of them. There is one however, that I will decide. If Congress has a right to receive any thing else than specie in its dues, they have the right to regulate its value; and have a right, of course, to adopt all necessary and proper means, in the language of the Constitution, to effect the object. It matters not what they receive, tobacco or any thing else, this right must attach to it. I do not affirm the right of receiving, but I do hold it to be incontrovertible that, if Congress were to order the dues of the Government to be paid, for instance, in tobacco, they would have the right—they would be bound to use all necessary and proper means, to give it a uniform and stable value; inspections, appraisement, designation of qualities, and whatever else would be necessary to that object. So, on the same principle, if they receive bank notes, they are equally bound to use all means necessary and proper, according to the peculiar nature of the subject, to give them uniformity, stability, and safety. The very receipt of bank notes on the part of the Government, in its dues, would, it is conceded, make them money, as far as the Government may be concerned, and by a necessary consequence, would make them, to a great extent, the currency of the country. I say nothing of the positive provisions in the Constitution which declare that, “all duties, imports, and excises, shall be uniform throughout the United States,” which cannot be, unless that in which they are paid, should also have, as nearly as practicable, a uniform value throughout the country. To effect this, where bank notes are received, the banking power is necessary and proper within the meaning of the Constitution; and consequently, if the Government has the right to receive bank notes in its dues, the

power becomes constitutional. Here lies, said Mr. C., the real constitutional question—has the Government a right to receive bank notes or not? The question is not upon the mere power of incorporating; a bank, as it has been commonly argued, though, even in that view, there would be as great a constitutional objection to any act on the part of the Executive, or any other branch of the Government, which should unite any association of State banks into one system, as the means of giving the uniformity and stability to the currency which the Constitution intends to confer. The very act of so associating or incorporating them into one, by whatever name called, or by whatever department performed, would be in fact an act of incorporation.

But, said Mr. CALHOUN, my object, as I have stated, is not to discuss the constitutional questions, nor to determine whether the bank be constitutional or not. It is, I repeat, to show where the difficulty lies—a difficulty which I have felt from the time I first came into the public service. I found then, as now, the currency of the country consisting almost entirely of bank notes. I found the Government intimately connected with the system, receiving bank notes in its dues and paying them away under its appropriations as cash. The fact was beyond my control; it existed long before my time, and without my agency; and I was compelled to act on the fact as it existed without deciding on the many questions which I have suggested, as connected with this subject, and on many of which, I have never yet formed a definite opinion. No one can pay less regard to precedent than I do, acting here in my representative and deliberative character, on legal or constitutional questions; but I have felt from the beginning the full force of the distinction so sensibly taken by the Senator from Virginia, [Mr. LEIGH,] between doing and undoing an act, and which he so strongly illustrated in the case of the purchase of Louisiana. The constitutionality of that act was doubted by many at the time, and among others by its author himself; yet he would be considered a madman who, coming into political life, at this late period, would now seriously take up the question of the constitutionality of the purchase, and, coming to the conclusion that it was unconstitutional, should propose to rescind the act, and eject from the Union two flourishing States, and a growing Territory; nor would it be an act of much less madness thus to treat the question of the currency, and undertake to suppress the system of bank circulation, which has been growing up from the beginning of

the Government, which has penetrated into and connected itself with every branch of business and every department of the Government, on the ground that the constitution intended a specie circulation; or who would treat the constitutional question as one to be taken up *de novo*, and decided upon elementary principles, without reference to the imperious state of facts.

But in raising the question whether my friends of the State right party can consistently vote for the measure which I have suggested, I rest not on the ground that their constitutional opinion, in reference to the bank, is erroneous. I assume their opinion to be correct—I place the argument, not on the constitutionality on unconstitutionality, but on wholly different ground. I lay it down as an uncontrollable principle, that, admitting an act to be unconstitutional, but of such a nature that it cannot be reversed at once, or at least without involving such gross injustice to individuals and distress to the community, that it cannot be justified; we may, under such circumstances, vote for its temporary continuance—for undoing gradually, as the only practicable mode of terminating it, consistently with the strictest constitutional objection. The act of the last session, adjusting the tariff, furnishes an apt illustration. All of us believed that measure to be unconstitutional and oppressive, yet we voted for the act without supposing we violated the constitution in so doing; although it allowed upward of eight years for the termination of the system, on the ground that to reverse it at once, would spread desolation and ruin over a large portion of the country. I ask that the principle in that case be applied to this. It is equally as impossible to terminate, suddenly, the present system of paper currency, without spreading a desolation still wider and deeper over the face of the country. If it can be reversed at all—if we can ever return to a metallic currency, it must be by gradually undoing what we have done, and to tolerate the system while the process is going on. Thus, the measure which I have suggested, proposes for the period of twelve years, to be followed up by a similar process, as far as a slow and cautious experience shall prove we may go, consistently with the public interest, even to its entire reversal, if experience shall prove we may go so far, which, however, I must say, I, for one, do not anticipate; but the effort, if it should be honestly commenced and pursued, would present a case every way parallel to the instance of the tariff, to which I have already referred. I go farther, and ask the question, can you,

consistently with your obligation to the constitution, refuse to vote for a measure, if intended, in good faith, to effect the object already stated? Would not a refusal to vote for the only means of terminating it, consistently with justice, and without involving the horror of revolution, amount in fact and in all its practical consequences to a vote to perpetuate a state of things, which all must acknowledge to be eminently unconstitutional and highly dangerous to the liberty of the country?

But I know that it will be objected, that the constitution ought to be amended, and the power conferred in express terms. I feel the full force of the objection. I hold the position to be sound, that when a constitutional question has been agitated, involving the powers of the Government, which experience shall prove cannot be settled by reason, as is the case of the bank question, those who claim the power ought to abandon it, or obtain an express grant by an amendment of the constitution; and yet, even with this impression, I would at the present time feel much, if not insuperable objection, to vote for an amendment, till an effort shall be fairly made, in order to ascertain to what extent the power might be dispensed with, as I have proposed. I hold it a sound principle, that no more power should be conferred upon the General Government than is indispensable; and if experience shall prove that the power of banking is indispensable, as I believe it to be, in the actual condition of the currency of this country and of the world generally, I should even then think that whatever power ought to be given, should be given with such restrictions and limitations as would limit it to the smallest amount necessary, and guard it with the utmost care against abuse. As it is, without farther experience, we are at a loss to determine how little or how much will be required to correct a disease which must, if not corrected, end in convulsions and revolution. I consider the whole subject of banking and credit as undergoing at this time, throughout the civilized world, a progressive change, of which I think I perceive many indications.—Among the changes in progression, it appears to me, there is a strong tendency in the banking system to resolve itself into two parts—one becoming a bank of circulation and exchange, for the purpose of regulating and equalizing the circulating medium, and the other assuming more the character of private banking, of which separation there are indications in the tendency of the English system, particularly perceptible in the late modifications of the charter of the Bank of England. In the meantime, it would be wise in us to avail

ourselves of the experience of the next few years, before any change be made in the constitution, particularly as the course which, it seems to me, it would be advisable to pursue, would be the same whether the power be expressly conferred or not.

I next address myself to the members of the opposition, who principally represent the commercial and manufacturing portions of the country, where the banking system has been the farthest extended, and where a larger portion of the property exists in the shape of credit than in any other section; and to whom a sound and stable currency is most necessary, and the opposite most dangerous. You have no constitutional objection—to you it is a mere question of expediency; viewed in this light can you vote for the proposed measure? A measure designed to arrest the approach of events which I have demonstrated, must, if not arrested, create convulsions and revolutions; and to correct a disease which must, if not corrected, subject the currency to continued agitations and fluctuations; and in order to give that permanence, stability, and uniformity, which is so essential to your safety and prosperity. To effect this, may require some diminution on the profits of banking; some temporary sacrifice of interest; but if such should be the fact, it will be compensated in more than a hundred fold proportion, by increased security and durable prosperity. If the system must advance in the present course without a check, and if explosion must follow, remember that where you stand will be the crater—should the system quake, under your feet the chasm will open that will engulf your institutions and your prosperity.

Can the friends of the administration vote for this measure? If I understand their views, as expressed by the Senator from Missouri, behind me, [Mr. BENTON,] and the Senator from N. York, [Mr. WRIGHT,] and other distinguished members of the party, and the views of the President, as

expressed in reported conversations, I see not how they can reject the measure. They profess to be the advocates of a metallic currency. I propose to restore it by the most effectual measures that can be devised; gradually and slowly, and to the extent that experience may show that it can be done consistently with a due regard to the public interest. Farther, no one can desire to go. If the means I propose, are not the best and most effectual, let better and more effectual be devised. If the process which I propose be too slow or too fast, let it be accelerated or retarded. Permit me to add to these views, what, it appears to me, those whom I address ought to feel with deep and solemn obligation of duty. They are the advocates and the supporters of the administration. It is now conceded, almost universally, that a rash and precipitate act of the Executive, to speak in the mildest terms, has plunged this country into deep and almost universal distress. You are the supporters of this measure—you personally incur the responsibility by that support. How are the consequences of this act to terminate? Do you see the end? Can things remain as they are, with the currency and the treasury of the country under the exclusive control of the Executive? And by what scheme, what device, do you propose to extricate the country and the constitution from their present dangers?

I have now said what I intended. I have pointed out without reserve what I believe in my conscience to be for the public interest. May what I have said be received as favorably as is the sincerity with which it has been uttered. In conclusion, I have but to add, that, if what I have said, shall in any degree contribute to the adjustment of this question, which I believe cannot be left open without imminent danger, I shall rejoice; but if not, I shall at least have the consolation of having discharged my duty.

