

# SPEECH

OF

MR. CALHOUN, OF SOUTH CAROLINA,

ON THE

**SUB-TREASURY BILL:**

DELIVERED

IN THE SENATE OF THE UNITED STATES,

FEBRUARY 15, 1838

WASHINGTON

—  
MILLIGAN & BARNES, PRINTERS.

1838

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I regard this measure, which has been so much denounced, as very little more than an attempt to carry out the provisions of the joint resolution of 1816, and the deposite act of 1836. The former provides that no notes but those of specie paying banks shall be received in the dues of the Government, and the latter that such banks only shall be the depositories of the public revenues and fiscal agents of the Government; but it omitted to make provisions for the contingency of a general suspension of specie payments, such as is the present. It followed, accordingly, on the suspension in May last, which totally separated the Government and the banks, that the revenues were thrown in the hands of the Executive, where it has since remained under its exclusive control, without any legal provision for its safe-keeping. The object of this bill is to supply this omission; to take the public money out of the hands of the Executive and place it under the custody of the laws, and to prevent the renewal of a connexion which has proved so unfortunate to both the Government and the banks. But it is this measure, originating in an exigency caused by our own acts, and that seeks to make the most of a change effected by operation of law, instead of attempting to innovate, or to make another experiment, as has been erroneously represented, which has been denounced under the name of the Sub-treasury with such unexampled bitterness.

In lieu of this bill, an amendment has been offered, as a substitute, by the Senator from Virginia, furthest from the chair, [Mr. RIVES,] which he informs us is the first choice of himself and those who agree with him, and the second choice of those with whom he is allied on this question. If I may judge from appearances, which can hardly deceive, he might have said their first choice, under existing circumstances; and have added, that desiring of a National Bank, the object of their preference, they have adopted his substitute, as the only practical alternative at present. We have, then the question thus narrowed down to this bill and the proposed substitute. It is agreed on all sides, that one or the other must be selected, and the question to adopt or reject the one, is to reject or adopt the other. The single question then is, which shall we choose? A deeply momentous question, which

we are now called on to decide in behalf of the States of this Union, and on our decision their future destiny must, in a great degree, depend, so long as their Union endures.

In comparing the relative merits of the two measures, preparatory to a decision, I shall touch very briefly on the principles and details of the bill. The former is well understood by the Senate and the country at large, and the latter has been so ably and lucidly explained by the Chairman of the Committee in his opening speech, as to supercede the necessity of further remarks on them at this stage of the discussion. I propose, then, to limit myself to a mere general summary, accompanied by a few brief observations.

The object of the bill, as I have already stated, is to take the public funds out of the hands of the Executive, where they have been thrown by operation of our acts, and to place them under the custody of law; and to provide for a gradual and slow, but a perpetual separation between the Government and the banks. It proposes to extend the process of separating to the year 1845, receiving during the first year of the series the notes of such banks as may pay specie, and reducing thereafter the amount receivable in notes one-sixth annually, till the separation shall be finally consummated at the period mentioned.

The provisions of the bill are the most simple and effectual that an able committee could devise. Four principal receivers, a few clerks, and a sufficient number of agents to examine the state of the public funds, in order to see that all is right, at an annual charge, not exceeding forty of fifty thousand dollars at most, constitute the additional officers and expenditures required, to perform all the functions heretofore discharged by the banks, as depositories of the public money and fiscal agents of the Treasury. This simple apparatus will place the public Treasury on an independent footing, and give to the Government, at all times, a certain command of its funds to meet its engagements, and preserve its honor and faith inviolate. If it be desirable to separate from the banks, the Government must have some independent agency of its own to keep and disburse the public revenue; and if it must have such an agency, none, in my opinion, can be devised more simple, more economical, more effectual and safe than that provided by this bill. It is the necessary result of the separation, and to reject it, without proposing a better, (if, indeed, a better can be,) is to reject the separation itself.

I turn now to the substitute. Its object is directly the reverse of that of the bill. It proposes to revive the league of State banks, and to renew our connexion with them, and which all acknowledge has contributed so much to corrupt the community, and to create a spirit for speculation, heretofore unexampled in our history.

The Senator in offering it, whether wisely or not, has at least acted consistently. He was its advocate at first in 1834, when the alternative was between it and the recharter of the late Bank of the United States. He then defended it zealously and manfully, against the fierce assaults of his present allies, as he now defends it, when those, who then sustained him, have abandoned the measure. Whether wisely or not, there is something heroic in his adherence, and I commend him for it; but, I fear I cannot say as much for his wisdom and discretion. He acknowledged, with all others, the disasters that have followed the first experiment, but attributes the failure to insuspicious circumstances, and insists that the measure has not had a fair

trial. I grant that a second experiment may succeed, after the first has failed; but the Senator must concede, in return, that every failure must necessarily weaken confidence, both in the experiment and the experimenter. He cannot be more confident in making this second trial, than he was in the first; and, if I doubted the success then, and preferred the Sub-treasury to his league of banks, he must excuse me for still adhering to my opinion, and doubting the success of his second trial. Nor ought he to be surprised, that those who joined him in the first should be rather shy of trying the experiment again, after having been blown into the air, and burnt and scalded by the explosion. But, if the Senator has been unfortunate in failing to secure the co-operation of those who aided him in the first trial, he has been compensated by securing the support of those who were then opposed to him. They are now his zealous supporters. In contrasting their course then and now, I intend nothing personal. I make no charge of inconsistency, nor do I intend to imply it. My object is truth, and not to wound the feelings of any one, or any party. I know that to make out a charge of inconsistency, not only the question, but all the material circumstances must be the same. A change in either, may make a change of vote necessary; and, with a material variation in circumstances, we are often compelled to vary our course, in order to preserve our principles. In this case, I conceive, that circumstances as far as the present allies of the Senator are concerned, have materially changed. Then the option was between a recharter of the late bank, and a league of State banks; but now the former is out of the question, and the option is between such a league and a total separation from the banks. This being the alternative, they may well take that, which they rejected in 1834, without subjecting themselves to the charge of inconsistency, or justly exposing themselves to the imputation of change of principle, or opinion. I acquit them, then, of all such charges. They doubtless think now, as they formerly did, of the measure; which they then denounced and rejected, but which a change of circumstances now compel them to support. But in thus acquitting them of the charge of inconsistency, they must excuse me, if I should avail myself of the fact, that their opinion remains unchanged, as an argument in favor of the bill—against this substitute. The choice is between them. They are in the opposite scales. To take from the one is, in effect, to add to the other; and any objection against the one, is an argument equally strong in favor of the other. I then do avail myself of their many powerful objections in '34 against the measure, which this substitute proposes now to revive. I call to my aid, and press into my service every denunciation they then uttered, and every argument they then so successfully urged against it. They, no, we (for I was then, as now, irreconcilably opposed to the measure,) charged against it, and proved what we charged, that it placed the purse and the sword in the same hands; that it would be the source of boundless patronage and corruption, and fatal in its consequences to the currency of the country; and I now avail myself of these, and all other objections, then urged by us, in as full force against this substitute, as if you were again to rise in your places and repeat them now; and of course, as so many arguments, in effect, in favor of the bill; and on their strength I claim your vote in its favor, unless, indeed, still stronger objections can be urged against it. I say stronger, because time has proved the truth of all that was then said against the measure now proposed to be revived by this substitute. What was then prediction is now fact. But

whatever objections have been, or may be urged against the bill, however strong they may appear in argument, remain yet to be tested by the unerring test of time and experience. Whether they shall ever be realized must be admitted even by those who may have the greatest confidence in them, to be at least uncertain; and it is the part of wisdom and prudence, where objections are equally strong against two measures, to prefer that which is yet untried, to that which has been tried and failed. Against this conclusion, there is but one escape.

It may be said, that we are sometimes compelled, in the midst of the many extraordinary circumstances in which we may be placed, to prefer that, which is of itself the more objectionable, to that which is less so; because the former may more probably lead, in the end, to some desired result, than the latter. To apply the principle to this case. It may be said that the substitute, though of itself objectionable, is to be preferred, because it would more probably lead to the establishment of a National Bank, than the bill which you believe to be the only certain remedy for all the disorders that affect the currency. I admit the position to be sound in principle, but it is one exceedingly bold and full of danger in practice, and ought never to be acted on, but in extreme cases, and where there is a rational prospect of accomplishing the object ultimately aimed at. The application, in this case, I must think, would be rashness itself. It may be safely assumed, that the success of either, whichever may be adopted, the bill, or the substitute, would be fatal to the establishment of a National Bank. It can never put down a successful measure to take its place; and, of course, that which is most likely to fail, and re-plunge the country into all the disasters of a disordered currency, is that which would most probably lead to the restoration of a National Bank; and to prefer the substitute on that account is, in fact, to prefer it because it is the worst of the two. But are you certain that another explosion would be followed by a bank? We have already had two; and it is far more probable, that the third would impress, universally and indelibly, on the public mind, that there was something radically and incurably wrong in the system which would blow up the whole concern, National Bank and all.

If I may be permitted to express an opinion, I would say, you have pursued a course on this subject unfortunate both for yourselves and country. You are opposed both to the league of banks, and the Sub-treasury. You prefer a National Bank; and regard it as the only safe and certain regulator of the currency, but consider it, for the present, out of the question, and are therefore compelled to choose between the other two. By supporting the substitute, you will be held responsible for all the mischief and disasters that may follow the revival of the pet bank system, as it has been called, with the almost certain defeat of your first and cherished choice; and those you oppose will reap all the benefits of the power, patronage and influence, which it may place in their hands, without incurring any portion of the responsibility. But that is not all. The success of the substitute would be the defeat of the bill, which would, in like manner, place on you the responsibility of its defeat, and give those you oppose, all the advantage of having supported it without any of the responsibility, that would have belonged to it, had it been adopted. Had a different course been taken—had you joined in aiding to extend the custody of the laws over the public revenue, in the hands of the Executive, where your own acts have placed

it, and for which you, of course, are responsible, throwing the blame at the same time on those, to whom you attribute the present disordered state of the currency, the burthen of the responsibility, you would have stood ready to profit by events. If the Sub-treasury, contrary to your anticipation, succeeded, as patriots, you would have cause to rejoice in the unexpected good. If it failed, you would have the credit of having anticipated the result, and might then after a double triumph of sagacity and foresight, have brought forward your favorite measure, with a fair prospect of success, when every other had failed. By not taking this course, you have lost the only prospect of establishing a National Bank.

Nor has your course, in my opinion, been fortunate for the country. Had it been different, the currency question would have been decided at the called session; and had it been decided then, the country would this day have been in a much better condition: at least the manufacturing and commercial section to the North, where the derangement of the currency is felt the most severely. The South is comparatively in an easy condition.

Such are the difficulties that stand in the way of the substitute at the very threshold. Those beyond are vastly greater, as I shall now proceed to show. Its object, as I have stated, is to revive the league of State banks, and the first question presented for consideration is, how is this to be done—how is the league to be formed? how stimulated into life when formed; and what after it has been revived, would be the true character of the league or combination? To answer these questions we must turn to its provisions.

It provides, that the Secretary of the Treasury shall select twenty-five specie paying banks, as the fiscal agents of the Government, all to be respectable and substantial, and that the selection shall be confirmed by the joint vote of the two Houses. It also provides, that they shall be made the depositories of the public money, and that their notes shall be receivable in the dues of the Government; and that in turn, for these advantages, they shall stipulate to perform certain duties, and comply with various conditions, the object of which is, to give to the Secretary of the Treasury full knowledge of their condition and business, with the view to supervise and control their acts, as far as the interest of the Government is concerned. In addition to these, it contains other and important provisions, which I shall not enumerate, because they do not fall within the scope of the objections, that I propose to urge against the measure.

Now I ask what does all this amount to? What but a proposal on the part of the Government to enter into a contract, or bargain, with certain selected State banks, on the terms and conditions contained. Have we the right to make such a bargain is the first question, and to that, I give a decided negative, which I hope to place on constitutional grounds, that cannot be shaken. I intend to discuss it, with other questions growing out of the connection of the Government with the banks, as a new question for the first time presented for consideration and decision. Strange as it may seem, the questions growing out of it, as long as it has existed, have never yet been presented nor investigated in reference to their constitutionality. How this has happened, I shall now proceed to explain, preparatory to the examination of the question, which I have proposed.

The union of the Government and the banks was never legally solemnized. It originated shortly after the Government was set into operation, not in

any legal enactment, but in a short order of the Treasury Department of not much more than a half a dozen of lines, as if it were a mere matter of course. We thus glided imperceptibly into a connection, which was never recognized by law till 1816, (if my memory serves,) but which has produced, more important after consequences, and has had a greater control over the destiny of this country, than any one of the mighty questions, which have so often and deeply agitated the country. To it may be traced, as their seminal principle, the vast and extraordinary expansion of our banking system, our excessive import duties, unconstitutional and profuse disbursements, the protective Tariff, and its associated system for spending what it threw into the Treasury, followed in time by a vast surplus which the utmost extravagance of the Government could not dissipate, and finally, by a sort of retributive justice, the explosion of the entire banking system, and the present prostrated condition of the currency, now the subject of our deliberation.

How a measure, fraught with such important consequences should at first, and for so long a time should have escaped the attention and the investigation of the public, deserves a passing notice. It is to be explained by the false conception of the entire subject of banking, which at that early period universally prevailed in the community. So erroneous was it, that a bank note was then identified in the mind of the public with gold and silver, and a deposit in bank was regarded, as under the most safe and sacred custody, that could be devised. The original impression, derived from the bank of Amsterdam, where every note, or certificate in circulation, was honestly represented by an equal and specific quantity of gold or silver in bank, and where every deposit, was kept, as a sacred trust, to be safely returned to the depository, when demanded, was extended to banks of discount, down to the time of the formation of our Government, with but slight modifications. With this impression, it is not at all extraordinary, that the deposit of the revenue in banks for safe keeping, and the receipt of their notes in the public dues, should be considered, a matter of course, requiring no higher authority than a Treasury order; and hence a connection, with all the important questions belonging to it and now considered of vast magnitude, received so little notice, till public attention was directed to it by its recent rupture. This total separation from the system, in which we now find ourselves placed, for the first time, authorises and demands, that we shall investigate freely and fully, not only the consequences of the connection, but all the questions growing out of it, more especially those of a constitutional character; and I shall in obedience to this demand return to the question from which this digression has carried me so far.

Have we then the right to make the bargain proposed? Have we the right to bestow the high privileges, I might say, prerogatives, on them of being made the depositories of the public revenue, and of having their notes received and treated as gold and silver in the dues of the Government and in all its fiscal transactions? Have we the right to do all this in order to bestow confidence in the banks, with the view to enable them to resume specie payments? What is the state of the case? The banks are deeply indebted to the country, and are unable to pay; and we are asked to give them these advantages, in order to enable them to pay their debts. Can we grant the boon? In answering this important question, I begin with the fact, that our Government is one of limited powers. It can exercise no right but what is specifically granted; nor pass any law, but what is necessary and

proper to carry such power into effect. This small pamphlet (holding it up) contains the Constitution. Its grants of power are few and plain; and I ask gentlemen to turn to it, and point out the power, that authorizes us to do what is proposed to be done, or to show that, to pass this substitute, is necessary to carry any of the granted powers into effect. If neither can be shown, what is proposed, cannot be constitutionally done; and till this is specifically pointed out, I am warranted in believing, that it cannot be shown.

Our reason is often confounded by a mere name. An act, in the minds of many, may become of doubtful constitutional authority, when applied to a bank, which none would, for a moment, hesitate to pronounce grossly unconstitutional, when applied to an individual. To free ourselves from this illusion, I ask, could this Government constitutionally bestow on individuals, or a private association, the advantages proposed to be bestowed on the selected banks, in order to enable them to pay their debts? Is there one who hears me, who would venture to say, yes, even in the case of the most extensive merchant or mercantile concern, such as some of those in New York, or New Orleans, at the late suspension, whose embarrassments involved entire sections in distress? But, if not, on what principle can a discrimination be made in favor of the banks? They are local institutions, created by the States for local purposes, composed, like private associations, of individual citizens, on whom the acts of the State cannot confer a particle of constitutional right under this Constitution, that does not belong to the humblest citizen. So far from it, if there be a distinction, it is against the banks. They are removed farther from the control of this Government than the individual citizens, who, by the Constitution, are expressly subject to the direct action of this Government in many instances; while the State banks, as constituting a portion of the domestic institutions of the States, and resting on their reserved rights, are entirely beyond our control; so much so, as not to be the subject of a bankrupt law, although the authority to pass one is expressly granted by the Constitution.

On what possible ground, then, can the right in question be placed, unless, indeed, on the broad principle that these local institutions, intended for State purposes, have been so extended and have so connected themselves with the general circulation and business of the country, as to effect the interest of the whole community, so as to make it the right and duty of Congress to regulate them; or, in short, on the broad principle of the general welfare? There is none other, that I can perceive; but this would be to adopt the old and exploded principle, at all times dangerous, but pre-eminently so at this time, when such loose and dangerous conceptions of the Constitution are abroad in the land. If the argument is good, in one case, it is good in all similar cases. If this Government may interfere with any one of the domestic institutions of the States, on the ground of promoting the general welfare, it may with others. If it may bestow privileges to control them, it may also appropriate money for the same purpose; and thus a door might be opened to an interference with State institutions, of which we of a certain section ought at this time to be not a little jealous.

The argument might be pushed much farther. We not only offer to confer great and important privileges on the banks to be selected, but, in turn, ask them to stipulate to comply with certain conditions, the object of which is to bring them under the supervision and control of this Government. It might be asked, where is the right to purchase or assume such supervision,

or control? It might be repeated, that they are State institutions, incorporated solely for State purposes, and to be entirely under State control, and that all supervision on our part is in violation of the rights of the States. It might be argued that such supervision or control, is calculated to weaken the control of the States over their own institutions, and to render them less subservient to their peculiar and local interests, for the promotion of which they were established; and too subservient to other, and, perhaps conflicting interests, which might feel but little sympathy with those of the States. But I forbear. Other, and not less urgent objections claim my attention. To dilate too much on one, would necessarily sacrifice the claim of others.

I next object, that whatever may be the right to enter into the proposed bargain, the mode in which it is proposed to make it is clearly unconstitutional, if I rightly comprehend it. I am not certain that I do; but, if I understand it rightly, the plan is, for the Secretary of the Treasury to select twenty-five State banks, as described in the substitute, which are to be submitted to the two Houses to be confirmed, or rejected, by their joint resolutions, without the approval of the President; in the same mode, as they would appoint a chaplain, or establish a joint rule for the government of their proceedings.

In acting on the joint resolution, if what I suppose be intended, each House would have the right, of course, to strike from it the name of any bank and insert another, which would in fact vest in the two Houses the uncontrollable right of making the selection. Now, if this be the mode proposed, as I infer from the silence of the mover, it is a plain and palpable violation of the Constitution. The obvious intention is, to evade the veto power of the Executive, which cannot be, without an infraction of an express provision of the Constitution, drawn up with the utmost care, and intended to prevent the possibility of evasion. It is contained in the 1st article, 7th section, and the last clause, which I ask the Secretary to read:

["Every order, resolution, or vote, to which the concurrence of the Senate and House of Representatives may be necessary, (except on a question of adjournment) shall be presented to the President of the United States, and before the same shall take effect, shall be approved by him, or being disapproved by him, shall be re-passed by two thirds of the Senate and House of Representatives, according to the rules and limitations prescribed in the case of a bill."]

Nothing can be more explicit, or full. It is no more possible to evade the Executive veto, on any joint vote, than in the passage of a bill. The veto was vested in him not only to protect his own powers, but as an additional guard to the Constitution. I am not the advocate of Executive power, which I have been often compelled to resist of late, when extended beyond its proper limits, as I shall ever be prepared to do when it is. Nor am I the advocate of Legislative or Judicial. I stand ready to protect all, within the sphere assigned by the Constitution, and to resist them beyond. To this explicit and comprehensive provision of the Constitution, in protection of the veto, there is but a single exception, resulting, by necessary implication, from another portion of the instrument, not less explicit, which authorizes each House to establish the rules of its proceedings. Under this provision the two Houses have full and uncontrollable authority within the limits of their respective walls, and over those subject to their authority, in

their official character. To that extent, they may pass joint votes and resolutions, without the approval of the Executive; but beyond that, without it, they are powerless.

There is in this case special reasons why his approval should not be evaded. The President is at the head of the Administrative Department of the Government, and is especially responsible for its good management. In order to hold him responsible, he ought to have due power in the selection of its agents, and proper control over their conduct. These banks would be by far the most powerful and influential of all the agents of the Government, and ought not to be selected without the concurrence of the Executive. If this substitute should be adopted, and the provision in question be regarded such, as I consider it, there can be no doubt what must be the fate of the measure. The Executive will be bound to protect, by the intervention of its constitutional right, the portion of power clearly allotted to that department by that instrument, which would make it impossible for it to become a law, with the existing division in the two Houses.

I have not yet exhausted my constitutional objections. I rise to higher and to broader, applying directly to the very essence of this substitute. I deny your right to make a general deposit of the public revenue in a bank. More than half of the errors of life may be traced to fallacies originating in an improper use of words; and among not the least mischievous is the application of this word to bank transactions, in a sense wholly different from its original meaning. Originally it meant a thing placed in trust, or pledged to be safely and sacredly kept, till returned to the depositor, without being used by the depository, while in his possession. All this is changed when applied to a deposit in bank. Instead of returning the identical thing, the bank is understood to be bound to return only an equal value; and instead of not having the use, it is understood to have the right to loan it out on interest, or to dispose of it as it pleases, with the single condition, that an equal amount be returned, when demanded, which experience has taught is not always done. To place, then, the public money in deposit, in bank, without restriction, is to give the free use of it, and to allow them to make as much as they can out of it, between the time of deposit and disbursement. Have we such a right? The money belongs to the people,—collected from them for specific purposes,—in which they have a general interest,—and for that only; and what possible right can we have to give such use of it to certain selected corporations? I ask for the provision of the Constitution, that authorizes it. I ask, if we could grant the use, for similar purposes, to private associations or individuals? Or if not to them, to individual officers of the Government; for instance, to the four principal receivers under this bill, should it pass? And if this cannot be done, that the distinction be pointed out.

If these questions be satisfactorily answered, I shall propound others still more difficult. I shall then ask, if the substitute should become a law, and the twenty-five banks be selected, whether they would not in fact be the Treasury? And if not, I would ask, where would be the Treasury? But if the Treasury, I would ask, if public money in bank would not be in the Treasury? And if so, how can it be drawn from it to be lent for the purpose of trade, speculation, or any other use whatever, against an express provision of the Constitution? Yes, as express as words can make it. I

ask the Secretary to read the 1st article, 9th section, and the clause next to the last.

"No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time."

How clear! How explicit! No money to be drawn from the Treasury but in consequence of appropriations made by law;—that is, the object on which the expenditure is to be made, to be designated by law, and the sum allotted to effect it, specified; and yet we have lived in the daily and habitual violation of this great fundamental provision, from almost the beginning of our political existence to this day. Behold the consequences! It has prostrated and engulfed the very institutions, which have enjoyed this illicit favor, and tainted, above all other causes, the morals and politics of the whole country. Yes, to this must be traced, as one of the main causes, the whole system of excessive revenue, excessive expenditure, and excessive surplusses; and to them, especially the last, the disastrous overthrow of the banks and the currency, and the unexampled degeneracy of public and private morals, which have followed. We have suffered the affliction, may the blessing, which follows chastisement, when its justice is confessed; come in due season.

But I take a still higher ground. I strike at the root of the mischief. I deny the right of this Government to treat bank notes as money in its fiscal transactions. On this great question, I never have before committed myself, though not generally disposed to abstain from forming or expressing opinions. In all instances, in which a National Bank has come in question, I have invariably taken my ground, that if the Government has the right to receive and treat bank notes as money, it had the right, and was bound under the Constitution, to regulate them, so as to make them uniform and stable as a currency. The reasons for this opinion are obvious, and have been so often and fully expressed on former occasions, that it would be useless to repeat them now: but I never examined fully the right of receiving, or made up my mind on it, till since the catastrophe in May last, which, as I have said, entirely separated the Government from the banks. Previous to that period, it was an abstract question, with no practical bearing; as much so as is now the constitutional right of admitting Louisiana into the Union. Things are now altered. The connexion is dissolved; and it has become a practical question of the first magnitude.

The mover of the substitute assumed as a postulate, that this Government had a right to receive in its dues, whatever it might think proper. I deny the position *in toto*. It is one, that ought not to be assumed, and cannot be proved, and which is opposed by powerful objections. The genius of our Constitution is opposed to the assumption of power. Whatever power it gives is expressly granted; and if proof were wanted, the numerous grants of powers far more obvious and apparently much more safe to be assumed than the one in question, would afford it. I shall cite a few striking instances.

If any powers might be assumed, one would suppose, that of applying money to pay the debts of the Government, and borrowing it to carry on its operations would be among them;—yet both are expressly provided for by the Constitution. Again, to Congress is granted the power to declare war and raise armies and navies; yet the power to grant letters of marque and reprisal and to make rules for the regulation of the Army and Navy

are not left to assumption, as-obvious as they are, but are given by express grant. With these and other instances not less striking, which might be added, it is a bold step to assume, without proof, the far less obvious power of the Government receiving whatever it pleases in its dues as money. Such an assumption would be in direct conflict with the great principles which the State Rights party, with which the Senator (Mr. Rives) classes himself, have ever adopted in the construction of the Constitution. But, if the former cannot be assumed, it would be in vain to attempt to prove that it has been granted, or that it is necessary and proper to carry any of the granted powers into effect. No such attempt has been made, nor can be, with success. On the contrary, there are strong objections to the power, which, in my opinion cannot be surmounted.

If once admitted, it would lead by consequence to a necessary interference with individual and State concerns never contemplated by the Constitution. Let us, for instance, suppose that, acting on the assumption of the Senator, the Government should choose to select tobacco as an article to be received in payment of its dues, which would be as well entitled to it as any other product, and in which the Senator's constituents are so much interested. Does he not see the consequences? In order to make its taxes uniform, which it is bound to do by the Constitution, and which cannot be done unless the medium in which it is paid is so, the Government would have to assume a general control over the great staple in question; to regulate the weight of the hogshead or package; to establish inspections under its own officers in order to determine the quality, and whatever else might be necessary to make the payments into the Treasury uniform. So likewise, if the still greater staple, cotton, be selected. The weight of the bale, the quality of the cotton, and its inspection would all necessarily fall under the control of the Government; and does not the Senator see that the exercise of a power that must lead to such consequences—consequences, so far beyond the sphere assigned to this Government by the Constitution, must be unconstitutional? Nor does the objection extend only to these and other staple articles. It applies with equal, if not greater force, to receiving the notes of State banks, as proposed by the substitute, in the dues of the Government and the management of its fiscal concerns. It must involve the Government in the necessity of controlling and regulating State banks, as this substitute abundantly proves, as well as the whole history of our connection with them; and it has been shown that banks are, at least, as far removed from the control of this Government as the cultivators of the soil, or any other class of citizens. To this I might add another objection; not less strong, that for the Government to receive and treat bank notes as money in its dues, would be in direct conflict, in its effect, with the important power conferred expressly on Congress of coining money and regulating the value thereof: but as this will come in with more propriety in answer to an argument advanced by the Senator from Massachusetts, (Mr. WEBSTER,) I shall now state his argument and reply to it.

He asserted again and again, both now and at the extra session, that it is the duty of the Government not only to regulate, but to furnish a sound currency. Indeed it is the principal argument relied on by the Senator in opposition to the bill, which he says abandons this great duty. Now, if by currency be meant gold and silver coins, there will be but little difference between him and myself. To that extent the Government has a clear

and unquestionable right by express grant; but if he goes farther, and intends to assert that the Government has the right to make bank notes a currency, which it is bound to regulate, then his proposition is identical in effect, though differently expressed, with that of the Senator from Virginia, (Mr. RIVES,) and all the arguments I have urged against it are equally applicable to his. I hold, on my part, that the power of the Government on this subject is limited to coining money and regulating its value, and punishing the counterfeiting of the current coins;—that is, of the coins made current by law, the only money known to the Constitution. It is time to make a distinction between money, or currency, if you please—between that which will legally pay debts, and mere circulation, which has its value from its promise to be paid in the former; and under which classification, bank notes as well as bills or promisory notes of individuals fall. These are all in their nature private and local, and cannot be elevated to the level of currency, or money, in the fiscal transactions of Government, without coming into conflict, more or less, with the object of the Constitution in vesting the very power in Congress, which I shall now proceed to show.

It will hardly be questioned, that the object was to fix a standard in order to furnish to the Union a currency of uniform and steady value, and was therefore united in the same sentence with the relative power, to fix the standard of weights and measures,—the objects being similar. Now, if our experience has proved any thing, it has amply shown that so long as the Government is connected with the banks, and their notes received in its transactions, as money, so long it is impossible to give any thing like stability to the *standard* of value; and that the power of coining, and regulating the coins, becomes in a great measure a mere nullity. Every dollar issued in bank notes, when it is made the substitute for money, drives out of circulation more or less of the precious metals; and when the issue becomes exorbitant, gold and silver almost entirely disappears, as our experience at this time proves. The effects are analogous to alloying or clipping the coin, as far as stability of standard is concerned; and it would be not less rational to suppose, that such a power on the part of individuals, would be consistent with a uniform and stable currency, than to suppose the receiving and treating bank notes as a substitute for money by the Government, would be. The only check or remedy is to restrict them to their proper sphere, to circulate in common with bills of exchange or other private and local paper, for the convenience of business and trade. So far from such a course operating injuriously on the people, or from being liable to the charge of forming one currency for the people and another for the Government, as has been so often and with such effect repeated,—it is the very reverse. Government by refusing to receive back notes, as it is bound to do, would in fact furnish a choice to the people, to take either money or notes at their pleasure. The demand of the Government will always keep a plentiful supply of the former in the country, so as to afford the people a choice, while the opposite would expel the money and leave no option to them but to take bank notes or worse, as at present.

I have now shown how it is proposed to form the league of banks, and have presented the constitutional impediments that stand in the way. These are numerous and strong; so much so, that they ought to be irresistible with all, except the latitudinous in construction; but I cannot expect

they will produce their full effect. I know too well the force of long entertained impressions, however erroneous, to be sanguine—how strongly the mind rebels against the expulsion of the old and the admission of new opinions. Yet, in this case, where we clearly see how gradually and silently error crept in under the disguise of words, applied to new and totally different ideas, without exciting notice or alarm; and when we have experienced such deep disasters in consequence of parting from the plain intent and meaning of the Constitution, I cannot but hope that all who believe that the success of the Government depends on a rigid adherence to the Constitution, will lay aside all previous impressions, taken up without reflection, and give to the objections their due weight.

I come now to the next point, to show how this league is to be revived or stimulated into life. Till this can be done, the substitute, should it become a law; would be a dead letter. The selection is to be made from specie paying banks. None but such can receive the public deposits, or have their notes received in the dues of the Government. There are none such now. The whole banking system lies inanimate; and must be vivified before it can be reunited with the Government. No one is bold enough to propose an union with this lifeless mass. How then is the vital spark to be revived? how the breath of life, the Promethean fire, to be breathed into the system again, is the question? This is the task.

The mover tells us, that it must be the work of the Government. He says that it is bound to aid the banks to resume payments; and for that purpose ought to hold out to them some adequate inducement. He tells us, that they have been long preparing and had made great efforts, but can go no farther; have rolled the round, huge rock almost to the summit, but unless the Government put forth its giant arm, and give the last push, it will reel and rush down the steep to the bottom, and all past labor be lost. Now, what is this adequate inducement? What this powerful stimulus, which it is proposed the Government should apply, in order to enable the banks to accomplish this herculean task? The substitute shall answer.

It proposes to fix the 1st of July next for the period of resumption; and as the inducement to resume, it proposes to select twenty-five of the most respectable and solid, out of the resuming banks to be the depositories of the public moneys, and the fiscal agent of the Government, as has been already stated. It also proposes, and this is the stimulus, the essence of the whole,—to make the notes of such banks as may resume on or before that day exclusively receivable in the public dues. Here is a *quid pro quo*; something proposed to be done, for which something is to be given. We tell the banks plainly, if you resume, we, on our part, stipulate to make twenty-five of you our fiscal agents and depositories of the revenue; and we further stipulate that those who resume by the time fixed, shall have the exclusive privilege for ever of having their notes receivable in the dues of the Government, in common with gold and silver. If the banks perform their part, we shall be bound in honor and good faith to perform ours. It would be a complete contract, as obligatory as if signed, sealed, and delivered. Such is the inducement.

The next question is, will it be adequate? Yes, abundantly adequate. The battery is strong enough to awaken the dead to life; the consideration sufficient to remunerate the banks for whatever sacrifice they may be compelled to make, in order to resume payment. It is difficult to estimate

the value of these high privileges, or prerogatives, as I might justly call them. They are worth millions. If you were to enter into a similar contract with an individual, I doubt not, that he could sell out in open market for at least thirty, forty, or fifty millions of dollars. I do then move the justice to say, that his means are ample to effect what he proposes. As difficult as is the work of resumption,—and difficult it will turn out to be when tried,—the inducement will prove all sufficient. But the resumption, however desirable, may be purchased too dearly; and such would prove to be the case, should the project succeed. Not only is the offer too great, but the mode of effecting it is highly objectionable. Its operation would prove not less disastrous than the bargain has been shown to be unconstitutional, which I shall now proceed to establish.

The offer will have a double effect. It will act as a powerful stimulus to resumption, but will act at the same time with equal force to excite a struggle among the banks, not only to resume themselves, but to prevent others from resuming. The reason is clear. The advantage to each will increase, as the number of the resuming banks decreases; and of course, the great point of contest among the strong will be to restrict the proffered prize to the smallest number. The closer the monopoly the greater the profits. In this struggle, a combination of a few powerful and wealthy banks, the most respectable and solid, as designated in the substitute, will overthrow and trample down the residue. Their fall will spread desolation over the land. Whatever may be the fate of others in this desperate contest, there is one, in relation to which no doubt can be entertained: I refer to the United States Bank of Pennsylvania, a long name and a misnomer; and which, for the sake of brevity, but with no personal disrespect to the distinguished individual at the head, I shall call Mr. Biddle's bank. That, at least, will be one of the winners—one of the twenty-five to whom the prize will be assigned. Its vast resources, its wealth and influential connexions, both at home and abroad; the skill and ability of the officer at its head, and, what is less honorable, the great resource it holds, in the notes of the late United State Bank, of which more than six millions have been put into circulation, in violation, to say the least, of a trust, constituting more than five-sixths of all its circulation; and which it is not bound to pay,—with the still greater amount on hand; making in the whole more than twenty-six millions, and which may be used the same way, if not prevented, would place it beyond all doubt among the victors. He starts without proper weights, and will lead the way from the first. Who the others may be is uncertain; this will depend mainly upon his good will and pleasure. It may be put down as certain, whoever they may be, that they will be powerful and influential, and not unfavorable to his interest or aggrandizement. But the mischievous effect will not be limited to this death-like struggle, in which so many must fall and be crushed, that might otherwise weather the storm. The forced resumption, for such it will be in effect, would be followed by wide spread desolation. It is easy to sink to suspension, but hard to return to resumption. Under the most favorable circumstances, and when conducted most leisurely and cautiously, the pressure must be severe; but, if coerced or precipitated by bankrupt laws or temptations such as this, it will be ruinous. To make it safe and easy must be the work of time. Government can do but little. The disease originates in excessive indebtedness, and the only remedy is payment or reduction of debts. It is estimated, that when the

banks suspended payments, the community was indebted to them the enormous sum of \$475,000,000. To reduce this within the proper limits, is not the work of a few days, and can be but little aided by us. The industry and the vast resources of the country, with time, are the only remedies to be relied on for the reduction; and to these, with the State Legislatures, and the public opinion, the resumption must be left. To understand the subject fully, we must look a little more into the real cause of the difficulty.

This enormous debt was incurred in prosperous times. The abundant means of the banks, from the surplus revenue and a combination of other causes, induced them to discount freely. This increased the circulation, and with its increase, its value depreciated, and prices rose proportionably. With this rise, enterprise and speculation seized the whole community, and every one expected to make a fortune at once; and this in turn gave a new impulse to discounts and circulation, till the swelling tide bursted its barriers and deluged the land. Then began the opposite process of absorbing the excess. If it had been possible to return it back to the banks, the sources from which it flowed, through its debtors, the speculating, enterprising, and business portion of the community, the mischief would have been in a great measure avoided. But circulation had flowed off into other reservoirs; those of the moneyed men and bankers, who hoard when prices are high, and buy when they are low. The portion thus drawn off and held in deposit, either in banks or the chests of individuals, was as effectually lost, as far as the debtors of the banks were concerned, as if it had been burnt. The means of payment was thus diminished; prices fell in proportion, and the pressure increased, as they fell. Though the amount in circulation be greatly reduced, yet the banks are afraid to discount, lest on resumption, the hoarded mass of deposits held by individuals or other banks, should be let loose, and, in addition to what might be put into circulation should discounts be made, would cause another inundation to be followed by another suspension. How is this difficulty to be safely surmounted, but by unlocking the hoarded means? And how is that to be done, without deciding the currency question? This is the first and necessary step. That done, all will be able to calculate, and determine what to do. The period of inaction and uncertainty would cease, and that of business revive. Funds that are now locked up, would be brought again into operation, and the channels of circulation be replenished in the only mode that can be done with safety. Thus thinking, I am now and have been from the first in favor of an early decision, and averse to all coercion, or holding out temptation to resume; leaving the disease to the gradual and safe operation of time, with as little tampering as possible. In the mean time, I hold it to be unwise to cease discounting, and to adopt an indiscriminate system of curtailment. Its effects are ruinous to the business of the country, and calculated to retard, rather than to accelerate a resumption. The true system, I would say, would be to discount with business paper as freely as usual, and curtail gradually on permanent debts. The former would revive business, and would increase the debts to the banks less than it would increase the ability of the community to pay them.

Having now shown how this league, or combination of banks is to be formed and revived, with the difficulties in the way, it remains to determine, what will be the true character and nature of the combination when formed. It will consist of State banks retaining their original powers, that of discounting and all, without being in the slightest degree impaired. To these

the substitute proposes to add important additions ; to receive their notes as gold and silver in the public dues ; to give them the use of the public deposits, and to organize and blend the whole into one, as the fiscal agent of the Government, to be placed under the immediate supervision and control of the Secretary of the Treasury. Now what does all this amount to ? Shall I name the word—be not startled ; A BANK—a Government bank,—the most extensive, powerful and dangerous, that ever existed. This substitute would be the act of incorporation ; and the privileges it confers, so much additional banking capital, increasing immensely its power, and giving it an unlimited control over the business, and exchanges of the country.

The Senator from Virginia (Mr. Rives) was right in supposing that this new trial of the experiment would be made under very different circumstances from the first, and would have a different termination. That too, like this, was a bank—a Government bank, as distinguished from the late bank, to which it was set up, as a rival, and was at the time constantly so designated in debate. But the circumstances now are indeed different—very different, and so would be the result of the experiment. This bank would not be the same rickety concern as the former. That ended in anarchy, and this would in despotism. I will explain.

The former failed not so much in consequence of the adverse circumstances of the times, or any essential defect in the system, as from the want of a head—a common sensorium, to think,—to will,—and decide,—for the whole, which was indispensably necessary to ensure concert and give unity of design and execution. A head will not be wanting now. Mr. Biddle's bank will supply the defect. His would be not only one of the remaining banks, as I have shown, but would also be one of the 25 to be selected. If there should be the temerity to omit it, the present project would share the fate of its predecessor. Mr. Biddle's bank at the head of those excluded, would be an overmatch for the selected, in skill, capital and power, and the whole league would inevitably be overthrown. But if selected, the position of his bank in the league would be certain. Its vast capital, its extensive connections, its superior authority, and his skill, abilities and influence, would place it at the head, to think and act for the whole. The others would be as dependent on his, as the branches of the late bank were on the mother institution. The whole would form one entire machine, impelled by a single impulse, and making a perfect contrast with its predecessor in the unity and energy of its operations.

Nor would its fate be less dissimilar. Anarchy was inscribed on the first from the beginning. Its deficiency in the great and essential element, to ensure concert, was radical and could not be remedied. Its union with the Government could not supply it, nor avert its destiny. But very different would be the case of the present. Add its intimate union with the Government, for which the substitute provides, to its other sources of power, and it would become irresistible. The two, Government and bank, would unite and constitute a single power ; but which would gain the ascendancy ;—whether the Government would become the bank, or the bank the Government, is neither certain nor material ; for whichever it might be, it would form a despotic money-craze, (if I may be permitted to unite an English and a Greek word,) altogether irresistible.

It is not a little surprising, that the Senator from Virginia (Mr. Rives)

whose watchful jealousy could detect, as he supposed, the embryo of a Government bank in the bill, should overlook this regular incorporation of one by his own substitute. Out of the slender materials of Treasury warrants and drafts to pay public creditors, or transfer funds from place to place, as the public service might require, and four principal receivers to keep the public money, he has conjured up, with the aid of a vivid imagination, a future Government bank, which he told us, with the utmost confidence, would rise like a cloud, at first as big as a hand, but which would soon darken all the horizon. Now, it is not a little unfortunate for his confident predictions, that these seminal principles from which the bank is to spring, have all existed from the commencement of our Government in full force, except the four receivers, without showing the least tendency to produce the result he anticipates. Not only ours, but every civilized Government has the power to draw Treasury warrants, and transfer drafts; nor has the power in a single instance terminated in a bank. Nor can the fact, that the money is to be kept by receivers, contribute in the least to produce one. The public funds in their hands will be as much beyond the control of the Executive, as it was in the vaults of the banks. But, to shorten discussion, I would ask, how can there be a bank without the power to discount or to use the deposits? and out of which of the provisions of the bill could the Treasury, by any possibility obtain either, under the severe penalties of the bill, which prohibits the touching of the public money, except on warrants or drafts, drawn by those having authority, in due form, and for the public service.

But the danger which an excited imagination anticipates hereafter from the bill would exist in sober reality under the substitute. There it would require neither fancy nor conjecture to create one. It would exist with all its faculties and endowments complete; discount, deposits, and all;—with which immense means, guided by a central and directing head, and blended and united with the Government, so as to form one great mass of power. What a contrast with the bill! How simple and harmless the one, with its four principal receivers, twice as many clerks, and five inspectors, compared with this complex and mighty engine of power! And yet there are many, both intelligent and patriotic, who oppose the bill and support the substitute, on the ground that the former would give more patronage and power than the latter! How strange and wonderful the diversity of the human mind!

So far from being true, the very fact of the separation of the Government from the banks, provided for in the bill, would, of itself, be the most decisive blow that could be given against Government patronage, and the union of the two, the most decisive in its favor. When their notes are received in the public dues, as cash, and the public money deposited in their vaults, the banks become the *allies* of the Government on all questions connected with its fiscal action. The higher its taxes and duties, the greater its revenue and expenditure; and the larger its surplus, the more their circulation and business, and, of course, the greater their profit; and hence on all questions of taxation and disbursements, and the accumulations of funds in the Treasury, their interest would throw them on the side of the Government and against the people.

All this is reversed, when separated. The higher the taxation and disbursements, and the larger the surplus, the less would be their profit; and their interest in that case, would throw them with the people, and against the

Government. The reason is obvious. [Specie is the basis of banking operations; and the greater amount they can command, the greater will be their business and profits; but when the Government is separated from them and collects and pays away its dues in specie instead of their notes, it is clear that the higher the taxes and disbursements, and the greater the surplus in the Treasury, the more specie will be drawn from the use of the banks and the less will be left as the basis of their operations; and, consequently, the less their profit. Every dollar withdrawn from them would diminish their business four-fold at least; and hence a regard to their own interest would inevitably place them on the side to which I have assigned them.]

The effects on the politics of the country would be great and salutary. The weight of the banks would be taken from the side of the *tax consumers*, where it has been from the commencement of the Government, and placed on the side of the *tax payers*. This great division of the community necessarily grows out of the fiscal action of the Government. Take taxation and disbursement together, and it will always be found that one portion of the community pays into the Treasury, in the shape of taxes, more than it receives back in that of disbursements, and that another receives back more than it pays. The former are the tax payers, and the latter the consumers,—making the great, essential, and controlling division in all civilized communities. If, with us, the Government has been thrown on the side of the consumers, as it has, it must be attributed to its alliance with the banks, whose influence has been, in consequence, at all times steadily and powerfully on that side. It is to this mischievous and unholy alliance that may be traced almost all the disasters that have befallen us, and the great political degeneracy of the country. Hence the protective system; hence its associated and monstrous system of disbursements; hence the collection of more money from the people than the Government could require; hence the vast and corrupting surpluses; hence legislative and Executive usurpations; and finally, hence the prostration of the currency and the disasters which give rise to our present deliberations. Revive this fatal connection; adopt this substitute, and all this train of evils will again follow with redoubled disasters and corruption. Refuse the connection; adopt this bill, and all will be reversed, and we shall have some prospect of restoring the Constitution and country to their primitive simplicity and purity. The effect of the refusal on the patronage of the Government would be great and decisive. Burke has wisely said, that the “revenue is the State in modern times.”—Violence and coercion are no longer the instruments of Government in civilized communities. Their reign is past. Every thing is now done by money. It is not only the sinew of war, but of politics; over which, in the form of patronage, it exercises almost unlimited control. Just as the revenue increases or diminishes, almost in the same proportion, is patronage increased or diminished.

But admit for a moment, that neither the separation nor the connection would have any sensible effect to increase or diminish the revenue; and that it would be of the same amount, whether the bill or substitute should be adopted; yet, even on that supposition, the patronage of the latter would be an hundred fold greater than the former. In estimating the amount of patronage of any measure, three particulars must be taken into the calculation; the number of persons who may be effected by it; their influence is

the community, and the extent of the control exercised over them. It will be found on comparison, that the substitute combines all these elements in a far greater degree, than the bill, as I shall now proceed to show. I begin with the number.

The bill provides, as has been stated, for four principal receivers, eight or ten clerks, and a suitable number of agents to act as inspectors, making in the whole, say 25 individuals. These would constitute the only additional officers to keep and disburse the public money. The substitute, in addition to the officers now in service, provides for the selection of 25 banks, to be taken from the most powerful and influential, and which would have, on an average, at the least, 100 officers and stockholders each, making in the aggregate, 2,500 persons, who would be directly interested in the banks, and of course, under the influence of the Government.

As to the relative influence of the officers and the selected banks over the community, every impartial man must acknowledge, that the preponderance would be greater on the side of the latter. Admitting the respectability of the receivers and other officers provided for in the bill, and the officers and stockholders of the banks to be individually the same, still the means of control at the disposition of the former, would be as nothing compared to that of the latter. They could not touch a cent of public money. Their means would be limited to their salary, which would be too small to be felt in the community. Very different would be the case with the officers and stockholders of the banks. They, of all persons, are by far the most influential in the community. A greater number depend on them for accommodation and favor and the success of their business and prospects in life, than any other class in society; and this would be especially true of the banks connected with the Government.

It only remains now to compare the extent of the control that may be exercised by the Government over the two, in order to complete the comparison; and here again the preponderance will be found to be strikingly on the same side. The whole amount of expenditure under the bill would not exceed \$30,000 or \$40,000 annually at the very farthest; and this constitutes the whole amount of control which the Government can exercise. There would be no perquisites, no contracts, jobs or incidental gains. The offices and salaries would be all. To that extent, those who may hold them, would be dependent on the Government, and thus far they may be controlled. How stands the account on the other side? What value shall be put on the public deposits in the banks? What on the receivability of their notes, as cash, by the Government? What on their connection with the Government, as their fiscal agent, which would give so great a control over the exchanges and business of the country? How many millions shall these be estimated at, and how insignificant must the paltry sum of \$30,000 or \$40,000 appear to those countless millions held under the provisions of the substitute at the pleasure of the Government!

Having now finished the comparison as to the relative patronage of the two measures, I shall next compare them as fiscal agents of the Government; and here let me say, at the outset, that the discussion has corrected an error, which I once entertained. I had supposed, that the hazard of keeping the public money under the custody of officers of the Government, would be greater, than in bank. The Senators from New Hampshire and Connecticut, (Messrs. Hubbard and Niles) have proved from the record, that the hazard is

on the other side ; and that we have lost more by the banks, than by the collecting and disbursing officers combined. What can be done to increase the security by judicious selection of officers, and proper organization, is strongly illustrated by the fact stated by the chairman (Mr. Wright,) in his opening speech ; that in the War Department, there has been no loss for 15 years,—from '21 to '36,—on an expenditure certainly not less than \$100,000,000. I take some pride in this result of an organization, which I originated and established when Secretary of War against the most formidable opposition.

As to the relative expense of the two agencies, that of the bill, as small as it is, if we are to judge by *appearances*, is the greatest ; but if by *facts*, the substitute would be much the most so, provided we charge it with all the advantages, which the banks would derive from their connection with the Government, as ought in fairness to be done, as the whole ultimately comes out of the pockets of the people.

In a single particular the banks have the advantage as fiscal agents. They would be the more convenient. To this they are entitled, and I wish to withhold from them no credit, which they may justly claim.

The Senator from Virginia (Mr. Rives) appeared to have great apprehension, that the collection of the public dues in specie might lead to hoarding. He may dismiss his fears on that head. It is not the genius of modern and civilized Governments to hoard ; and if it were, the banks will take care, that there shall be no extraordinary accumulation of cash in the Treasury. Pass the bill, and I under-write, that we shall never have again to complain of a surplus. It would rarely, if ever in peace and settled times, exceed three or four millions at the outside. Nor is his apprehension that hoarding of specie would lead to war, less groundless. The danger is in another quarter. War is the harvest of banks, when they are connected with Government. The vast increase of revenue and expenditures, and the enormous public loans, which necessarily enure mainly to their advantage, swell their profits in war to the utmost limits. But separate them from Government, and war would then be to them, a state of famine, for reasons which must be apparent after what has been said, which would throw their weight on the side of peace and against war ; just as certainly, as I have shown, that the separation would throw it on the side of tax payers, and against the tax consumers.

I come now to the comparison of the effects of the two measures on the currency of the country. In this respect, the Senator from Virginia (Mr. Rives) seemed to think, that his substitute would have a great superiority over the bill ; but his reasons were to me wholly unsatisfactory. If we are to judge from experience, it ought to be pronounced to be the worst possible measure. It has been in operation but twice (each for but a few years) since the commencement of the Government ; and it has so happened, that the only two explosions of the currency occurred during those periods. But, without relying on these disastrous occurrences, we have seen enough to satisfy the most incredulous that there are great and radical defects in our bank circulation, which no remedy heretofore applied, has been able to remove. It originates in the excess of paper, compared to specie, and the only effective cure is to increase the latter and reduce the former : and this the substitute itself impliedly acknowledges, by proposing a remedy that would prove wholly inoperative. It proposes that, after a certain period

mentioned, none of the banks to be selected, should issue notes under ten dollars. The effects would clearly be, not a diminution of the circulation of small notes, but a new division of the banking business, in which the issue of large notes would fall to the lot of the selected banks and the small to the others, without restricting, in the least, the aggregate amount of paper circulation.

But what the substitute would fail to do, the bill would effectually remedy. None doubt, but the separation from the banks would greatly increase the proportion of specie to paper; but the Senator from Virginia (Mr. Rives) apprehends, that its operation would be too powerful; so much so, in fact, as to destroy the banks. His argument is, that specie would be always at a premium, and that it would be impossible for the banks to do business, so long as that was the case. His fears are groundless. What he dreads would be but a temporary evil. The very fact, that specie would bear a premium would have the double effect, to diminish paper circulation, and increase the importation of specie, till an equilibrium between the two would be restored, when they would be at par. At what point this would be effected, is a little uncertain; but the fear is, that with our decreasing revenue, instead of the specie being increased to excess, it would not be increased sufficiently to give the desired stability to the currency.

In this connection, the Senator urged an objection against the bill, which I regard as wholly groundless. He said, that the payment of the dues of the Government in specie, would create a double demand; a domestic, as well as a foreign; the effects of which would be to increase greatly, its fluctuations; and so deeply was he impressed with the idea, that he drew a vivid picture of its alternate flow from the coast to the interior, and from North to South, and back again. All this is the work of imagination. The effect would be directly the reverse. The more numerous the demands, the less the fluctuation; so much so, that the greatest stability would be, where it exclusively performed the function of circulation, and where each individual must keep a portion to meet his daily demands. This is so obvious, that I shall not undertake to illustrate it.

But the superiority of the bill over the substitute would not be limited only to a more favorable proportion between specie and paper. It would have another important advantage that cannot be well over-estimated; it would make a practical distinction between currency and circulation,—between the currency of the country, and private and local circulation, under which head bank paper would be comprehended. The effects would be, to render a general explosion of the circulation almost impossible. Whatever derangements might occur, would be local and confined to some one particular commercial sphere; and even, within its limits, there would be a sound currency to fall back on, not partaking of the shock, and which would greatly diminish the intensity and duration of the distress. In the mean time, the general business and finances of the country would proceed, almost without feeling the derangement.

With a few remarks on the comparative effects of the two measures on the industry and business of the country, I shall conclude their comparison. What has been said on their relative effects on the currency, goes far to decide the question of their relative effects on business and industry.

I hold a sound and stable currency to be among the greatest encouragements to industry and business generally; and an unsound and fluctuating one

now expanding and now contracting, so that no honest man can tell what to do, as among the greatest discouragements. The dollar and the eagle are the measure of value, as the yard and the bushel are of quantity; and what would we think of the incorporation of companies to regulate the latter—to expand or contract, or shorten or lengthen them at pleasure, with the privilege to sell by the contracted or shortened, and buy by the expanded or lengthened? Is it not seen that it would place the whole industry and business of the country under the control of such companies? But it would not more certainly effect it, than a similar control possessed by the money institutions of the country, over the measure of value. But I go further, and assert confidently, that the *excess of paper currency, as well as its unsteadiness* is unfavorable to the industry and business of the country. It raises the price of every thing, and consequently increases the price of production and consumption; and is, in the end, hostile to every branch of industry.

I hold that specie and paper have each their proper sphere; the latter for large and distant transactions, and the former for all others; and that the nearer our circulation approaches gold and silver, consistently with convenience, the better for the industry and the business of the country. The more specie the better, till that point is reached. When attained, it would combine in the greatest possible degree, soundness and facility, and would be favorable to the productive classes universally; I mean men of business, planters, merchants, and manufacturers, as well as operatives. It would be particularly favorable to the South. Our great staples are cash articles every where; and it was well remarked by the Senator from Mississippi, (Mr. WALKER,) at the extra session, that we sold at cash prices and bought at paper prices; that is, sold low and bought high. The manufacturing, commercial and navigating interests would also feel its beneficial effects. It would cheapen productions and be to manufacturers in lieu of a protective tariff. Its effects would be to enable them to meet foreign competition, not by raising prices by high duties, but by enabling them to sell as cheap or cheaper than the foreigner, which would harmonize every interest, and place our manufactures on the most solid basis. It is the only mode by which the foreign market can ever be commanded; and commanded it would be, with a sound and moderately expanded currency. Our ingenuity, invention, and industry are equal to any people; and all our manufacturers want, is a sound currency and an even chance, to meet competition with success any where, at home or abroad. But with a bloated and fluctuating paper circulation, this will be impossible. Among its many drawbacks, it levies an enormous tax on the community.

I have already stated, that the community is estimated to have been indebted to the banks \$475,000,000 at the suspension of specie payments. The interest on this sum, estimated at six per cent. (it ought to be higher,) would give an annual income to those institutions of upwards of thirty millions; and this is the sum yearly paid by the community for bank accommodations, to the excess of which we owe our bloated and unstable circulation. Never was a circulation so worthless, furnished at so dear a rate. How much of this vast income may be considered as interest on real capital, it is difficult to estimate; but it would, I suppose, be ample to set down ten millions to that head, which would leave upwards of twenty millions annually, as the profits derived from banking privileges over and above a fair compensation for the capital invested, which some body must pay, and which must ultimately fall on the industry and business of the country. But this enormous

expansion of the system is not astonishing ; so great is the stimulus applied to its growth. Ingenious men of other ages, devoted themselves in vain to discover the art of converting the baser metals into gold and silver ; but we have conferred on a portion of the community, an art still higher,—of converting paper to all intents and purposes, into the precious metals ; and ought we to be surprised, that an article so cheap to the manufacturers, and so dear to the rest of the community, should be so greatly over supplied, and without any reference to the interest, or to the wants of the community?

If we are to believe the Senator from Virginia, and others on the same side, we owe almost all our improvements and prosperity to the banking system ;—and if it should fail, the age of barbarism would again return. I had supposed that the bases of our prosperity were our free institutions ; the wide spread and fertile region we occupy, and the hereditary intelligence and energy of the stock, from which we are descended ; but it seems, that all these go for nothing, and that the banks are every thing. I make no war on them. All I insist on is, that the Government shall separate from them, which I believe to be indispensable, for the reasons I have assigned, both now and formerly. But I cannot concur in attributing to them our improvements and prosperity. That they contributed to give a strong impulse to industry and enterprise in the early stages of their operation, I doubt not. Nothing is more stimulating than an expanding and depreciating currency. It creates a delusive appearance of prosperity, which puts every thing in motion. Every one feels as if he was growing richer, as prices rise, and that he has it in his power, by foresight and exertion, to make his fortune. But it is the nature of stimulus, moral as well as physical, to excite at first, and to depress afterwards. The draught, which at first causes unnatural excitement and energy is sure to terminate in corresponding depression and weakness ; nor is it less certain that the stimulus of a currency, expanding beyond its proper limits, follows the same law. We have had the exhilaration, and the depression has succeeded. We have had the pleasure of getting drunk, and now experience the pain of becoming sober. The good is gone and the evil has succeeded ; and on a fair calculation, the latter will be found to be greater than the former. Whatever impulse the banking system was calculated to give to our improvement and prosperity, has already been given ; and the reverse effects will hereafter follow, unless the system should undergo great and radical changes ; the first step towards which, would be the adoption of the measure proposed by this bill.

I have, Mr. President, finished what I intended to say. I have long anticipated the present crisis, but did not expect its arrival in my time. When I saw its approach, I resolved to do my duty be the consequences to me what they might, and I offer my thanks to the Author of my being, that he has given me the resolution and opportunity to discharge, what I honestly believe to be that duty on this great subject.

How the question will be decided, is acknowledged to be doubtful, so nearly are the two Houses supposed to be divided ; but whatever may be its fate now, I have the most perfect confidence in its final triumph. The public attention is roused. The subject will be thoroughly investigated, and I have no fears but the side I support, will prove to be the side of truth, justice, liberty, civilization, and moral and intellectual excellence.