

statements under the deposit law became payable, their own embarrassments, and the necessity under which they lay, of curtailing their discounts and calling in their debts, increased the general distress, and contributed, with other causes, to hasten the revolution in which, at length, they, in common with the other banks, were fatally involved.

Under these circumstances, it becomes our solemn duty to inquire whether there are not, in any connection between the Government and the banks of issue, evils of great magnitude, inherent in its very nature; and against which no precautions can effectually guard.

Unforeseen in the organization of the Government, and forced on the Treasury by early necessities, the practice of employing banks, was, in truth, from the beginning, more a measure of emergency than of sound policy. When we started into existence as a nation, in addition to the burdens of the new Government, we assumed all the large but honorable load of debt which was the price of our liberty; but we hesitated to weigh down the infant industry of the country by resorting to adequate taxation for the necessary revenue. The facilities of Banks, in return for the privileges they acquired, were promptly offered, and perhaps too readily received, by an embarrassed Treasury. During the long continuance of a national debt, and the intervening difficulties of a foreign war, the connection was continued from motives of convenience; but these causes have long since passed away. We have no emergencies that make banks necessary to aid the wants of the Treasury; we have no load of national debt to provide for, and we have on actual deposits a large surplus. No public interest, therefore, now requires the renewal of a connection in circumstances that have dissolved. The complete organization of our Government, the abundance of our resources, the general harmony which prevails between the different States, and with foreign Powers, all enable us now to select the system most consistent with the Constitution, and most conducive to the public welfare. Should we then, connect the Treasury for a fourth time with the local banks, it can only be under a conviction that past failures have arisen from accidental defects.

A danger, difficult, if not impossible to be avoided in such an arrangement, is made strikingly evident in the very event by which it has now been defeated. A sudden act of the banks intrusted with the funds of the people, deprives the Treasury, without fault or agency of the Government, of the ability to pay its creditors in the currency they have by law a right to demand. This circumstance no fluctuation of commerce could have produced, if the public revenue had been collected in the legal currency, and kept in that form by the officers of the Treasury. The citizen whose money was in bank receives it back, since the suspension, at a sacrifice in its amount; whilst he who kept it in the legal currency of the country, and in his own possession, pursues without loss, the current of his business. The Government, placed in the situation of the former, is involved in embarrassments it could not have suffered had it pursued the course of the latter. These embarrassments are, moreover, augmented by those salutary and just laws which forbid it to use a depreciated currency, and, by so doing, take from the Government the ability which individuals have of accommodating their transactions to such a catastrophe.

A system which can, in a time of profound peace, when there is a large revenue laid by, thus suddenly prevent the application and the use of the money of the people, in the manner and for the objects they have directed, cannot be wise; but who can think, without painful reflection, that, under it, the same unforeseen events might have befallen us in the midst of a war, and taken from us, at the moment when most wanted, the use of those very means which were treasured up to promote the national welfare and guard our national rights? To such embarrassments and to such dangers will this Government be always exposed, whilst it takes the money raised for, and necessary to the public service, out of the hands of its own officers, and converts them into a mere right of action against corporations entrusted with the possession of them. Nor can such results be effectually guarded against in such a system, without investing the Executive with a control over the banks themselves, whether State or National, that might with reason be objected to. Ours is, probably, the only Government in the world that is liable, in the management of its fiscal concerns, to occurrences like these. But this imminent risk is not the only danger attendant on the surrender of the public money to the custody and control of local corporations. Though the object is aid to the Treasury, its effects may be introduced into the operations of the Government, influences the most subtle, founded on interests the most selfish.

The use by the banks, for their own benefit, of the money deposited with them, has received the sanction of the Government from the commencement of this connection. The money received from the people, instead of being kept till it is needed for their use, is, in consequence of this authority, a fund, on which discounts are made for the profit of those who happen to be owners of stock in the banks selected as depositories. The supposed and often exaggerated advantages of such a boon will always cause it to be sought for with avidity. I will not stop to con-

sider on whom the patronage incident to it is to be conferred; whether the selection and control be trusted to Congress or to the Executive, either will be subjected to appeals made in every form which the sagacity of interest can suggest. The banks, under such a system, are stimulated to make the most of their fortunate acquisition; the deposits are treated as an increase of capital; loans and circulation are rashly augmented, and when the public agencies require a return, it is attended with embarrassments not provided for, nor foreseen. Thus banks that thought themselves most fortunate when the public funds were received, find themselves most embarrassed when the season of payment suddenly arrives.

Unfortunately, too, the evils of the system are not limited to the banks. It stimulates a general rashness of enterprise, and aggravates the fluctuations of commerce and the currency. This result was strikingly exhibited during the operations of the late deposit system, and especially in the purchase of public lands. The order which ultimately directed the payment of gold and silver in such purchases, greatly checked, but could not altogether prevent the evil. Specie was indeed more difficult to be procured than the notes which the banks could themselves create at pleasure; but still, being obtained from them as a loan, and returned as a deposit, which they were again at liberty to use, it only passed round the circle with diminished speed. This operation could not have been performed, had the funds of the Government gone into the Treasury, to be regularly disbursed, and not into banks, to be loaned out for their own profit, while they were permitted to substitute for it a credit in account.

In expressing these sentiments, I desire not to undervalue the benefits of a salutary credit to any branch of enterprise. The credit bestowed on probity and industry is the just reward of merit, and an honorable incentive to further acquisition. None oppose it who love their country and understand its welfare. But when it is unduly encouraged—when it is made to inflate the public mind with the temptations of sudden and unsubstantial wealth, when it turns industry into paths that lead sooner or later to disappointment and distress—it becomes liable to censure, and needs correction. Far from helping probity and industry, the ruin to which it leads falls most severely on the great laboring classes, who are thrown suddenly out of employment, and by the failure of magnificent schemes never intended to enrich them, are deprived in a moment of their only resource. Abuse of credit and excess in speculation will happen in despite of the most salutary laws; no Government perhaps can altogether prevent them; but surely every Government can refrain from contributing the stimulus that calls them into life.

Since, therefore, experience has shown, that to lend the public money to the local banks, is hazardous to the operations of the Government, at least of doubtful benefit to the institutions themselves; and productive of disastrous derangement in the business and currency of the country, is it the part of wisdom again to renew the connection?

It is true that such an agency is in many respects convenient to the Treasury, but it is not indispensable. A limitation of the expenses of the Government to its actual wants, and of the revenue to those expenses, with convenient means for its prompt application to the purposes for which it was raised, are the objects which we should seek to accomplish. The collection, safe-keeping, transfer and disbursement of the public money, can, it is believed, be well managed by officers of the Government. Its collection, and to a great extent, its disbursement also, have indeed been hitherto conducted solely by them; neither National nor State banks when employed, being required to do more than keep it safely while in their custody, and transfer and pay it in such proportions and at such times as the Treasury shall direct.

Surely banks are not more able than the Government to secure the money in their possession against accident, violence, or fraud. The assertion that they are so, must assume that a vault in a bank is stronger than a vault in the Treasury, and that directors, cashiers, and clerks, not selected by the Government, nor under its control, are more worthy of confidence than officers selected from the people and responsible to the Government; officers bound by official oaths and bonds for a faithful performance of their duties, and constantly subject to the supervision of Congress.

The difficulties of transfer, and the aid heretofore rendered by banks, have been less than is usually supposed. The actual accounts show that by far the large portion of payments is made within short or convenient distances from the places of collection; and the whole number of warrants issued at the Treasury in the year 1834—a year, the results of which will it is believed afford a safe test for the future, fell short of five thousand, or an average of less than one daily for each State; in the city of New York they did not average more than two a day, and at the city of Washington only four.

The difficulties heretofore existing are, moreover, daily lessened by an increase in the cheapness and facility of communication; and it may be asserted with confidence, that the necessary transfers, as well as the safe-keeping and disbursements of the public moneys, can be with safety and convenience accomplished through the agencies of the Treasury officers.—

This opinion has been, in some degree, confirmed by actual experience since the discontinuance of the banks as fiscal agents, in May last; a period which from the embarrassments in commercial intercourse, presented obstacles as great as any that may be hereafter apprehended.

The manner of keeping the public money since that period, is fully stated in the report of the Secretary of the Treasury. That officer also suggests the propriety of assigning by law, certain additional duties to existing establishments and officers, which, with the modifications and safeguards referred to by him, will, he thinks, enable the Department to continue to perform this branch of the public service, without any material addition either to their number or to the present expense. The extent of the business to be transacted has already been stated; and in respect to the amount of money with which the officers employed would be entrusted at any one time, it appears that, assuming a balance of five millions to be at all times kept in the Treasury, and the whole of it left in the hands of the collectors and receivers, the proportion of each would not exceed an average of thirty thousand dollars; but that, deducting one million for the use of the mint, and assuming the remaining four millions to be in the hands of one-half of the present number of officers—a supposition deemed more likely to correspond with the fact—the sum in the hands of each would still be less than the amount of most of the bonds now taken from the receivers of public money. Every apprehension, however, on the subject, either in respect to the safety of the money, or the faithful discharge of these fiscal transactions, may, it appears to me, be effectually removed by adding to the present means of the Treasury the establishment by law, at a few important points, of the offices for the deposit and disbursement of such portions of the public revenue as cannot, without obvious safety and convenience, be left in the possession of the collecting officers until paid over by them to the public creditors. Neither the amounts retained in their hands, nor those deposited in the offices, would, in an ordinary condition of the revenue, be larger in most cases than those often under the control of disbursing officers of the Army and Navy, and might be made entirely safe, by requiring such securities, and exercising such controlling supervision, as Congress may by law prescribe. The principal officers whose appointments would become necessary under this plan, taking the largest number suggested by the Secretary of the Treasury, would not exceed ten; nor the additional expenses, at the same estimate, sixty thousand dollars a year.

There can be no doubt of the obligation of those who are entrusted with the affairs of the Government, to conduct them with as little cost to the nation as is consistent with the public interest; and it is for Congress, and ultimately for the people, to decide whether the benefits to be derived from keeping our fiscal concerns apart, and severing the connection which has hitherto existed between the Government and banks, offer sufficient advantages to justify the necessary expenses. If the object to be accomplished is deemed important to the future welfare of the country, I cannot allow myself to believe that the addition of the public expenditure of comparatively so small an amount as will be necessary to effect it, will be objected to by the people.

It will be seen by the report of the Postmaster General, herewith communicated, that the fiscal affairs of that Department have been successfully conducted since May last, upon the principle of dealing only in the legal currency of the United States, and that it needs no legislation to maintain its credit, and facilitate the management of its concerns; the existing laws being, in the opinion of that officer, ample for those objects.

Difficulties will doubtless be encountered for a season, and increased services required from the public functionaries; such are usually incident to the commencement of every system, but they will be greatly lessened in the progress of its operations.

The power and influence supposed to be connected with the custody and disbursement of the public money are topics on which the public mind is naturally and, with great propriety, peculiarly sensitive. Much has been said on them, in reference to the proposed separation of the Government from the banking institutions; and surely no one can object to any appeals or animadversions on the subject, which are consistent with facts, and evince a proper respect for the intelligence of the people. If a Chief Magistrate may be allowed to speak for himself, on such a point, I can truly say, that to me, nothing would be more acceptable, than the withdrawal from the Executive, to the greatest practicable extent, of all concern in the custody and disbursement of the public revenue; not that I would shrink from any responsibility cast upon me by the duties of my office, but because it is my firm belief, that its capacity for usefulness is in no degree prompted by the possession of any patronage not actually necessary to the performance of those duties. But under our present form of Government, the intervention of the Executive officers in the custody and disbursement of the public money seems to be unavoidable; and before it can be admitted that the influence and power of the Executive would be increased by dispensing with the agency of banks, the nature of that intervention in such an agency must be carefully regarded, and a comparison

must be instituted between its extent in the two cases.

The revenue can only be collected by officers appointed by the President, with the advice and consent of the Senate.—The public moneys, in the first instance, must therefore, in all cases, pass through hands selected by the Executive. Other officers appointed in the same way, or, as in some cases, by the President alone, must also be entrusted with them when drawn for the purpose of disbursement. It is thus seen that, even when the banks are employed, the public funds must twice pass through the hands of the Executive officers. Besides this, the head of the Treasury Department, who also holds his office at the pleasure of the President, and some other officers of the same department, must necessarily be invested with more or less power in the selection, continuance and supervision, of the banks that may be employed. The question is then narrowed to the single point, whether in the intermediate stage between the collection and disbursement of the public money, the agency of banks is necessary to avoid a dangerous extension of the patronage and influence of the Executive? But is it clear that the connection of the executive with powerful moneyed institutions, capable of ministering to the interests of men in points where they are most accessible to corruption, is less liable to abuse, than his constitutional agency in the appointment and control of the few public officers required by the proposed plan? Will the public money, when in their hands be necessarily exposed to any improper interference on the part of the Executive? May it not be hoped that a prudent fear of public jealousy and disapprobation, in a matter so peculiarly exposed to them, will deter him from any such interference, even if higher motives be found inoperative? May not Congress so regulate, by law, the duty of those officers, and subject it to such supervision and publicity, as to prevent the possibility of any serious abuse on the part of the Executive? and is there equal room for such supervision and publicity in a connection with banks, acting under the shield of corporate immunities, and conducted by persons irresponsible to the Government and the people? It is believed that a considerate and candid investigation of these questions will result in the conviction, that the proposed plan is far less liable to objection, on the score of Executive patronage and control, than any bank agency that has been, or can be, devised.

With these views, I leave to Congress the measures necessary to regulate, in the present emergency, the safe-keeping and transfer of the public moneys. In the performance of constitutional duty, I have stated to them, without reserve, the result of my own reflections. The subject is of great importance; and one on which we can scarcely expect to be as united in sentiment as we are in interest. It deserves a full and free discussion, and cannot fail to be benefitted by a dispassionate comparison of opinions. Well aware myself of the duty of reciprocal concession among the co-ordinate branches of the Government, I can promise a reasonable spirit of co-operation, so far as it can be indulged in without the surrender of constitutional objections, which I believe to be well founded. Any system that may be adopted should be subjected to the fullest legal provision, so as to leave nothing to the Executive but what is necessary to the discharge of the duties imposed on him; and whatever plan may be ultimately established, my own part shall be so discharged as to give it a fair trial, and the best prospect of success.

The character of the funds to be received and disbursed in the transactions of the Government, likewise demands your most careful consideration.

There can be no doubt that those who framed and adopted the Constitution, having in immediate view the depreciated paper of the Confederacy, of which five hundred dollars in paper were, at times, only equal to one dollar in coin—intended to prevent the recurrence of similar evils, so far at least as related to the transactions of the new Government. They gave to Congress express powers to coin money, and to regulate the value thereof, and of foreign coin; they refused to give it power to establish corporations—the agents, then as now, chiefly employed to create a paper currency; they prohibited the States from making any thing but gold and silver a legal tender in payment of debts; and the first Congress directed, by positive law, that the revenue should be received in nothing but gold and silver.

Public exigency at the outset of the Government, without direct legislative authority, led to the use of banks as fiscal aids to the Treasury. In admitted deviation from the law, at the same period, and under the same exigency, the Secretary of the Treasury received their notes in payment of duties. The sole ground on which the practice, thus commenced, was then, or has since been justified, is the certain, immediate and convenient exchange of such notes for specie. The Government did indeed receive the inconvertible notes of State banks during the difficulties of war; and the community submitted without a murmur to the unequal taxation and multiplied evils of which such a course was productive. With the war, this indulgence ceased, and the banks were obliged again to redeem their notes in gold and silver. The Treasury, in accordance with previous practice, continued to dispense with the currency required by the act of 1789, and took the notes of banks in full confidence of their being

paid in specie on demand; and Congress to guard against the slightest violation of this principle, have declared, by law, that if notes are paid in the transactions of the Government, it must be under such circumstances as to enable the holder to convert them into specie without depreciation or delay.

Of my own duties under the existing laws, when the banks suspended specie payments, I could not doubt. Directions were immediately given to prevent the reception into the Treasury of any thing but gold and silver or its equivalent; and every practicable arrangement was made to preserve the public faith, by similar or equivalent payments to the public creditors. The revenue from lands had been for some time substantially so collected, under the order issued by the directions of my predecessor. The effects of that order had been so salutary, and its forecast in regard to the increasing insecurity of bank paper had become so apparent, that, even before the catastrophe, I had resolved not to interfere with its operation. Congress is now to decide whether the revenue shall continue to be so collected or not.

The receipts into the Treasury, of bank notes, not redeemed in specie on demand, will not, I presume, be sanctioned. It would destroy, without the excuse of war or public distress, that equality of imports, and identity of commercial regulation, which lie at the foundation of our Confederacy, and would offer to each State a direct temptation to increase its foreign trade, by depreciating the currency received for duties in its ports. Such a proceeding would also, in a great degree, frustrate the policy, so highly cherished, of infusing into our circulation a larger proportion of the precious metals; a policy, the wisdom of which none can doubt, though there may be different opinions as to the extent to which it should be carried. Its results have been already too auspicious, and its success is too closely interwoven with the future prosperity of the country, to permit us for a moment to contemplate its abandonment. We have seen, under its influence, our specie augmented beyond eighty millions; our coinage increased so as to make that of gold amount, between August, 1834 and December, 1836, to ten millions of dollars; exceeding the whole coinage at the mint during the thirty-one previous years. The prospect of further improvement continued without abatement, until the moment of the suspension of specie payments. This policy has now indeed been suddenly checked, but is still far from being overthrown. Amidst all conflicting theories, one position is undeniable: the precious metals will invariably disappear when there ceases to be a necessity for their use, as a circulating medium. It was in strict accordance with this truth, that whilst, in the month of May last, they were every where seen, and were current for all ordinary purposes, they disappeared from circulation the moment the payment of specie was refused by the banks, and the community tacitly agreed to dispense with its employment. Their place was supplied by a currency exclusively of paper, and in many cases, of the worst description. Already are the bank notes now in circulation greatly depreciated, and they fluctuate in value between one place and another; thus diminishing and making uncertain the worth of property and the price of labor, and failing to subserve, except at a heavy loss, the purposes of business. With each succeeding day the metallic currency decreases; by some it is hoarded in the natural fear, that, once parted with, it cannot be replaced; while by others it is diverted from its more legitimate uses, for the sake of gain. Should Congress sanction this condition of things, by making irredeemable paper money receivable in payment of public dues, a temporary check to a wise and salutary policy, will, in all probability, be converted into its absolute destruction.

It is true that bank notes actually convertible into specie may be received in payment of the revenue, without being liable to all these objections, and that such a course may, to some extent, promote individual convenience; an object always to be considered where it does not conflict with the principles of our Government or the general welfare of the country. If such notes only were received, and always under circumstances allowing their early presentation for payment, and if, at short and fixed periods, they were converted into specie, to be kept by the officers of the Treasury, some of the most serious obstacles to their reception would, perhaps, be removed. To retain the notes in the Treasury would be to renew, under another form, the loans of public money to the banks, and the evils consequent thereon.

It is, however, a mistaken impression, that any large amount of specie is required for public payments. Of the seventy or eighty millions now estimated to be in the country, ten millions would be abundantly sufficient for that purpose, provided an accumulation of a large amount of revenue, beyond the necessary wants of the Government, be hereafter prevented. If to these considerations be added the facilities which will arise from enabling the Treasury to satisfy the public creditors, by its drafts or notes received in payment of the public dues, it may be safely assumed that no motive of convenience to the citizen requires the reception of bank paper.

To say that the refusal of paper money by the Government, introduces an unjust discrimination between the currency received by it, and that used by individuals