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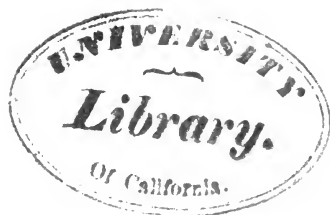
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SPEECH

OF

MR. H. S. LEGARÉ,

OF

SOUTH CAROLINA,

ON THE

BILL IMPOSING ADDITIONAL DUTIES

AS DEPOSITARIES,

IN CERTAIN CASES,

ON PUBLIC OFFICERS.

DELIVERED IN

THE HOUSE OF REPRESENTATIVES, U. S.

OCTOBER —, 1837.

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S P E E C H .



MR. CHAIRMAN :

I do not know how I can more appropriately begin the remarks I am about to make, than in the very words with which a most able English writer, addressing himself to the causes and character of the recent crisis, concludes his: "The events, (says Mr. Samuel Jones Lloyd, in a pamphlet published last spring,) which have occurred in connection with the late pressure upon the moneyed and mercantile interests, are full of instructive illustrations of the effects, both beneficial and otherwise, of our present system; and the evil consequences of this pressure will be as nothing, compared with its benefits; if, amongst these, we shall be enabled to reckon an increased degree of intelligence upon subjects connected with currency, and a nearer approximation to sound principles in the management of our paper issues." The revulsion, it is true, has been far more disastrous on this side of the Atlantic than in England; and yet even at its darkest period—now, as I confidently believe, passed away to give place to returning prosperity,—I found consolation in the idea, that dearly as we were buying our experience in this important matter, the price would not be too high for the benefits we should ultimately derive from our reverses. A national visitation ought to be considered as a great providential lesson. It teaches the most momentous truths, and it teaches them in the most impressive manner, and what we have recently seen and felt will dispose us—if any thing can dispose us—to look the difficulties with which this subject is surrounded, fairly in the face.

Sir, it is surrounded with the difficulties. Even in England, as you perceive from the citation I have just made, they are felt and acknowledged by the most able men. I have upon my desk many other proofs of the same fact. They abound, for instance, in the Minutes of Evidence taken before the Committee of the House of Commons on the renewal of the charter of the Bank of England, in 1832. You will find there, that while high authorities* agree in thinking that there should be but one bank of issue for the Capital, at least, if not for the whole country; the representatives of the great commercial and manufacturing interests, on the contrary, protest against the continuance of a monopoly to which they impute the most sinister influences over their immense business,† and demand a system of joint-stock banks, regulated by principles more agreeable, as they contend, to the course and policy of trade. A third party insists upon the necessity of compelling all banks of issue to give adequate security to the public, (in Government stock, &c.) for the redemption of their issues,‡ while every stockholder or partner shall continue to be, as at present, responsible for all the debts of the company, to the whole amount of his private fortune. A fourth, (and I have just received from London a little volume in which that opinion is most plausibly maintained,) urges the most unlimited freedom in banking; and sees no more danger to society

* Messrs. Horsley Palmer, Tooke, Rothschild, &c.

† Messrs. Burt, Smith, and Dyer, of Manchester. It is worthy of remark, that these remonstrances were admitted to be well founded by the change which, in consequence of them, was made in the law, in reference to joint-stock banks beyond 65 miles from London.

‡ Messrs. Ricardo, Maccullough, Norton, (the last in Minutes, &c. just cited.)

from perfect liberty in this, than in any other branch of business,—the supplying, for example, the market of a great capital with the necessaries of life.† In this complexity and distraction of English opinion upon this subject, however, all parties agree in one thing, and that is, in adhering to the paper system. Nobody *there* thinks of any thing so extravagant as the overthrow of that system, whatever defects may be seen or supposed to exist in it, or whatever projects may have been imagined to purify, to correct, and to improve it.

But if such is the state of English opinion in regard to this subject, how must it be with us, when to all the intrinsic difficulties of the thing itself, we add those arising out of the complicated structure of our political institutions? It would be hard enough to say what ought to be done, in the present emergency, were this a simple consolidated Government, but how much harder is it to advise the administration of a *federal* Government as to the course it ought to pursue, where one happens to doubt its possessing *all* the power necessary to give complete relief, without a co-operation of others? For, sir, at the risk of being set down in that category of “tiny politicians” of whom the gentleman from Maryland, (Mr. W. COST JOHNSON) in a very amusing speech, in the course of which, however, he uttered some grave and important truths, spoke last night with such profound contempt, I must confess I agree with the Executive in the general principles of constitutional law involved in the Message. In the division of the attributes of sovereignty between this Government and the States, it may and must happen, that we should experience sometimes a chasm, and sometimes a conflict of powers. More is taken from the States, perhaps, than has been given to the confederacy; neither can do enough, while each can do too much, for perfect harmony; defects, discrepancies, and contradictions, exist in the scheme itself, detected only in a long course of practice; and which nothing but practical skill, the wisdom called for and called forth in the management of great affairs, especially political affairs, can reconcile and rectify. Undoubtedly the task is an immensely difficult one—but it must be undertaken, and it must be *done*. The subject before the committee is an example of the high and difficult duties I refer to; nor can I imagine an occasion better fitted than this, to awaken the House to a lively sense of its infinite responsibilities to the country.

Judge, then, sir, with what deep disappointment and regret, I learned that the bill on the table was to be pressed upon us at this short session. It is quite enough for me, that it proposes a great innovation upon the whole course of the Government, from its foundation up to the present moment, and upon all the habits of our people. They who see deeper or clearer into such matters than I do, must pardon me for declaring that I cannot, conscientiously, vote for the measure in such haste. If I had no *positive* objections to it, it would be quite enough for me, that I have not had sufficient time to reflect on it. During this extraordinary session, (for so it has been in every sense of the word,) fatigued, harrassed, exhausted, by incessant attendance, by night and by day, in this Hall, it has not been in my power to inform myself on any subject as I could have wished to be able to do. I have had absolutely no time for minute research, hardly a few hours for calm reflection. Under such circumstances, I cannot vote for the bill. I must go home to my constituents and talk with them. Many, perhaps most of them, understand these matters better than I do; but when I left them, although this subject had been discussed, and ably discussed, here

† Money and its Vicissitudes in Value, by the author of the Rationale of Political Representation, and Critical Dissertation on Value, &c. (Mr. Francis Bailey.)

and there, by an individual or two, public attention had not been awakened to it; and nothing like an opinion—certainly no opinion favorable to the principle of the bill—had been formed in regard to it.

And here, sir, I might take my seat again, if I had risen only to explain my own vote, or to influence those of others, on the proposed measure. But the true issue seems to me very far to transcend, in importance, that single measure, important as it unquestionably is. It involves, in my opinion, the whole CREDIT SYSTEM of the country. I do not say that the bill on your table presents that issue—still less that the Executive message presented it, or propounded any principle or opinion that should lead to it. But no one who has watched the progress of this discussion, in this House or in the Senate—in or out of this Capitol—will deny that it must soon come to *that*. Sir, if there is any truth, at all, in what has been urged with great ability and all the zeal, I had almost said, the fanaticism, of the deepest conviction, by men accustomed to influence, nay, even to control public opinion in different parts of this country—if they have any idea of rigorously carrying out the principles they profess, to their logical consequences, in practice—if what they say in the highest places, on the most solemn occasions, is not such idle declamation as such men are not to be suspected of—they mean that, and nothing short of that. Doctrines have been uttered, with all the authority which can be imparted to paradox from talent ripened by experience, which seem to me inconsistent with the constitution, not only of American, but of all modern society, with its whole spirit and tendency—with all its wants and all its ways. I have, sometimes, in the course of the debates, looked around me to see where I really was—whether the shade of some old lawgiver, some Minos or Lycurgus, had not been evoked, to bring a degenerate age back to the stern principles of Dorian polity, to an agrarian equality of property, to iron money and black broth—or else, if it were not, the spirit of Benedict or Bernard, returned to the holy solitudes of Monte Casino, or Cluni, or Citeaux, to preach to a world lost in vanity and pleasure, the blessings of poverty and mortifications of the flesh. Now, sir, it may be true, that luxury, according to the old saw, is the ruin of States; and that sumptuary and agrarian laws are necessary to maintain your true Spartan discipline. But I am excessively disinclined to try any such experiment upon my constituents; at least without receiving an express instruction, to that effect, from them. I am afraid they have no taste for black broth—that Spartan discipline will be irksome, and even revolting to them. In short, sir, I have reason to believe, that without being as deeply imbued, perhaps, as other people are, with the spirit of the age, they do still partake too much of it, to be willing to forego the many agreeable objects that principally engage and excite it.

Sir, I am far from denying, that in the eyes of a stern reformer, with opinions of a certain complexion, this generation is a perverse and crooked one. We love money, I admit, as much as men ever did—certainly as much as they did in the Augustan age, nearly two thousand years ago. The committee will excuse my quoting a very common piece of Latin to prove it, after the example of other gentlemen in this debate.

Quærenda pecunia primum est;
Virtus post nummos—Hæc Janus summus ab imo
Prodocet.

Make money by all means, and before all things. Washington street certifies it to Wall street, and Wall street declares it to Broadway, and Broadway proclaims it to Chesnut street, and Chesnut street publishes it to the whole country. We have the same strong thirst for gold which has unhap-

pily afflicted mankind in other times, and especially in very civilized ages; and the only difference is, that we have learned how to acquire, by honest means, a thousand times more of it. I will add, however, in justice to the age, that it has made a great discovery in social philosophy. We have found out that, what I would call physical civilization—a demand for the conveniences and accommodations of life, and an abundant supply of them—is, and must be, the basis of all other civilization, that is intended to be high, solid and lasting. Every real improvement in the condition of mankind springs out of, or leads to, the elevating of the *standard of comfort* among a people. Sir, this is the grand work—the mission—of modern commerce, which, in my opinion, is just beginning to develop its mighty resources—to pour out the inexhaustible fulness of its treasures, and its blessings. A great revolution is taking place—*has* taken place, in human affairs. War is every day becoming a more and more remote contingency. I do not say an impossibility. I know human nature too well for that. I am fully aware, too, how many disturbing causes, growing out of the history of the past, still exist to prevent the realizing, all at once, of the great end of Christian civilization, the dream of Henry IV, and of Sully—the union of all nations in a state of peace under the protection of law. I know, especially, what is to be dreaded in this respect, from that dark power that hovers over the confines of Europe and Asia, and throws its vast shadow over both. But during my last residence of four years abroad, I saw sufficient grounds of quarrel, to have led, under the old order of things, to twenty wars, as spreading and bloody as the Thirty Years' War, or the Seven Years' War—and yet these threatening differences passed harmlessly away, cloud after cloud dissolved as they rose above the horizon, leaving the sky more serene than before. Sir, it is a favorite phrase of those who boast of what is called the “march of intellect,” that things are thus changed because the “schoolmaster is abroad.” But I tell you that something far more effective than the schoolmaster, a mightier than Solomon, is abroad. It is the STEAM-ENGINE—in its two-fold capacity of a means of production and a means of transport—the most powerful instrument by far of pacification and commerce, and therefore of improvement and happiness, that the world has ever seen; which, while it increases capital, and multiplies beyond all imagination the products of industry, brings the most distant people into contact with one another—breaks down the barriers which exclusive legislation would oppose to the freedom of mercantile exchanges—effaces all peculiarities of national character, and promises, at no distant period, to make the whole Christian world, at least, one great family. Sir, the social effects of this great instrument of modern improvement, have been singularly promoted by a branch of industry in which the part of the country, I have the honor to represent, is most deeply interested; and I will avail myself of this occasion to call the attention of the Committee to a view of our Southern institutions, that may not have occurred to it before, or made the impression it ought to make upon them. I beg you, sir, to believe that I do not speak in what is called a “sectional” spirit, for I protest before God that nothing can be further from my heart. But, let not those whose minds have been recently so much inflamed, against what they consider as the abomination of domestic servitude, shut their eyes to the truth. Sir, I allude to the cultivation of cotton, and its effects, through the commerce it fosters, upon the condition of society. Whoever shall write the political history of that invaluable plant, will have a more important work to perform than has ever fallen to the lot of a biographer of statesmen or philosophers. I will venture to say, without going more into details, that the single circumstance of bringing the wonderfully cheap fa-

brics produced by modern machinery, within the reach of even the humblest of the laboring classes, of substituting decent and comfortable raiment for the few scanty and filthy rags—the squalid exterior, which makes poverty not only more painful, but at once more humiliating and degrading to its victim, and more disgusting to others than it ought to be, will signally contribute to elevate the condition of the poor in the social scale—to raise their self-esteem, and to increase the sympathy of others for them—in a word, to make them feel themselves men, entitled to a place among men—not pariahs and outcasts, whose contact is contamination. A people well clad and well housed will be sure to provide themselves with all the other comforts of life; and it is the diffusion of these comforts, and the growing taste for them, among all classes of society in Europe—it is the desire of riches, as it is commonly called, that is gradually putting an end to the destructive and bloody game of war, and reserving all the resources hitherto wasted by it, for enterprises of industry and commerce, prosecuted with the fiery spirit which once vented itself in scenes of peril and carnage.

But, sir, the result of all this is, that very inequality of wealth, that accumulation of vast masses of it in a few hands, against which we have heard so much said lately, as if it were something inconsistent with the liberties, the happiness, and the moral and intellectual improvement of mankind. Gigantic fortunes are acquired by a few years of prosperous commerce—mechanics and manufacturers rival, and surpass the princess of the earth in opulence and splendor. The face of Europe is changed by this active industry, working with such mighty instruments, on so great a scale. I have travelled in parts of the continent which the spirit of gain, with its usual concomitants, industry and improvement, has invaded since the peace, at an interval of fifteen years, and been struck with the revolution that is going on. There is a singularly beautiful, though rather barren tract of country, between Liege and Spa, where, in 1819, my attention had been principally attracted by the striking features of a mountainous region, with here and there a ruin of the feudal past, and here and there a hovel of some poor hind—the very haunt of the “Wild Boar of the Ardennes”* in the good old times of the House of Burgundy. I returned to it in 1835, and saw it covered with mills and factories, begrimed with the smoke and soot of steam-engines; its romantic beauty deformed, its sylvan solitudes disturbed and desecrated by the sounds of active industry, and the busy hum of men. I asked what had brought about so great a change, and found the author of it—a man having a more numerous band of retainers and dependants than any baron bold of the fourteenth century, and in every respect more important than many of the sovereign princes on the other side of the Rhine—was an English manufacturer, who had established himself there some twenty years ago, without much capital, and had effected all this by his industry and enterprise. Such, sir, is the spirit of the age—of course, in this young and wonderfully progressive country, it is more eager and ardent—and therefore occasionally extravagant,—than any where else. But it is in vain to resist it. Nay, I believe it worse than vain. It is evidently in the order of nature, and we must take it with all its good and all its evils together. The great design of Providence, in giving to the most active and enterprising of all races, a new world to possess, to build up and to adorn, are not to be thwarted by our policy, even if we thought it good policy to thwart them; all the instincts of that race would revolt at a system, which would disappoint its high destiny.

*See Quentin Durward.

Mr. Chairman, I have made these general remarks, because, as you will have perceived, they have a direct and important bearing upon the collateral issue presented by the advocates of this bill, though not in the bill itself, as something to be accomplished hereafter. In a country so much governed by opinion, it is all important that opinion should be enlightened; and errors uttered by distinguished men in high stations, and surrounded with whatever talent can contribute to render them seductive and imposing, cannot, without public detriment, be suffered to pass unnoticed. On this occasion, as I have already intimated, it is far less the measure proposed, than what I consider as the *quo animo* of its advocates here and elsewhere, that has excited my alarms and my opposition. But I have objections which I will now proceed to state, to the policy of the bill itself.

There are two very distinct questions presented to the committee. The first is, shall the revenues be collected only in gold and silver; the second, how shall they when collected, be kept, and disbursed: shall *Sub-Treasuries* be established by the Government, or shall banks be employed for that purpose as heretofore—and if the latter course be preferred, then shall the banks be allowed the use of the public deposits, or shall special deposits only be made with them. It is very evident that these propositions have no necessary connection with each other, and that either of them may be approved or rejected, by those who do not reject or approve the other.

As to the collection of the revenue in specie, my objections are by no means so strong, or I should say so vehement now as they were at the opening of the session, when gold and silver were selling at a premium of nine or ten per cent. At that time it appeared to me that such a measure would have been a mere wanton act of oppression upon the people of the States, for no earthly good purpose whatever. It would have been simply authorising usurers and money brokers to lay upon the importers, and through these upon the consumers of foreign goods, that is to say, upon the public, and especially upon the planters of the south, a tariff of duties in a good degree arbitrary, for their own benefit and that of the functionaries of the Government. Believing as I did, and do, that the paper circulation of the country, from the great and sudden contraction in consequence of the panic, was rather too much reduced than redundant, I confess, as I said on a former occasion, I could not see that justice, at least that equity and good conscience, made it imperative upon us to resort to so stern a measure; especially as the idea of furnishing by that means a broader metallic basis for our circulation, had proved itself to our very senses to be completely fallacious. We all now see, that not a dollar collected by the Government, and disbursed by its creditors, circulates for *one* moment as money, but is carefully hoarded and sold as merchandise; and that will continue to be the case so long as, from any cause whatever, exchanges shall be unfavorable to the country, is equally evident.

I admit that since the fall of the price of gold and silver to five per cent., this objection loses somewhat of its weight, but it loses none of its truth. The same law of currency now operates, though in a mitigated degree, to make it an objectionable measure to repeal the act of 1816, and so to discredit, *pro tanto*, all bank notes in perpetuity. Yes, sir, to organise panic and perpetuate distrust, so far as your example has any weight. And why do so? What apology have you to make for an act that certainly requires one? What public occasion, what pressing exigency requires it? The message puts the subject, I admit, in a very specious and captivating form—it supposes the case of a war, and the Government to find its whole treasure suddenly turned into bank credits; and we are asked whether such a thing

could be borne. But admit that in case of war, the Government would be driven to that and any other measure of equal or even of greater severity. What then? Does it follow that such a system should be unnecessarily adopted in time of peace? But the truth is, that even in time of war, it would make less difference to the Government than is generally supposed. Certainly, some of its operations, distant naval expeditions, and the like, would require gold and silver, and they must be had at whatever price from within or from abroad; but, after all, with such credit as that of the United States now is, it is impossible to imagine that the nation should be embarrassed even for a single moment, by the failure of its banks to pay some millions in gold and silver. Look at England in the eventful period between the suspension of payment in '97 and the peace of 1815. It is now universally confessed that that measure, and that measure alone, boldly empirical as it was once thought, enabled her to sustain the burthens of that terrible conflict, and to achieve a triumph worthy of her generous constancy under misfortune. I do not therefore see how, even the necessities of war would compel Government, abounding in such resources of public credit as no other Government ever enjoyed, to resort to a measure so novel, so harsh, so inconsistent with the established order of things in the country, and with all the habits of the people.

But the great objection with me is, that which appears from a passage quoted by the gentleman from Virginia, (Mr. Garland,) to have presented itself to Mr. Dallas, in 1815. You will do some harm by refusing bank paper; considering how little specie there has ever been in this country, you may, by requiring it to be paid to you in a large amount annually, make it always an article of merchandise; you will thus permanently discredit bank notes, and render impossible the restoration of their convertibility. But that is not all; even should this mischief not ensue, you at least, by thus rejecting them, to the whole extent of your transactions, abandon the currency to its fate under the administration of the States. You make no efforts, you exert no influence to maintain its purity and uniformity, by distinguishing between corporations which redeem their notes, and those which are notoriously insolvent. You proclaim your distrust of all of them alike—you write it in your statute-book—however disastrous the condition of the monetary concerns of the States may be, through want of skill or want of concert, you leave them to themselves, and that, when standing in the most intimate and the most commanding relation towards them, you might, if you gave yourselves the least trouble about the matter, exercise a most salutary control over them, and remedy these great inconveniences for the benefit of us all. For, sir, it is not enough to say you have no *power*, strictly so called, under the constitution to regulate the currency. I admit that you have none. What then? Have you no *influence*—influence of example—influence of precept—influence of authority—influence of patronage—influence of connection and custom in business, in the use of these very deposits? Has not the constitution provided that all defects in our institutions shall be corrected by amendments regularly recommended and introduced, and is it not one of your duties so to recommend and introduce them?

Why do you not urge upon the States any reform you may judge necessary in the matter? I appeal to every one that hears me, what he should think of an individual, who, possessing immense influence in a community, with an income of many millions a year, should, in a time of trouble, coolly withdraw himself from society, and hoard his money, like a usurer in a commercial panic, waiting until the extreme necessities of his neighbors shall throw them upon his mercy? Is this the morality we are taught in our private relations?

Shall nothing be expected from him to whom so much has been given? Shall he hide his light under a bushel? Shall he bury his ten talents in the earth, and escape condemnation as an unprofitable servant? And shall that be right in a Government, which, in a private person, shocks the moral sense of all mankind? in a Government standing towards the people of this country in relations so very peculiar! Sir, what answer would you have to give to the States, if in a moment of public calamity, like that which is just passing away, feeling their distresses aggravated through your harsh exactions of what their people had not to give, appealing in vain to you for succor or for counsel, they were to hold to you the language which indignation and astonishment would naturally inspire, under such extraordinary circumstances? If they were to say to you, "We have done every thing to exalt and to magnify you—we have clothed you with authority and awe—we have armed you with mighty powers, with the axes and fasces of supreme jurisdiction—we have surrounded you with all the glorious equipage and pomp of empire, endowed you with a vast treasury, with fleets, armies, senates, judges—that palace, these gorgeous domes—this *capitolium fulgens*—what for? that you should renounce all community of interest, all sympathy with us? that there should be no ties of affection or of duty between us! that you should ostentatiously proclaim yourselves, as your worst enemies have sometimes alleged that you are, a *foreign* Government in the midst of our country, and even avail yourselves of a moment of cruel revulsion and calamity, to make us feel that you are so in spirit and in truth!" Sir, I do not know—I cannot conceive, how such a course should fail to strike every body as a perversion of all the eternal obligations of morality, which are and ought to be as binding upon communities as upon the individuals that compose them—how gentlemen can, at such a moment as the present, entertain, without emotion, the strange proposition, that this Government should bury itself, like Sardanapalus, in a selfish repose, a degenerate and inglorious indifference to all the interests of the country: or, if I can make such a comparison without shocking them too much, that, like Nero, it should fiddle while Rome is burning.

Agreeing, then, sir, with the Executive in the principles laid down in the Message, I differ with it in the practical inference deduced from them.—In the division of power between the Government and the States, I think with it, that all that is required to meet this emergency has not been given to the former. But the inadequacy of our powers is no excuse for not exerting them to the uttermost for the public good, especially as there is reason to think that the convention did not foresee the present state of things. We can do much, if we cannot do every thing. The occasion calls only for a good will and a moderate share of practical ability; and I have no hesitation in saying, that among the existing banking institutions of the country, can be found ample means of accomplishing the two great objects of restoring specie payments, and maintaining hereafter, in all ordinary times, a convertible currency, which is all that we can expect to do.

Sir, I do not wish to be misunderstood. It is of the utmost importance, that the paper of the banks should not only not in fact be depreciated, (as I believe is actually the case,) but should be able to stand the only sure, and to the public at large, satisfactory test of that fact—I mean *convertibility* into specie. I am fully aware that the accident of a failure in the means of making their payments in the precious metals, is one against which, according to the course of modern commerce, there can be no complete security; and that nothing can be more absurdly exaggerated, than the importance attached to that occurrence, by persons not familiar with the principles of

banking, when it happens in consequence of an extraordinary demand from abroad, or a sudden panic within. Nay, more, I admit that the most usual effect of a great revulsion in trade, is to throw much paper out of circulation; to contract the currency, and so to bring down exchanges and prices, and raise the value of the money that remains in the hands of the public. But a suspension of specie payments, though it may not be a *present* evil, is always fraught with danger. It is the indispensable duty of a statesman to put an end to it as soon as possible, either by encouragement or by compulsion. It is for this, among other reasons, that I so cheerfully acquiesced in the issuing of Treasury notes; inasmuch as it relieved us from the necessity either of directly refusing to take the paper of the banks at par, or, by receiving it, (as we might otherwise very safely have done,) of betraying those companies into an impolitic enlargement of their issues, before the balance of payments had been turned in our favor—as I hope it will be by the coming crop. I regarded it as an excellent temporary expedient for avoiding, at present, this choice of evils. So far, I think nothing more unfounded than the general charge of insolvency against all our banks, which is so inconsiderately uttered by the press, and in debate, as well as the assertion repeated over and over again, on this floor, that the country is laboring under an excessive and depreciated currency. It is not yet so; but it will, I fear, very soon be so, if the banks do not make an effort to return to specie payments in the course of a few months. Now is the time to do so: now, that their issues are contracted; that importations have been checked; that exchanges are become more favorable; and, that the great southern crops are about to be sent forward to make them still more so. Let every one interested in the fate of these institutions, as well as in the commercial prosperity of the country, exert whatever influence he may possess, to bring about that result; and to deliver the banks from the temptations to dangerous excess, to which the return of an active and prosperous business will inevitably expose them, if they do not, once more, lay themselves under the restraint of convertibility.

Sir, should they unhappily take a different course, and should this Government, after using all its influence and authority, to establish the currency of the country on a better footing, fail of success in its most zealous endeavors, I admit that it may be driven to the necessity of taking care of its own business and creditors, by independent legislation of its own. There is no doubt that a *variously* depreciated currency cannot be tolerated as the *settled system* of the country. The ports of one State cannot be preferred to those of another, in this way, any more than by an express statute to that effect. Nor can the public creditor be justly paid in money *really* depreciated,—I mean not in reference merely to gold and silver, which are themselves liable to great fluctuations in value, but to the general mass of commodities that compose the conveniences and necessaries of life. The effects of a redundant currency, when once they begin to be distinctly perceived, are counteracted by a general rise of prices. Money is twice as easy to be got, but you have to pay twice as much for every thing which it buys. But there is one class of persons who have no means of indemnifying themselves by raising the nominal value of their property or their claims. It is the class of those who live on fixed incomes—annuitants, fundholders, functionaries of States, pensioners. They are paid a certain *sum*, and with every diminution in the *value* it expresses, they lose just so much of what they are fairly entitled to. In this view of the subject, therefore, it is quite clear, that Government is under the highest of all moral obligations to see that their dues be not paid them in what is really worth a great deal less than it purports to be.

What I have hitherto said relates to the first question propounded by the bill on your table—shall gold and silver only be received in payment of government dues. As to the second inquiry, Sir, whether the revenue shall be kept by officers of our own, or by the banks; and if the latter, whether, in the shape of special or general deposits, so much has been said, and so ably said, upon that head, against the system recommended by the message, that I am very little disposed to trouble the committee with any additional remarks in regard to it. Were I driven to make a choice between the two plans referred to, I should, as at present advised, greatly prefer that of a special deposit, on a small commission, as at once the safest, the cheapest, and most simple—as departing less from our previous customs, and not being so liable to the great practical objection of going permanently to increase the already enormous and disproportionate influence of the Executive power, which, beyond all doubt, far exceeds any thing that was anticipated by the founders of the Government, and seriously threatens to disturb, if not to subvert, the whole balance of the constitution. I need not say that I have no reference whatever to the present, or any other individual incumbent. I speak of the operations of great general causes, and of a system, whose effects are almost entirely independent of the will of man. Another very grave objection to the scheme reported by the committee, is its resemblance, or, at least, its fearful leaning to that of a great political Bank of the United States, of which a justly celebrated report of one of my predecessors, upon this floor,* demonstrated, some years ago, the dangers and inconveniences, as I have always supposed, to the universal conviction of the people. But although I should prefer the special deposit system to that of the committee of ways and means, I am not yet prepared to adopt it. That immense benefits have been conferred upon the country, by adding to its productive capital, the large amounts of public money, which would otherwise have lain dormant in the Treasury, does not admit of a question. I will venture to say that in the course of the half century that has elapsed since '89, countless millions have been the fruit of this truly paternal and beneficent system. Our predecessors, Mr. Dallas among them, seem to have been deeply impressed with this view of the subject. They seem to have felt themselves bound to render our system of taxation, which, even in its mildest form is, in fact, a *confiscation* of private property for public uses, as little burthensome as possible to the community. Sir, whatever we may think of the policy of pursuing their footsteps any further, no one can deny that they are entitled to the gratitude of the country for the past; and I, for one, am too sensible of the benefit, to throw it away without very mature consideration, unless under the pressure of a cogent necessity.

But we have been told, sir, that far from being an innovation, this mode of collecting the public revenues was universal from the earliest times until the beginning of the last century—that is to say, until an age of philosophic light and diffusive civilization, at which another good old plan, established from time immemorial, the burning of witches and heretics, unhappily ceased too. This coincidence certainly appears to me to be entitled to some con-

* Mr. McDuffie. Report of the Committee of Ways and Means, in 1831. Mr. Gallatin remarks of this system of Sub-treasuries, presented as an alternative to a Bank of the United States, in his celebrated pamphlet on that subject, that "with the exception of the power of receiving private deposits, the object of which provision is not perceived, this is precisely the species of National Bank which has been suggested in the President's last Message, (1830.) The question whether the purchase of drafts would, as we think, be a charge on the treasury, or prove, as seems to be expected, a source of profit, is one of secondary importance. It is sufficient to observe that the issues of the State Banks could not, nor indeed is it expected that they could, be checked by this plan."

sideration; the committee will see, that in the matter of innovation, going back too far is at least as dangerous as going forward too rapidly. But there has been another reference to the examples of the past which struck me still more forcibly as a most extraordinary perversion of the lessons of experience. Sir, I do confess to you, that before any discussion had taken place in either part of this Capitol, on the subject before you—long before I had heard of that allusion to the *Quæstor*, referred to the other day by my eloquent friend from New York, (Mr. HOFFMAN)—at the bare stating of this project in its first conception and most general outlines, certain images presented themselves to my mind, and have ever since haunted it, in spite of all I could do to banish them. They were ideas that in my simple way of considering such matters, shocked and alarmed me—ideas of Roman conquest and Asiatic despotism. I thought of that most fearful of all things, a vast empire, with power centralized at its capital, with commerce centralizing by the inevitable course of trade, which always and every where tends to centralization, at some great emporium, with its revenues collected only in gold and silver, to be hoarded, as was the way at Rome and Babylon or Persepolis. I fancied I could see one of the Proconsuls or Prætors—the Bashaws of the Republic, as Montesquieu so justly calls them—Verres, for example—going forth with that same *Quæstor*, surrounded with an army of *publicans* or farmers of the revenue, to gather the dues of Rome in some devoted province—another Sicily—as dues were wont to be gathered by the Satraps of that military commonwealth, that is to say, wrung with their blood from subjugated nations, whose pleasant places were laid waste, without remorse to glut the rapacity of conquest. Sir, I little imagined that such a system would have been cited, nay, alluded to, in this age, except with a view to inspire the horror and execration it is so well calculated to excite. Roman example! “The Demon City,” (as it has been well called by a writer of genius,*) whose whole history, from beginning to end is a tragedy far deeper and more dreadful than the tale of *Œdipus* or the *Atridæ*, and leading to a catastrophe of an awful political justice. Why, sir, there is nothing in the annals of Mongolian conquest, worse than the ravages perpetrated by her consuls—by Mummius, Paulus, *Æmilius*, Sylla—in some of the fairest and most civilized portions of the earth. There were flourishing countries, whose fertility and population were exhausted by a perpetual drain of corn and gladiators to feed her lazy and licentious populace, and amuse them with the unutterable atrocities of her amphitheatre. And what was the end of all this misrule? Weakness, poverty, desolation, barbarism—the Goth, the Vandal, the Hun. Yet long before the footstep of a barbarian had been impressed upon the soil of the empire, as Gibbon has well remarked, long before that scourge of God, under whose horses’ hoof the grass was said never to grow again, had been sent to avenge the wrongs of mankind, in the course of half a century after Constantine had founded a new Rome, whole tracts of fertile country had been completely depopulated and abandoned. Even of that paradise of all this earth, on which poetry and panegyric have been exhausted in every age, in all languages, the *Campania felix*, a very considerable portion was become a waste. Nor, sir, was this owing to the despotism of the Cesars, as an excellent writer has well observed,† in reference to this passage of the “Decline and Fall,” and as this committee will do well to remark. There co-operated with that misgovernment, a curse which has been said, and is thus proved, to be worse than “the inclemency of the seasons and the barrenness of the earth;”‡ a *decreas-*

* Herder. † Jacobs. ‡ Ad. Smith.

ing currency. The supply of the precious metals had been for upwards of two centuries continually diminishing, while the quantity of them sent in quest of luxuries to the East, to return no more, had been increasing in the same proportion, and a revenue of £15 or 20,000,000 was constantly levied in gold and silver, to be expended at a distant capital, or on the frontiers. This important fact speaks volumes to us on this subject. It is unquestionably true that one of the greatest calamities of the delinquent empire, was a circulation diminishing so frightfully that the pay of a general in the third century was nominally not higher than that of a private had been in the reign of Augustus.* So much for the ROMAN SUB-TREASURY SYSTEM, and the example of the Quæstor!

But, sir, another objection to the present system is that it leads to *fluctuations* in the currency; and that brings me to consider the general effects of the CREDIT SYSTEM upon the prosperity of the country.

I begin by admitting that there is something in this objection, but by no means as much as is thought by persons who have not very attentively considered the subject. Undoubtedly if your revenue, instead of being uniform, or at least varying very little from year to year, be permitted to fluctuate extremely—if a great surplus like that of which you disposed last year is to be allowed ever and anon to accumulate, and then to be withdrawn from one depository and scattered among many others; to be again suddenly withdrawn from them, and ultimately distributed without reference to the wants of commerce and the course of business, but on merely arbitrary principles, among the States—if such financial blunders are to be repeated often in our future policy, we should do well to confine the effects of them within as narrow limits as possible, and even a system of hoarding might, in such a case, perhaps, do less harm than all this vexatious irregularity, and uncertainty. But in the first place, whose fault was that? Whose legislation occasioned that preposterous accumulation? Whose unequal and oppressive tariffs extorted from commerce the vast sums which were afterwards to be lavished upon it with such intoxicating effects? Yours, Sir,—this House, this Congress is responsible for whatever mischiefs grew out of that strange anomaly. Let the blame light upon the heads of the guilty. I trust in God we are not destined soon to see another such surplus—and if we should, most certainly I should expect proper precautions to be adopted to prevent its operating again so powerfully to derange the business of the country. But what sort of argument is it against the comparatively moderate deposits made in the ordinary course of things by the Government, to recompense the banks for their services as fiscal agents, and make taxation less oppressive, that an enormous accumulation like that referred to, so capriciously disposed of, so violently transferred from one place of deposit to another, produced much evil? And here, Sir, I beg to ask gentlemen, whether it has ever occurred, to them to imagine what would have been the effect—what would always be the effect—of such an accumulation, *if it had been in gold and silver?* What if our revenues should ever again amount to what they were in 1815? Will any man undertake to say, that the abstraction from the circulation of the commercial world of so large a sum as forty or fifty millions of specie, would not, at any time, occasion a serious derangement of business and fall of prices abroad, attended with all the usual evils of such an event? I shall advert hereafter, more particularly to the important subject of the supply of the precious metals for the purposes of commerce; but I here call the attention of the committee to a view of

* Herder.

it, that is entitled to their profound consideration. If I do not greatly err in all the conclusions to which I have been brought by my researches in this matter, no calculation can be made of the effect which the adoption—I will not say of the “hard money system,” but of any system whatever, calling for a much greater demand of the precious metals—might have upon the state of trade.

Sir, I have said that the importance of these fluctuations in the paper currency of a country, have been very much overrated. Some people seem to think an expansion in the circulating medium, must always be attended with a sudden rise in prices and a spirit of extravagant speculation. But it is not so. Mr. Tooke has shown that these two things have in fact very seldom coincided—that speculation depends in the first instance, upon moral causes wholly unconnected with the state of the currency; and, although an abundance of money may, and does aggravate the evil where it exists, yet, by itself, it never leads to any excitement. Take any example of a commercial crisis you please, and you will find that there were extraordinary circumstances which acted on the imaginations of men—florid pictures of general prosperity, bright visions of possible success in new channels of trade, and adventures as yet untried. There is a remarkable proof of this in the terrible convulsion in England in 1825, the most serious perhaps, that she has ever passed through. In 1822 there was a most depressed state of prices below the cost of production. The lowering of the interest on an immense amount of Government stock in 1823 and '24, engendered an impatient desire of more profitable investments. Then came the acknowledgment of the independence of the South American States, with hopes of advantageous loans to the new Governments, of great mining speculations, and of a vast extension of all branches of trade, upon which, that great political event, it was supposed, could not fail to produce sudden and incalculable effects. The spirit of adventure thus awakened, soon spread itself abroad over every department of commerce, and a moral epidemic, as it has been well termed, broke out, such as no policy of government, of free government at least, could possibly control. But the same excitement would have occurred, had the circulation of England been metallic; and, Sir, a proof of it is to be found in the fact that owing to a long series of good harvests, and to the preparations which the Bank of England had been making to substitute gold for the small notes which still circulated in 1824, her treasure was unusually large, (something like £13 millions, instead of £10, its regular maximum,) and so far as her issues had any thing to do with exciting the spirit of circulation, it was not a deficiency, but an excess of bullion that occasioned the mischief—just as was the case in this country during the last two years. I say, Sir, this spirit of speculation is incident to the adventurous operations of commerce, and it makes no difference whether those operations be carried on in specie or in paper. The Gentleman from Pennsylvania who sits near me, (MR. SERGEANT,) anticipated me in citing the example of the famous bubble year in England, (1721,) when, as he justly remarked, the circulation of that country might be considered as almost exclusively metallic, for the issues of the bank were what they had been for some years before, only about £2 millions, and not more than half what they were a few years after, in a state of perfect calm. But I will add another instance, a most memorable and instructive one, from our own history. If this country has ever been blessed with a purely metallic currency, it was shortly after the peace of '83, and from that epoch, until the establishment of the first Bank of the United States; and, sir, if a man were called to point out that era in its history in which its pecuniary condition was most deplorable, he would

without hesitation, name that. There was a want of money, even to transact the ordinary business of life; a good portion of the little trade left us was carried on by barter;* industry was languishing for want of the means of exchanging its products; nobody had any credit; all was embarrassment, despondency, and gloom. In the midst of all this distress, there was a cry, not for hard money, as in the present crisis—they had enough of that, in one sense, at least—but for the good, old fashioned paper money issued by the States—and the discontents of some of the boldest and most active spirits of New England broke out into open revolt against society, and seriously threatened its overthrow. Sir, never since we have been a people, have we passed through a period so full of perils of all sorts! Never was the morality of the nation put to so severe a trial; or its peace and its institutions, and its destinies brought so near to the very edge of the precipice. And what was the immediate cause of all this intense pecuniary distress? Speculation, Sir, far wilder, in proportion, than any that has since occurred. We had imported in the two first years after the peace, a large amount, \$30,000,000, against exports of some eight or nine millions. Look into Pitkin's Statistics. And yet with a fact from our own history, so important, so authentic, so full of instruction on all the points involved in this discussion, you hear able and leading men speak of the spirit of speculation, as something inseparably connected with paper money alone. No, sir, it results from what is called the "course of trade," in its perpetual round of quiescence—improvement—increasing confidence—prosperity—excitement—over-trading—convulsion—stagnation—pressure—distress—ending in quiescence again.† Nor is it by bank issues, even where banks most abound, that it is supplied with the means of compassing its object. In 1825, it is said that mercantile paper, to the amount of near \$600,000,000, was negotiated in London. Mr. Rothschild mentions that his house received in the course of two months, bills to the amount of a million and a half,‡ while the circulation of the Bank of England, and the country banks together, did not exceed thirty millions. It is *commercial credit* and private loans, that at such periods encourage and sustain those great and perilous operations—not banks, not bank notes, not redundant currency, strictly so called.

But if banks do not occasion such excitements, they, on the other hand, greatly mitigate the effects of the revulsion that follows. We had no banks in this country in '86, to help the people in their distress, as the Bank of England aided and saved the commercial community of England in 1825.

But let us look a little more closely into the causes of the late excitement in the moneyed and commercial interests of this country. In my opinion, they have been too partially considered, and we have added to our other misfortunes, mutual reproaches, which are certainly, (I speak it with the profoundest deference for the very able persons with whom I differ,) not all of them well founded. The merchants as a body, have been censured for imprudent and profligate speculation. They, in turn, accuse the Government, of a wanton and even wicked tampering with the great interests of commerce, which Governments seldom touch without doing some mischief. Sir, I do not think this a fit occasion for angry recrimination, and having been absent during the conflict, to which I allude, I desire to mingle as little as possible in the passions of the past. I must say, however, that I incline to believe, more importance has been attached to the *Specie Circular* in a mere *economical* point of view—I say nothing of its *political* character—that it deserves. I do not mean to affirm that it had not its share in add-

* Washington's writings, Vol. IX. Hamilton's Report on the Bank in '90.

† Mr. S. Jones Lloyd. ‡ "Minutes of Evidence," &c. in 1832.

ing to the embarrassments of the money market *after* the revulsion had begun. But the tide had turned before. That paper was issued here on the 11th of July, 1836. Now as early as the 1st of July, the Bank of England had felt itself constrained to adopt a course which led to an instant fall of prices, and this fall of prices was in a short time as much as 20 or 30 per cent. Mr. Horsley Palmer, in the pamphlet already alluded to, admits the fact, and justifies the proceeding. *Habes confidentem reum.** Now, sir, be pleased to consider what frightful havoc a loss 20 or 30 per cent. on 1,500,000 bales of cotton alone, would occasion in the commercial world, especially when such a terrible *deficit* happens to be accompanied by a contraction of bank issues and great scarcity in the money market, *at a period of prodigious excitement in every branch of trade*, (for it is *then* only that contractions are dangerous,) and of speculative investments in every sort of enterprise. The Bank of England, through its deputy governor, alleges in justification of its course, that its treasure which was just beginning to recover from the drain occasioned by speculations in Spain and Portuguese funds during the year 1834—another phrenzy of the times, that led to a catastrophe which I witnessed in the spring of 1835, and in *hard money* countries too—was again reduced by drafts made upon it for various purposes in America to the amount of £2,600,000. Of this amount £1,200,000 was borrowed for the Bank of the United States, the rest came over to be laid out, no doubt, in canal and railway or bank stock; or, to supply, as Mr. Palmer supposes, the vacuum in our circulation occasioned by the prohibition in some of the States of small notes, or the new demand for gold consequent upon the change introduced by the gold bill in the session of '35. Sir, as the guardian of the currency of England, the bank was, no doubt, on strict principle, justified in pursuing that cautious policy, in imposing a salutary check upon speculation; but I have very great doubts whether it did not go too far; and whether its sudden and rather violent interference with the natural course of things, has not been attended, in England as well as in this country, with evil consequences that might have been avoided, or at least very much mitigated, had exchanges been left to correct themselves, as they have a natural tendency to do. It is a circumstance worthy of the particular attention of the committee—and I advert to it to show that nothing can be more unjust than the charge of profligate speculation made against the great body of our merchants, (however, individuals may deserve censure,)—that from 1831 until late in the autumn of 1836, exchange with Europe never fell below, and was often much above *par*, although the apparent balance of trade was during that period steadily and greatly against us. Sir, this singular phenomenon is now satisfactorily explained. We know that it was owing to immense investments of British capital (much of it, no doubt, sent over in the shape of goods,) in the United States, quite independent of the ordinary commercial balance. For example, a run was made upon the Bank of England in May, 1832, during the agitation that accompanied the passing of the Reform Bill, to the amount of £2,000,000; which never returned to the bank, and was supposed to have been hoarded, but which I believe came hither. This circumstance was at the time, attributed to a political trick to prejudice the minds of the people against the great measure then before Parliament. I have reason, however,

* The Causes and Consequences of the Pressure upon the Money Market, with a statement of the action of the Bank of England from the 1st of October, 1833, to the 27th of December, 1836, by J. Horsely Palmer, Esq. London, 1837.

"The fall in prices of almost all the leading articles of raw produce, (sugar, coffee, tea, silk, cotton, &c.) from the 1st of July last, when the rate of interest was first advanced has, not been less than from 20 to 30 per cent." p. 23.

to know, that the panic was by no means feigned—that apprehensions of revolution were seriously entertained by many of the higher classes in England—and, as the payment of our national debt and our immense prosperity, had called the attention of European capitalists to this country, large amounts were sent hither, not only in quest of higher interest, but as a safer investment than could be made at home—for in the present state of the world, capital will go abroad in spite of all the contrivances of Government, recommended, I regret to say, by Mr. Palmer, to prevent its seeking more profitable employment there. We know all this *now*, and we see what this vast influx of British gold and British credit had to do with prices and speculation here—but who saw it then? How was the merchant to know what was at hand? that the ground upon which he stood, or thought he was standing, covered an abyss that was so soon to open and swallow him up—that the scene of most flattering prosperity which had for five years excited and entranced his senses, was to vanish like a dream at the touch of a foreign power?

A great many circumstances conspired to keep up the delusion, and even some which one might have thought would produce the very opposite effect. Thus the removal of the deposits, and the panic and contraction in 1834, consequent upon that measure, led to further importations of the precious metals, and accordingly it appears that there was an accession of nearly 12 millions of specie in that single year. A metallic basis was thus formed for the inordinate number of banks chartered by the State legislatures, to supply the place of the United States Bank; and still greater aliment was added to the spirit of speculation, already excited by the high prices of produce in England, and the unprecedented demands for the public lands in the West by emigration from abroad. The idea that an excessive circulation was the sole cause of all the mischief, an idea encouraged both by the friends of a national bank, and by the enemies of all banks, appears to me entirely fallacious. It is vain to state, as is so continually done in such discussions; the amount of currency at one period, and to compare it with that amount at another, without *any reference to the amount or the prices of the commodities it has to circulate*. No sound inference can be drawn from the naked fact of such a difference. For instance, had the price of produce not fallen in the English market; had the cotton crop been worth \$80 or 90,000,000, instead of being fallen to half the former sum, it is manifest that it would have required, *ceteris paribus*, twice the amount of circulation to effect the usual exchanges in it. Not only so, but in periods of great excitement, it is not merely the products of our industry that we sell, it is not simply the annual income of the land and labor of the country that is exchanged, but the very soil itself, the whole country with all that it contains, is in the market. This to the extent to which it is carried, is a peculiarity of our people. Sir, I do not mention this as a very prepossessing or honorable *trait* in our character—I mention it simply as a *fact*. We have no local attachments, generally speaking—nothing bears the *pretium affectionis* in our eyes. If an estate, a residence in town, a country seat, rises a little beyond what we are accustomed to think its value, it is sold without any hesitation. Accordingly, there is in such times a capacity for absorbing an expanded currency in this country, greater perhaps, in proportion than was ever known in any other country. I am of opinion, therefore, that prices in the United States, were in general, not relatively much higher than elsewhere during the last two years, except in cases where on the usual relation of demand and supply, it was easy to account for their being so. By far the greatest amount of speculation, too, no doubt was carried on

in private paper. But of course, as soon as a fall took place in that great leading staple commodity in which we pay our foreign debts, and of which the value affects that of almost every thing else in the country, and that, too, to so fearful an amount as \$30 or 40,000,000, the currency became (before the late contraction) at once redundant. It was precisely as if property to the value of 3 or 400,000,000 had been swallowed up in the sea, for it destroyed the income of property to that amount.

From this view of the causes that led to the present distress, I do not see what inference can be drawn from it, unfavorable to the connection that has always subsisted between the Government and the banks. It is one of those extraordinary revulsions, to which the adventurous spirit of commerce will always be exposed, organize your currency as you will, and take what pains you please to diminish the sources of excitement. In this country, especially, holding out so many temptations to foreign capital, so many hopes to enterprise, such dazzling prizes to fortunate speculation, with a people distinguished above all others by their intelligence, sagacity, activity, and boldness in affairs, such periods of crisis and convulsion are inevitable, and no mischiefs which they can possibly do would be half so bad as the only preventive that would insure us against their occurrence, the entire extinction of the spirit that leads to them.

Sir, to the general declamation against banking we have to oppose the experience of the most prosperous nations in the world. There is a country, for instance, whose whole currency is of paper, and where one seldom meets with a piece of gold—whose banking companies, whether with or without charter, subjected to no restraints or control, but such as spring out of the vigilance of a free and eager competition, have for upwards of a century together conducted their affairs with so much skill, integrity, and prudence, as not only never to have occasioned any loss either to the public or the parties interested, but, on the contrary, by the confession of all competent judges, to have conferred the greatest blessings upon both—to have contributed more than any single cause, perhaps, than all other causes put together, to bring out and develop completely all the resources of the land, to foster industry, to animate enterprise, and by an abundant supply of the means of exchange, to turn its capital and labor to the greatest possible account—where, in addition to these economical advantages, they have contrived to exercise a high moral control, a sort of censorial authority, over the community, and especially the humbler classes of it, by bestowing rewards in the shape of credit upon industry and economy, and lending upon good personal character as if it were solid capital, and through a system of cash accounts and interest upon small deposits, have given to the deserving laborer the combined advantages of a Savings Bank and a friendly endorser—a country which has made greater progress, within the period mentioned, than any other in Europe, with an agriculture second (if second) only to that of Flanders, with a flourishing commerce, with manufactures of the greatest extent and the most exquisite refinement—whose cities have almost kept pace with ours, whose whole face in its gladness and beauty bears testimony to the spirit of improvement that has animated her—what country is that? Scotland, Sir. Every body has heard, or ought to have heard, of the Scotch system of banking, and I ask if any thing can be more irreconcilable with the theories so confidently advanced here, than facts connected with its history? I know, Sir, what may be said in reply to this otherwise triumphant example. I am aware that the Scotch banks have in times of pressure, been compelled to lean upon the Bank of England—that objections have been made by high authorities, to the principles on which they have been conducted, and that

other persons admitting their unquestionable usefulness and success, have ascribed it to circumstances which render the system an unfit model for imitation elsewhere. Be it so. But still it is banking—banking on the English plan, with a very inadequate supply, scarcely any supply, of bullion; banking without limitation or control, without any reference or responsibility to government—banking, in a word, with all the defects imputed to that system, in their most exaggerated forms.

But if this example be not satisfactory, let us look at the experience of the two other countries in which the system exists, and exists, as we are told, in its most vicious state—England and the United States. Look at the results. I have no faith at all in speculative politics. A theorist in government is as dangerous as a theorist in medicine, or in agriculture, and for precisely the same reason—the subjects are too complicated and too obscure for simple and decisive experiments. I go for undisputed results in the long run. Now surely a philosophical inquirer into the history of the commerce and public economy of nations, if he saw a people pre-eminently distinguished in those particulars above all others, would be inclined to ascribe their superiority to what was *peculiar* in their institutions; at least whatever might be his ideas *a priori* on such subjects, he would be very slow to deny to any remarkable peculiarity in those institutions its full importance as one of the probable causes of the success which he witnessed, unless he could clearly show the contrary. Then, sir, by what example are we to be guided in such matters if not by that of England—by far the most magnificent manifestation that the world in any age of it, has ever beheld, of the might and the grandeur of civilized life. Sir, I have weighed every syllable that I utter—I express a deliberate conviction, founded upon a patient inquiry and a comparison as complete, as my limited knowledge has enabled me to make it, between the past and present condition of mankind, and between the great nation of which I am speaking and those which surround her. Sir, there is a gulph between them—that narrow channel separates worlds—it is an ocean more than three thousand miles wide. I appeal to any one who has been abroad, whether going from England to any part of the continent—be not descending immensely in the scale of civilization. I know, Sir, that that word is an ambiguous one. I know that in some of the graces of polished society, in some of the arts of an elegant imagination, that in the exact sciences and in mere learning and general intellectual cultivation, some nations have excelled, perhaps, many equalled, England. But in that civilization which, as I have said before, it is the great end of modern political economy to promote, and which is immediately connected with the subject before you; which at once springs out of, and leads to, the accumulation of capital and the distribution of wealth and comfort through all classes of a community, with an immense aggregate of national power and resources—that civilization which enables man to “wield these elements, and arm him with the force of all their legions,” which gives him dominion over all other creatures, and makes him emphatically the Lord of the Universe—that civilization which consists not in music, not in playing on the flute, as the Athenian hero said, but in turning a small city into a great one; in that victorious, triumphant, irresistible civilization, there is nothing recorded in the annals of mankind that does not sink into the shades of the deepest eclipse by the side of England. I say nothing of her recent achievements on the land and the sea; of her fleets, her armies, her subsidised allies. Look at the Thames crowded with shipping; visit her arsenals, her docks, her canals, her railways, her factories, her mines, her warehouses, her roads, and bridges; go through the streets of that wonderful metropolis, the bank, the

emporium, and the exchange of the whole world; converse with those merchants who conduct and control, as far as it is possible to control, the commerce of all nations, with those manufacturers who fill every market with their unrivalled products; go into that bank which is the repository of the precious metals for all Europe; consider its notes as well as the bills of private bankers, at a premium every where, more valuable than specie, symbols not merely of gold, but of what is far more precious than gold, yea, than fine gold, of perfect good faith, of unblemished integrity, of sagacious enterprise, of steadfast, persevering industry, of boundless wealth, of business co-extensive with the earth, and of all these things possessed, exercised, enjoyed, protected under a system of liberty chastened by the law which maintains it, and of law softened and mitigated by the spirit of liberty which it breathes throughout. Sir, I know, as well as any one, what compensations there are for all this opulence and power, for it is the condition of our being that we "buy our blessings at a price." I know that there are disturbing causes which have hitherto marred, in some degree, the effect of this high and mighty civilization; but the hand of reform has been already applied to them, and every thing promises the most auspicious results. I have it on the most unquestionable authority, because, from an unwilling witness, that within the memory of man, never were the laboring classes of England so universally employed, and so comfortably situated as at the beginning of the present year.*

But I said that there was another nation that had some experience in banking and its effects. Sir, I dare not trust myself to speak of my country with the rapture which I habitually feel when I contemplate her marvellous history. But this I will say, that on my return to it, after an absence of only four years, I was filled with wonder at all I saw and all I heard. What upon earth is to be compared with it? I found New York grown up to almost double its former size, with the air of a great capital, instead of a mere flourishing commercial town, as I had known it. I listened to accounts of voyages of a thousand miles in magnificent steamboats on the waters of those great lakes, which, but the other day, I left sleeping in the primeval silence of nature, in the recesses of a vast wilderness; and I felt that there is a grandeur and a majesty in this irresistible onward march of a race created, as I believe, and elected to possess and people a continent, which belong to few other objects, either of the moral or material world. We may become so much accustomed to such things that they make as little impression upon our minds as the glories of the Heavens above us; but looking on them, lately, as with the eye of the stranger, I felt what a recent English traveller is said to have remarked, that, far from being without poetry, as some have vainly alleged, our whole country is one great poem. Sir, it is so; and if there be a man that can think of what is doing in all parts of this most blessed of all lands, to embellish and advance it, who can contemplate that living mass of intelligence, activity and improvement as it rolls on in its sure and steady progress, to the uttermost extremities of the west, who can see scenes of savage desolation transformed, almost with the suddenness of enchantment, into those of fruitfulness and beauty; crowned with flourishing cities, filled with the noblest of all populations; if there be a man, I say, that can witness all this passing under his very eyes, without feeling his heart beat high, and his imagination warmed and transported by it, be sure, sir, that the raptures of song exist not for him; he would listen in vain to Tasso or Camoens, telling a tale of the wars of knights and crusaders, or of the discovery and conquest of another hemisphere.

* Westminster Review for January 1837. Some ascribe the fact to an ample circulation.

Sir, thinking as I do of these things—not doubting, for a moment, the infinite superiority of our race in every thing that relates to a refined and well ordered public economy, and in all the means and instruments of a high social improvement, it strikes me as of all paradoxes the most singular, to hear foreign examples seriously proposed for our imitation in the very matters wherein that superiority has ever appeared to me to be most unquestionable. The reflection has occurred to me a thousand times in travelling over the continent of Europe, as I passed through filthy ill paved villages, through towns in which there is no appearance of an improvement having been made since the Reformation, as I have looked at the wretched hovel of the poor peasant or artizan, or seen him at his labors with his clumsy implements and coarse gear—what a change would take place in the whole aspect of the country, if it were to fall in the hands of Americans for a single generation!

But is it paper money and the credit system alone that have achieved all these wonders? I do not say so, Sir; but can you say, can any one presume to say, that they have not done much of all this? I know that the cardinal spring and source of our success, is freedom—freedom with the peculiar character that belongs to it in our race—freedom of thought, freedom of speech—freedom of action, freedom of commerce, freedom not merely from the oppressions, but from those undue restraints and that impertinent interference of government in the interests properly belonging to individuals, which stand in the way of all improvement in the nations of continental Europe. It is this vital principle, the animating element of social equality, tempered and sobered by a profound respect for the authority of the laws, and for the rights of others, and acting upon that other prominent characteristic of the Anglo-Norman race, the strong instinct of *property*, with the personal independence and personal *comfort* that belong to it—that explains our unrivalled and astonishing progress. But of this rational, diffusive liberty, among a people so intelligent as ours, the credit system is the natural fruit; the inseparable companion, the necessary means and instrument. It is part and parcel of our existence. Whoever heard of CREDIT in a despotism, or an anarchy? It implies *confidence*—confidence in yourself, confidence in your neighbor, confidence in your government, confidence in the administration of the laws, confidence in the sagacity, the integrity, the discretion of those with whom you have to deal; confidence, in a word, in your destiny, and your fortune, in the destinies and the fortune of the country to which you belong; as, for instance, in the case of a great national debt. It is the fruit, I say, of all that is most precious in civilized life, and to quarrel with it is to be ungrateful to God for some of the greatest blessings he has vouchsafed to man. Compare Asia with Europe; hoarding has been the usage of the former from time immemorial, because it is slavish, oppressed and barbarous; and it is curious to see the effect of English laws in breaking up (as they are doing,) that system in Hindoostan. Depend upon it, Sir, all such ideas are utterly alien to our way of thinking—to all the habitudes of our people, and all the interests of the country. My friends from beyond the mountains are familiar with the great principle, the magical effect of credit in a young and progressive country.—They know what miracles are wrought by a small advance of money to enable enterprise and industry to bring into cultivation a virgin soil. They know how soon the treasures of its unworn fertility enable them to pay off a loan of that sort with usurious interest, and make them proprietors of estates rising in value with the lapse of every moment. Compare the great Western country now, with what it was twenty years ago—sell it *sub haste*—and compute, if the powers of arithmetic will enable you to do so, the augmentation of its riches. Sir, this is one of the phe-

nomena of our situation to which attention has hardly ever been called—the manner in which the mere increase of population acts upon the value of property. To be struck with the prodigious results produced in this simple way, you have only to compare the estimated taxable property in Pennsylvania and New York, when it was returned for direct taxation in '99, with the returns of the same property, for the same purpose, in 1813, after an interval of 14 years*—you will see how it is that our people have been enriched by debt, and “by owing, owe not”—how with a balance of payments almost continually against them from the first settlement of the country, they have grown in riches beyond all precedent or parallel.—You will appreciate all the blessings of the credit system—and imagine, perhaps, how this wonderful progress could have been impeded and embarrassed by the difficulties of a metallic circulation.†

But the *fluctuations* of the currency—the ruinous irregularities of bank paper! Why, sir, I have already shown they belong to commerce itself, not to the means which it employs, and that there is no remedy for them. But, after all, what is the sum of the evil? Look again at general results. Tell me not that reactions produce fewer disasters, or less extensive derangements of money and circulation in countries whose business is principally metallic.—It may be so; but what does that prove? If you never soar, you will be in no danger of falling, certainly—but then,

Serpit humi tutus mimiūm timidus que procellæ.

A go-cart may be a very safe contrivance for the tottering footsteps of infancy—but is it thus that manly vigor is to be trained for the dust and heat of the Olympic race? Sir, it is the condition of all that is grand and awakening in nature, to be somewhat wild and irregular. In the moral world, especially, peril and difficulty are the price which Providence exacts of us for all great excellence, and all eminent success. It is in struggling with them that the heroic virtues which elevate and purify humanity, are called forth and disciplined; and it is precisely because our people have been trained in that stern school, that they have effected more, and are now able to effect more, with equal means, than any other in the world. Sir, it is not our currency only, that is obnoxious to the imputation of irregularity. What is democracy, popular government itself? How often has it fallen to my lot to defend it by the very considerations which I now urge on a kindred topic, when foreigners have spoken to me of the disorders that have occasionally checked our history. When they exaggerated the importance of such events, I have reminded them that all human institutions must have their imperfections; and that it is by their general effects in a long course of experience, not by occasional accidents, however striking and important, that they are to be judged. That the absence of restraint, which leads to occasional licentiousness, fosters that bold, robust, energetic, and adventurous spirit, and that habit of haughty self-reliance, and independent judgment, which are the very soul of republican government; which have rendered that form of government wherever it has existed, so illustrious for heroic achievements, and has made every era of liberty in the history of mankind, even in its most imperfect form, an era of flourishing prosperity and progress. Sir, such a people, as has been said of beings of a higher order, “live throughout, vital in every part.”

All head they live, all heart, all eye, all ear,
All intellect, all sense.

This is the great secret of our superiority, and of that of every free peo-

* Pitkens Statistics, 1835. † Mr. Gallatin's Pamphlet, p. 68.

ple—not the forms of a constitution, not the outlines of a system, not mere organization—but the principle of *life*, the all-pervading animation and vitality that informs the whole body politic, and gives it the warmth, and strength, and activity—the winning graces and expressive countenance of a man, instead of the cold and repulsive stillness of a painted corpse. Jury-trial is another of these irregularities—liable, undoubtedly, to much criticism in detail, scarcely susceptible, as a judicial institution, of a strict defence in theory—yet what should we think of a reformer that should propose to us, the abolition of a system so full of practical good, because it was unknown until recently, any where but in England, and often leads, as it certainly has often led, to great abuse and injustice.

But, then, it seems, our banking system is an innovation, introduced only a century and a half ago, and deviates from the primitive model of the Bank of Amsterdam,—the *honest* system, as it is called—and that instead of lending money, it lends merely credit.

As to the idea of its being an innovation, I would just remark, that it had its origin at that great epoch of human improvement, as I must still be allowed to call it, when mankind ceased to cut each other's throats for differences in religion, and began to make war for colonies and commerce—an era perfectly familiar, as such, to every one that has studied history philosophically. But there is something more in the historical reminiscence than the mere fact just referred to. If the comparative effects of Dutch and English banking are to be judged by the event, what an instructive lesson is to be drawn from a parallel between those two powers, at the close of the 17th century, and their relation towards each other now! Where is Van Tromp? Where is de Ruyter? What is become of the mighty fleets which disputed the dominion of the seas with England and France? Poor Holland! her defenceless ports, blockaded by British squadrons—her court browbeaten by British diplomacy—shorn of all her strength and glory, she seems almost sinking again into the waters out of which she merged. So much for the innovation. But what is the objection to the system? Let us understand each other. I will put a case. The quantity of the precious metals required in any transaction, or any number of transactions, between two countries, (or two individuals, for it comes to the same thing,) depends not only upon the balance of payments between them, but also in the *confidence* they have in each other. Thus, Hamburgh imports corn for England in a season of dearth, from Prussia. If trade be prosperous and the world at peace, she will probably pay for this corn by a bill at six months, with interest, and when the time comes for meeting her engagement, she will do so by sending to Danzig a cargo of colonial produce.* But should the times be such (from war, commotions, &c.,) as to make commerce uncertain, or to impair credit, the purchase can be made only for cash, and paid for in gold and silver. Now, sir, commerce being a mere exchange of commodities, every body must see, at a glance, that it is very much more promoted by a state of peace and order, than by one of war and commotion, by a state of confidence, than by one of distrust, by a state of things that admits of payments in bills, than by one that requires payments in cash.* In a simple operation, like the one described, this is quite manifest, and yet the whole theory of money and of banking, is contained in that simple operation.

Sir, it explains at once why it is that in countries very far advanced in com-

* Thornton.

merce and civilization, the precious metals, for all purposes of currency, are superseded by commercial paper, as is particularly the case in England, whose paper circulation of all sorts is something like 200 millions, resting upon a basis of only thirty millions of specie.* Money is nothing more than what is called by the brokers "a bought and sold note"—it is a token which shows that its holder has parted with commodities to that amount, and that he is entitled to receive their equivalent in other commodities whenever it shall be his pleasure to do so. Why should that token be of gold? Why should a mere title or evidence of debt, be itself of a material as costly as the thing of which it is the symbol and the evidence?

It is clear, that were there any means of insuring society against excessive issues of paper, besides its convertibility into gold and silver—were not that the only practical test hitherto discovered by which prices in different countries can be compared—all commercial nations would dispense with the precious metals as a medium of exchange. But as yet there is no such means, and the currency, theoretically the most perfect, is for the present impracticable. The nearest approximation to it has certainly been made occasionally in the United States, where the specie basis has just answered the purpose of ascertaining that our currency was on a level with that of other nations.

But there is another step in the commercial operation just mentioned. The holder of the Bill of Exchange received in payment of corn, stands in need of some other commodity, which his own credit does not enable him to procure. He applies to a broker or any other capitalist for the cash, or what will answer his purpose just as well, *his* credit in the shape of a note payable on demand, or at a short date, for which the original bill at six months is given in exchange, with a reasonable discount. This last operation is what is considered as the great abomination of banking. The bank receives a discount on giving its own bill payable on demand, or one at a short date, (for which therefore it is compelled to reserve or prepare a fund,) for a bill payable at six months, of which of course payment cannot be demanded until the expiration of that term. And, now I ask, where is the difference between the first operation, which every body must perceive is eminently conducive to the extension of commerce and the last? What objection can be made to it that does not lie equally against the drawing and discounting of bills of exchange—an improvement of which Europe has been boasting for at least six hundred years, and of which the advantages have never to my knowledge been questioned before? Why is not a credit founded on *property* as good in the one case as in the other? and why should gold and silver be used in either when they are not wanted?

The banking system, sir, is only one form of that division of labor which takes place in all opulent countries. It leads to a great economy both of time and money—of the former, because the business of a whole community in receiving and paying away can be transacted by the clerks of a single institution, as well as by one hundred or one thousand times the number, in the separate employment of individual merchants—of the latter, because instead of each individual in a community reserving the quantity of gold and silver necessary to meet current demands, a much smaller proportional amount kept by a banking house has been found to answer the wants of the whole society. But the utility of that system is not confined to the advantages just mentioned. It appears to me very clear in the first place, that the credit system

* Mr. Burgess in the Minutes of Evidence &c., before the Committee of the House of Commons in 1832.

carried to the extent in which it exists in England and the United States, could not possibly be made to rest upon any thing so liable to be disturbed by a foreign demand, and by other contingencies, as the metallic basis, and of which a given quantity cannot therefore be counted on at any given time. What is commonly called the currency of a country, that is to say, bank paper and the precious metals, really constitute a very small portion of it, but it may be considered as the *test* or *touchstone* of all the rest, and if engagements in bills of exchange, &c. be not met according to their tenor in what is considered as cash, it is difficult to calculate the effects of the alarm that may ensue. But there is another point of view in which banks appear to me quite essential to our commercial system. It is that, according to the remark of an excellent writer,* the appreciation of the credit of a number of persons engaged in commerce has become a *science*, and to the height to which that science is now carried in Great Britain (and in this country) that country is in no small degree indebted for the flourishing state of its internal commerce, for the general reputation of its merchants abroad, and for the preference which in this respect they enjoy over the traders of all other nations.

Sir, I have been driven to this elementary way of considering the subject by the course which the argument has taken here and elsewhere, and because, in solemnly reviewing, as we are now compelled to do, the whole monetary system of the country, it is of the very last importance, that the subject, in all its aspects, should be fairly presented to the people. I shall therefore proceed briefly to consider the question, how far it is practicable or desirable to substitute a metallic currency for bank paper, or even very materially to widen the metallic basis of our present circulation.

I presume it will hardly be disputed that by a general return to the precious metals as the only medium of exchange for the whole commercial world, the operations of trade would be every where embarrassed and impeded, and the value of money enhanced, or which is the same thing, the prices of commodities reduced in an incalculable degree. How far a similar effect has already been produced by the diminution of the supply from the Mexican and South American mines, within the last twenty years, is one of the most difficult and controverted questions of the day. This is not a fit occasion for stating the arguments advanced by the advocates of different views of that subject, but I will mention to the committee, that in a very able work to which I have already referred as having been recently sent to me, the author, who examines this point with perfect condar, advances the opinion that thousands have within the period alluded to, been precipitated into embarrassments from that cause alone.† If it be true, as is alleged by Jacobs, that the whole stock of coin in circulation in 1829, was less by upwards of £60,000,000 than that which circulated in 1809—and if any thing like the supposed diminution of the actual quantity by abrasion, by loss, by consumption in manufactures takes place, (1 per cent.‡ a year,) it becomes matter of serious speculation, what means shall be adopted to obviate so great an inconvenience as a continually decreasing metallic basis, at a period when commerce and its productive powers are so immensely on the increase. Sir, that question is infinitely more interesting in a highly *progressive* country than in any other. In such a country, the currency must be regularly enlarged with the growth of its population and of its productive power, or it is subjected to the most terrible of all evils, *falling prices*. Every body that has ever reated of such subjects, has dwelt upon the effects of an increasing currency,

* Thornton. † Money and its Vicissitudes in Value.

‡ Money and its Vicissitudes in Value.

as wonderfully favorable to industry. No more striking example of this truth can be desired than what was witnessed in the 16th century, after the importation of gold and silver from America, began to produce a decided effect upon the distribution of wealth. It is admitted on all hands to have been the period of the greatest improvement in society that has occurred in its history; and of all countries, be it remembered, England benefitted most by the general rise of prices, because so large a portion of her farmers held leases for long terms of years, and paid money rents: the increase of the circulation operating to reduce the real value of the returns made to the landlord in favor of his tenant. The great benefit of a full and especially an increasing circulation thus consists not only in quickening and facilitating exchanges, (itself an immense stimulus to industry,) but in securing to the industrious classes rather a larger *proportion* of the income of society than they would otherwise enjoy. Every thing which they buy to sell again advances in price while it is in their hands, and this unquestionable truth is of itself a total refutation of all that is said concerning the oppressive operation of bank paper upon the productive classes, by the very persons who, in the same breath, speak of its excess and depreciation.

With a population then, increasing at the rate of 4 to 5 per cent. a year, and with an accumulation of capital and productive power proportionably greater. I hold it to be utterly absurd to talk of any thing like a metallic currency in the United States. There is no possible means of procuring it, and if by any means it could be procured, I venture to affirm that our people would get rid of it in the course of a few years, though all the penal laws of Spain against the exportation of gold and silver should be re-enacted here—laws which were passed with no other effect, even in that country, but to show the utter futility of such legislation. I say, Sir, that with their present habits of active enterprise and strict economy, the American people would export the precious metals as fast as they were imported, beyond any amount of them which might be absolutely necessary for the domestic exchanges of the country, and they would do so because gold and silver would be of no use abroad in purchasing commodities, and would be wholly superfluous at home where paper would do as well. If you put down “the banks,” it would have no effect but to set up something worse in their place, in the shape of private paper. There are some things over which the most despotic lawgivers are unable to exercise any control, and one of them, as all experience shows, is this commerce in bullion.

Sir, it has been said that the only advantage of a paper currency over the precious metals consists in its cheapness. I am, by no means, as you may gather from what I have said, ready to admit this, but supposing it to be true, is that saving really an unimportant matter? Mr. Gallatin, in a pamphlet of signal ability,* has, as I conceive, fallen into a grave error on this subject, which it is so much the more important to rectify, as I perceive that he has misled others more disposed than himself to turn a speculative error into a practical mischief. He states the whole benefit derived from the use of paper instead of the precious metals in the United States in 1830, including, under the name of circulation, private deposits in the banks, as they ought undoubtedly to be, at about five millions of dollars a year. It is true, that according to principles admitted by Mr. Gallatin, the progress of the country, both in wealth and population, in the last *seven* years, would require a very considerable addition to be made to this estimate in order to a correct application of it to our actual condition. But, sir, it appears to me that the estimate was

* Considerations on the currency and banking of the United States. Philadelphia, 1831

made on data altogether erroneous.—In the first place, the quantity of currency, if it were metallic, necessary to the circulation of this country, was prodigiously underrated. For reasons that need not be stated here, it is found that a given amount of metallic currency does not circulate as rapidly as an equal amount of paper, and therefore, that more of it is, *centeris paribus* required to do the same business. But without going into such minute inquiry here, why should the United States with sixteen millions of inhabitants, and relatively the most active trade both foreign and domestic in the world, and with extraordinary productive power of all sorts, not need at the *very least* half the circulation necessary in France, with only double their population, and not half their industry? The stress that ought to be laid on this latter circumstance may be illustrated by comparing Asia with Europe in this particular; double the population in the former, possessing, according to the most accurate researches, only one-fifth the quantity of gold and silver, which, in addition to paper of all sorts, is required in the latter. Now, the circulation of France was, before the first revolution, set down by Neckar at £88,000,000*—and Thiers, in his history of that event, makes a similar estimate.† Its present amount ought, in reference to the increase of her capital and population, to be at least, 600,000,000 of dollars, and accordingly, as was observed by one of my colleagues, (Mr. Thompson) it is stated at that, on good authority,‡ Mr. Rothchild, in his examination before the Committee of the House of Commons in 1832, mentions the paper circulation of the Bank of France as amounting to 750,000,000 of francs. According to this, then we should require on the footing of population alone, at least 300,000,000 of dollars. So much for the amount; now for the loss upon it.

Mr. Gallatin considers it only as so much *interest* on dead capital, and even the interest he puts at an exceedingly low rate. But I apprehend the difference to the country between having a vast inert mass of gold and silver as currency, and turning it into *productive capital*, must be determined, not in reference to *interest* merely, but the *profit* of stock laid out in active industry, which is no where in this country less than 10 per cent. and in the great majority of cases, the new states and all included, near double that amount on an average. You see then, Sir, what an enormous loss a metallic currency would be to the nation, without taking into the account its wear and tear. Look back at the half century that has passed away, and say what that loss would have been, on principles of compound interest, from the beginning up to the present day. Why, sir, it exceeds all powers of calculation, nay of imagination. Do not suppose for a moment that so important, so palpable a truth, although never stated in abstract terms or as a general proposition, has not occurred to the people of the United States. They have *felt* it without *perceiving* it, they have acted on it without reasoning about it, they have perfectly well comprehended the real uses of money without studying the principles of currency, and they have preferred paper as a circulating medium to gold and silver, because it was better for their purposes than gold and silver, on the simplest maxims of prudence and economy. You may depend upon it, this conclusion is as deeply rooted as it is just. You will never be able to shake it. All your policy will be of no avail, as all legislation is forever vain which comes into conflict with the genius of a people, especially in matters so deeply and visibly affecting their private interest. The Barbarian who, in his impotent rage, threw fetters into the Hellespont

* See an article in Blackwood's Magazine, for last February.

† Burke's Letter on the French revolution.

‡ Thier's Hist de la Revolution Francaise v. 5, p. 24.

and scourged its foaming billows, did not wage a more insane war against the nature of things.

But we are told that if it is an *experiment* that has been proposed to us ; we need not be alarmed at it, because we are accustomed to experiments, and successful ones ; that our Constitution itself is a mere experiment. Sir, I deny it utterly, and he that says so shows me that he has either not studied at all, or studied to very little purpose, the history and genius of our institutions. The great cause of their prosperous results—a cause which every one of the many attempts since vainly made to imitate them on this continent or in Europe, only demonstrates the more clearly—is precisely the contrary. It is because our fathers made no experiments, and had no experiment to make, that their work has stood. They were forced by a violation of their *historical, hereditary* rights *under the old common law of their race* to dissolve their connection with the mother country. Their external, their *federal* relations were of course changed in that respect, and in that respect only, they were compelled to do their best in the novel situation in which they stood. What relates, therefore, merely to the union of the States is all that gives the least countenance to this superficial idea of an “experiment” which has done so much to misguide the speculations of some visionary minds upon these important matters. Even in this respect, however, an attentive study of our history will show that strong federal tendencies existed and had, frequently, on former occasion manifested themselves.* But the whole constitution of society in the States, the great body and bulk of their public law, with all its maxims and principles ; all that is republican in short, in our institutions ; remained after the revolution, and remains *now*, with some very subordinate modifications, what it was from the beginning. Our written constitutions do nothing but consecrate and fortify the “plain rules of ancient liberty,” handed down with Magna Charta, from the earliest history of our race. It is not a piece of paper, Sir, it is not a few abstractions engrossed on parchment, that make free governments. No, sir, the law of liberty must be inscribed on the heart of the citizen ; the Word, if I may use the expression without irreverence, must become Flesh ; you must have a whole people trained, disciplined, bred, yea, and born, as our fathers were, to institutions like ours. Before the colonies existed, the Petition of Right, that Magna Charta of a more enlightened age, had been presented in 1628 by Lord Coke and his immortal co-peers.—Our founders brought it with them, and we have not gone one step beyond them. They brought these maxims of civil liberty, not in their libraries but in their souls ; not as philosophical prattle—not as barren generalities, but as rules of conduct ; as a symbol of public duty and private right, to be adhered to with religious fidelity ; and the very first pilgrim that set his foot upon the rock of Plymouth, stepped forth a **LIVING CONSTITUTION!** armed at all points to defend and to perpetuate the liberty to which he had devoted his whole being.

It only remains for me to advert briefly to one or two additional topics, and I have done. It has been argued as if the currency given to bank paper in this country, were due almost exclusively to the countenance which government affords it, by receiving it in payment of public dues. Certainly, Sir, the patronage of government is an important concurring cause of this credit ; but it is not true that it is essential to it. What does the House of Rothschild owe to the government of Europe—that House to which all the governments on the continent are obliged to have recourse in their financial exigencies ? And here let me call the attention of those who declaim so vehemently against the agency of banking corporations, to the fact, that this mighty house, with its scarcely less than royal in-

* Convention at Albany, &c.

fluence and splendor, like most of the other establishments of the same kind in Europe, is no corporation at all, but a mere private partnership, and to the additional fact, that this colossal fortune has been amassed in little more than a single generation, by an obscure person born in a corner of the Juden-Strasse of Frankfort on the Maine, and his four sons. Do you not see then, sir, that the odious common places about "*the money power,*" and "*the political powers,*" either have no meaning, or apply with all their force to every accumulation of capital, and all the great results of modern commerce? The "*money power,*" I presume signifies "*the power of money,*" which is widely diffused in this country, thanks to the protection of equal laws, and which will exist and continue to have its influence, so long as those laws shall protect it from *confiscation*, whether it shall borrow the credit of the government, or the government shall borrow its credit. It is scarcely necessary to notice an idea, analogous to the last, which has been very much insisted on, and that is, that the commerce of New York has been built up by government credits. Why, sir, this does appear to me too extravagant to need exposure. New York has been built up by her unquestionable natural advantages, and there is no measure of this government—there is only one event, that can possibly deprive her of her immense commercial ascendancy,—the dissolution of the Union—that, and nothing but that, can do it. Commerce, as I have already remarked, leads every where to centralization: look at Liverpool—look at *Havre*, the last, in a hard money country. But on this head there is a very important consideration, which has been urged with all his admirable eloquence, by one of my colleagues in the Senate. (Mr. Preston.) If this concentration of commercial business at that city be injurious to the others now, what will it become, if by collecting the revenue in gold and silver, and thus making gold and silver mere merchandize, you add to the disadvantages of centralization, all the difficulties of procuring coin—make New York the great specie market—and render the whole country tributary to the money changers of Wall street?

Sir, a word more to the South and for the South. When your system of protection was still in all its vigor, we, (I mean the people of South Carolina,) sent you a Protest against its principles and tendency, which contained among other objections to it, one that deserves to be repeated here. We told you that we depended absolutely upon commerce—commerce on the largest scale—commerce carried on as it has been for the last half century, with an ever increasing production, provoking and creating an ever increasing consumption, and permitting us to send a million (now a million and a half) of bales of cotton into the market, without any danger of a *glut*. We told you the staple commodities, especially the principal one which we produced, were among the very few in the production of which slave labor can enter into competition with free. We reminded you that, great revolutions in trade, sometimes arose from apparently slight causes, and that however far it might be from your purpose, or even your apprehensions, it was possible that your legislation might occasion us the loss of our foreign market, our only resource—that the result of that loss to us would be poverty and utter desolation, that our people in despair, would emigrate to more fortunate regions, and the whole frame and constitution of our society would be seriously impaired and endangered, if not dissolved entirely. And we adjured you not to persist in a course of legislation of which the benefit to yourselves, even were they unquestionable, were nothing in comparison of the danger to which they exposed us—a danger which, however contingent or remote, involved our whole existence, and could not be contemplated without well founded alarm.—Sir, I repeat to you now—I repeat to the representatives of the whole South on this floor—the words then addressed to the house on a different subject. Let well alone. Resist this uncalled for innovation, of which no one can foresee the whole extent nor the ultimate results. Mark what your Secretary of the Treasury has told you in the very paper in which he reveals the project on the table—**YOU PRODUCE TOO MUCH COTTON.** Go home, gentlemen of the South, and tell your people that their successful industry is a vice—that the fertility of their soil is a curse—that

their excessive production occasions disorders in the state—and that the remedy for *our* troubles, is that *they* should live on short commons.

Let them co-operate with our political economy, by depriving themselves of the little mercantile capital they have—let them abolish those corporations to which* people, who cannot themselves do business with the widow and the orphan, have contributed their means for the accommodation of commerce—let them but do this, and their docility will be admirable, and shall have our approbation.

Sir, before I take my seat there is one other topic that I feel it my duty to advert to—I mean to the supposed injurious effects of banking institutions upon the laboring classes of society. Although I have no doubt but that there are many defects in the constitution, as well as the management of those institutions in this country, and should be most willing to co-operate, if occasion served, in reforming them, I have no hesitation in acquitting them at least of *this* charge. Who that has ever heard of the relation between capital and labor, between wages and profits, but must see at once, that it is unfounded; and accordingly Hume objects to banks that by their issues they raise wages, and so hurt the manufacturing interests of a nation. I have already remarked that one of the effects of an increasing currency is to make a distribution of the wealth of society more favorable to the industrious classes of it—to confiscate, in a manner, the property of those who live on fixed incomes, for the benefit of those who produce the commodities on which those incomes are laid out. It is for this reason that the radicals of England—Mr. Atwood, for example—are all strenuous advocates of paper money, and even of inconvertible paper. The idea that the poor are to gain by a return to metallic currency, is so far as I know, confined to their friends in this country, whose zeal is certainly greater than their knowledge. It is true, sir, that among other disadvantages attending frequent fluctuations in the currency, it is said that wages are the last thing that rises in a case of expansion. And that may be so in countries where the supply of labor is greater than the demand, but the very reverse is most certainly the fact here where the demand—especially, when stimulated by any extraordinary increase, real or fictitious, of capital—is always greater than the supply. All price is a question of *power*, or relative necessity between two parties, and every body knows that in a period of excitement here wages rise immediately, and out of all proportion more than any thing else, because the population of the country is entirely inadequate to its wants. During the last year, for instance, the price of labor became so exorbitant, that some of the most fertile land in South Carolina, rice fields, which have been cultivated a hundred years, were in danger of being abandoned from the impossibility of paying for it. Sir, as a southern man, I represent equally rent, capital and wages, which are all confounded in our estates—and I protest against attempts to array, without cause, without a color of pretext or plausibility, the different classes of society against one another, as if in such a country as this there *could* be any natural hostility, or any real distinction between them—a country in which all the rich, with hardly an exception, have been poor, and all the poor may be rich—a country in which banking institutions have been of immense service, precisely because they have been most needed by a people who all had their fortunes to make by good character and industrious habits. Look at that remarkable picture—remarkable not as a work of art, but as a monument of history—which you see in passing through the Rotunda. Two out of five of that immortal committee were *mechanics*, and such men!* In the name of God, sir, why should any one study to pervert the natural good sense, and kindly feelings of this moral and noble people, to infuse into their minds a sullen envy towards one another, instead of that generous emulation which every thing in their situation is fitted to inspire, to breathe into them the spirit of Cain, muttering deep curses and meditating desperate revenge against his brother, because the smoke of his sacrifice has ascended to heaven before his own! And do not they who treat our industrious classes as if they were in the same debased

* Franklin and Sherman, signers of the Declaration.

wretched condition as the poor of Europe, insult them by such an odious comparison?—Why, Sir, you do not know what poverty is—we have no poor in this country, in the sense in which that word is used abroad. Every laborer, even the most humble, in the United States, soon becomes a capitalist; and even, if he choose, a proprietor of land, for the West with all its boundless fertility is open to him. How can any one *dare* to compare the mechanics of this land, (whose inferiority in any substantial particular—in intelligence, in virtue, in wealth—to the other classes of our society, I have yet to learn,) with that race of outcasts, of which so terrific a picture is presented by recent writers—the poor of Europe? A race, among no inconsiderable portion of whom famine and pestilence may be said to dwell continually—many of whom are without morals, without education, without a country, without a God! and may be said to know society only by the terrors of its penal code, and to live in perpetual war with it. Poor bondmen! mocked with the name of liberty, that they may be sometimes tempted to break their chains, in order that after a few days of starvation in idleness or dissipation, they may be driven back to their prison-house, to take them up again, heavier and more galling than before:—severed, as it has been touchingly expressed, from nature, from the common air and the light of the sun; knowing only by hearsay, that the fields are green, that the birds sing, and that there is a perfume in flowers.* And is it with a race, whom the perverse institutions of Europe have thus degraded beneath the condition of humanity, that the advocates, the patrons, the protectors of our working men, presume to compare them? Sir, it is to treat them with a scorn, at which their spirit should revolt, and does revolt! Just before I left Charleston, there was a meeting called for some purpose, which was regarded by the people of that city as unfavorable to public order. There was something, I suppose, in the proceedings, which looked to the invidious distinction of which I have been speaking; for it led, as I have heard, to an expression of sentiment from one of our mechanics,† which struck me as noble beyond all praise. He said, he wondered what could be meant by addressing to the industrious classes particularly, all inflammatory appeals against the institutions of the country—as if they were not a part of the community, as much interested in its order and peace, as any other—as if they had no ties of sympathy or connection with their fellow citizens—above all, as if they had not intelligence and knowledge enough to take care of their own interests, but were reduced to a state of perpetual pupilage and infancy, and needed the officious protection of self-constituted guardians! Sir, that was a sentiment worthy of a freeman, and which may be recorded, with honor, among the sayings of heroes.

Mr. Chairman, I thank the committee for the attention with which it has honored me. I have detained it long: but I was full of the subject which appears to me to be one of vast importance, in all its bearings. I have spoken what I felt and thought, without reference to party. But I will say one word to those with whom I have generally acted on this floor. I have heard that some of them disapprove this measure, but are disposed to vote for it to oblige their friends. Sir, this is a strange and a great mistake. A true friend ought to be a faithful counsellor. Let them remember the deep reproach which the great poet puts in the mouth of one of his heroes:

Hadst thou but shook thy head, or made a pause,
When I spoke darkly what I purposed;
Or turned an eye of doubt upon my face!—

* Michelet.

† Mr. Harby.

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