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"THE END OF EVERY GOVERNMENT SHOULD BE THE WELFARE OF THE PEOPLE."

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PRESIDENT'S MESSAGE.

To the two Houses of Congress at the commencement of the first session of the twenty-fifth Congress.

FELLOW-CITIZENS OF THE SENATE AND HOUSE OF REPRESENTATIVES:

The act of the 23d of June, 1836, regulating the deposites of the public money, and directing the employment of State, District, and Territorial banks, for that purpose, made it the duty of the Secretary of the Treasury to discontinue the use of such of them as should at any time refuse to redeem their notes in specie, and to substitute other banks, provided a sufficient number could be obtained to receive the public deposites upon the terms and conditions therein prescibed.—The general and almost simultaneous suspension of specie payments by the banks in May last, rendered the performance of his duty imperative, in respect to those which had been selected under the act; and made it, at the same time, impracticable to employ the requiste number of others, upon the prescribed conditions. The specific regulations established by Congress for the deposite and safe keeping of the public moneys, having thus unexpectedly become inoperative, I felt it to be my duty to afford you an early opportunity for the exercise of your supervisory powers over the subject.

I was also led to apprehend that the suspension of specie payments, increasing the embarrassments before existing in the pecuniary affairs of the country, would so far diminish the public revenue, that the accruing receipts into the Treasury, would not, with the reserved five millions, be sufficient to defray the unavoidable expenses of the Government, until the usual period for the meeting of Congress; whilst the authority to call upon the State, for a portion of the sums deposited with them, was too restricted to enable the Department to realize a sufficient amount from that source. These apprehensions have been justified by subsequent results, which render it certain that this deficiency will occur if additional means be not provided by Congress.

The difficulties experienced by the mercantile interest, in meeting their engagements, induced them to apply to me, previously to the actual suspension of specie payments, for indulgence upon their bonds for duties; and all the relief authorised by law was promptly and cheerfully granted. The dependence of the Treasury upon the avails of these bonds, to enable it to make the deposites with the States required by law, led me in the outset to limit this indulgence to the first of September, but it has since been extended to the first of October, that the matter might be submitted to your further direction.

Questions were also expected to arise in the recess in respect to the October instalment of those deposites requiring the interposition of Congress.

A provision of another act, passed about the same time and intended to secure a faithful compliance with the obligations of the United States, to satisfy all demands upon them in specie or its equivalent, prohibited the offer of any bank note, not convertible on the spot into gold and silver at the will of the holder; and the ability of the Government, with millions on deposite, to meet its engagements in the manner thus required by law, was rendered very doubtful by the event to which I have referred.

Sensible that adequate provisions for these unexpected exigencies could only be made by Congress, convinced that some of them would be indispensable necessary to the public service, before the regular period of your meeting; and desirous also to enable you to exercise, at the earliest moment, your constitutional powers for the relief of the country, I could not, with propriety, avoid subjecting you to the inconvenience of assembling at as early a day as the state of the popular representation would permit. I am sure I have done but justice to your feelings, in believing that this inconvenience will be cheerfully encountered, in the hope of rendering your meeting conducive to the good of the country.

During the earliest stages of the revolution through which we have just passed, much acrimonious discussion arose, and great diversity of opinion existed as to its real causes. This was not surprising, The operation of creditors are so diversified, and the influences which affect them so numerous, and often so subtle, that even impartial and well informed persons are seldom found to agree in respect to them. To inherent difficulties were also added other tendencies, which were by no means favorable to the discovery of truth. It was hardly to be expected that those who disapproved the policy of the Govment in relation to the currency, would, in the excited state of public feeling produced by the occasion, fail to attribute to that policy any extensive embarrassment in the momentary affairs of the country. The matter thus became connected with the passions and conflicts of party; opinions were more or less affected by political considerations; and differences were prolonged which might otherwise have been determined by an appeal to facts, by the exercise of reason, or by mutual concession. It is, however, a cheering reflection, that circumstances of this nature cannot prevent a community so intelligent as ours from ultimately arriving at correct conclusions.—Encouraged by the firm belief of this truth, I proceed to stay my views, so far as may be necessary to a clear understanding of the remedies I feel it my duty to propose and of the reasons by which I have been led to recommend them.

The history of trade in the United States for the last 3 or 4 years, affords the most convincing evidence that our present condition is chiefly to be attributed to over action in all the department of business; an over-action deriving, perhaps, its first impulses from antecedent causes, but stimulated to its destructive consequences by excessive issues of bank paper, and by other facilities for the acquisition and enlargement of credit. At the commencement of the year 1834, the banking capital of the United States, including that of the national bank then existing, amounted to about two hundred millions of dollars; the bank notes then in circulation to about ninety five millions; and the loans and discounts of the banks to three hundred and twenty-four millions. Between that time and the first of January, 1836, being the latest period to which accurate accounts have been received, our banking capital was increased to more than two hundred and fifty-one millions; our paper circulation to more than one hundred and forty millions, and the loans and discounts to more than four hundred and fifty-seven millions. To this vast increase are to be added the many millions of credit, acquired by means of foreign loans, contracted by the States and the State institutions, and above all, by the lavish accommodations extended by foreign dealers to our merchants.

The consequences of this redundancy of credit, and of the spirit of reckless speculation engendered by it were a foreign debt contracted by our citizens, estimated in March last at more than thirty millions of dollars; the extension to traders in the interior of our country of credits for supplies, greatly beyond the wants of the people; the investment of thirty-nine and a half millions of dollars in unproductive public lands, in the years 1835 and 1836, whilst in the preceding year the sale amounted to only four and a half millions, the creation of debts, to an almost countless amount, for real estate in existing or anticipated cities and villages, equally unproductive, and at prices now seen to have been greatly disproportionate to their real value; the expenditure of immense sums in improvements which, in many cases, have been found to be ruinously improvident; the diversion to other pursuits of much of the labor that should have been applied to agriculture, thereby contributing to the expenditure of large sums in the importation of grain from Europe two hundred and fifty thousand dollars, was, in the first two quarters of the present year, increased to more than two millions of dollars; and, finally, without enumerating other injurious results, the rapid growth among all classes, and especially in our great commercial towns, of luxurious habits, founded too often on mere fancied wealth, detrimental alike to the industry, the resources, and the morals of our people.

It was so impossible that such a state of things could long continue, that the prospect of revulsion was present to the minds of considerate men, before it actually came. None, however, had correctly anticipated it severity. A concurrence of circumstances inadequate within themselves to produce such widespread and calamitous embarrassments, tended so greatly to aggravate them, that they cannot be over looked in considering their history. Among these may be mentioned, as most prominent, the great loss of capital sustained by our commercial emporium in the fire of December, 1835—a loss; the effects of which were underrated at the time because postponed for a season by the great facilities of credit then existing; the disturbing effects, in our commercial cities, of the transfers of the pulic moneys required by the deposite law of June, 1836, and the measures adopted by the foreign creditors of our merchants to reduce their debts, and to withdraw from the United States a large portion of our specie.

However unwilling any of our citizens may heretofore have been to assign to these causes the chief instrumentality in producing the present state of things, the developement subsequently made, and the actual condition of other commercial countries, must, as it seems to me, dispel all remaining doubts upon the subject.—It has since appeared that evils, similar to those suffered by ourselves, have been experienced in great Bitain, on the continent, and, indeed throughout the commercial world; and that in other countries, as well as in our own, they have been uniformly preceded by an undue enlargement of the boundaries of trade, prompted, as with us, by unprecedent expansion of credit. A reference to the amount of banking capital, and the issue of paper credits put in circulation in Great Britain, by banks, and in other ways, show an augmentation of the paper currency there, as much disproported to the real want of trade as in the U. States.

With this redundancy of the paper currency, there arose in that country also a spirit of adventurous speculation, embracing the whole range of human enterprise. Aid was profusely given to projected improvements; large investments were made in foreign stocks and loans; credits for goods were granted with unbounded liberality to merchants in foreign countries; and all the means of acquiring and employing credit were put in active operation, and extended in their effects to every department of business, and to every quarter of the globe. The reaction was proportioned in its violence to the extraordinary character of events which preceded it. The commercial community of Great Britain were subjected to the greatest difficulties, and their debtors in this country were not only suddenly deprived of accustomed and expected credits, but called upon for payments, which, in the actual posture of things here, could only be made through a general pressure, and at the most ruinous sacrifices.

In the view of these facts it would seem impossible or sincere inquirers after truth to resist the conviction, that the causes of the revulsion in both countries have been substantially the same. Two nations, the most commecial in the world, enjoying but recently the highest degree of apparent prosperity, and maintaining with each other the closest relations, are suddenly, in a time of profound peace, and without any great national disaster, arrested in their career, and plunged into a state of embarrassment and distress. In both countries we have witnessed the same redundancy of paper money, and other facilities of credit, the same spirit of speculation; the same partial success, the same difficulties and reverses; and, at length, nearly the same oververwhelming catastrophe. The most material difference between the results in the two countries has only been, that, with us there has also occurred an extensive derangement in the fiscal affairs of the Federal and State Governments, occasioned by the suspension of specie payments by the banks.

The history of these causes and effects in Great Britain and the United States, is substantially the history of the revulsion in all other commercial countries.

The present and visible effects of these circumstances on the operations of the Government, and on the industry of the people, point out the objects which call for your immediate attention.

They are—to regulate by law the safe keeping, transfer, and disbursement, of the public moneys; to designate the funds to be received and paid by the government; to enable the Treasury to meet promptly every demand upon it; to prescribe the terms of indulgence, and the mode of settlement to be adopted, as well in collecting from individuals the revenue that has accrued, as in withdrawing it from former depositories, and to devise and adopt such further measures, within the constitutional competency of Congress, as will be best calculated to revive the enterprise and to promote the prosperity of the country. For the deposite, transfer, and disbursement of the revenue, national and state Banks have always, with temporary and limited exceptions been heretofore employed, but, although advocates of each system are still to be found, it is apparent that the events of the last few months have greatly augmented the desire, long existing among the people of the U. States, to separate the fiscal operations of the Government from those of individuals or corporations. Again to create a national bank, as a fiscal agent, would be to disregard the popular will, twice solemnly and unequivocally expressed. On no question of domestic policy is there stronger evidence that the sentiments of a large majority are deliberately fixed; and I cannot concur with those who think they see, in recent events, a proof that these sentimeuts are, or a reason that they should be changed.

Events, similar in their origin and character, have heretefore frequently occurred, without producing any such change, and the lessons of experience must be forgotten, if we suppose that the present overthrow of credit would have been prevented by the existence of a national bank. Proneness to excessive issues has ever been the vice of the banking system; a vice as prominent in the National as in the State Institutions. This propensity as subservient to the advancement of private interests in the one as in the other; and those who direct them both, being principally guided by the same motives, will be ready to stimulate extravagance of enterprise by improvidence of credit. How strikingly is this conclusion sustained by experience. The Bank of the United States, with the vast powers conferred on it by Congress, did not or could not prevent former and similar embarrassments; nor has the still greater strength it has been said to possess, under its present character enabled it, in the existing emergency, to check other institutions, or even to save itself.

In Great Britain, where, it has been seen, the same causes have been attended with the same effects, a national bank, possessing powers far greater than are asked for by the warmest advocates of such an institution here, has also proved unable to prevent an undue expansion of credit, and the evils that flow from it. Nor can I find any tenable ground for the re-establishment of a national bank, in the derangement alleged at present to exist in the domestic exchanges of the country, or in the facilities it may be capable of affording them. Although advantages of this sort were anticipated when the first bank of the United States was created, they were regarded as an incidental accommodation; not one which the federal government was bound, or could be called upon to furnish. This accommodation is now, indeed, after a lapse of not many years, demanded from it as among its first duties; and an omission to aid and regulate commercial exchange, is treated as a ground of loud and serious complaint. Such results only serve to exemplify the constant desire, among some of our citizens, to enlarge the powers of Government, and extend its control to subjects with which it should not interfere. They can never justify the creation of an institution to promote such objects. On the contrary, they justly excite among the community a more diligent inquiry into the character of those operations of trade, towards which it is desired to extend such peculiar favours.

The various transactions which bear the name of domestic exchanges, differ essentially in their nature, operation, and utility. One class of them consists of bills of exchange, drawn for the purpose of transferring actual capital from one part of the country to another, or to anticipate the proceeds of property actually transmitted. Bills of this description are highly useful in the movements of trade, and well deserve all the encouragement which can rightfully be given to them. Another class is made up of bills of exchange, not drawn to transfer actual capital, nor on the credit of property transmitted, but to create fictitious capital, partaking at once of the character of notes discounted in bank notes in circulation, and swelling the mass of paper credits to a vast extent in the most objectionable manner.

These bills have formed, for the last few years, a large proportion of what are termed the domestic exchanges of the country, serving as the means of usurious profit and constituting the most unsafe and precarious paper in circulation. This species of traffic, instead of being upheld, ought to be discountenanced by the Government and the People.

In transferring its fund from place to place, the Government is on the same footing with a private citizen, and may resort to the same legal means. It may do so through the medium of bills drawn by itself, or purchased from others; and in these operations it may, in a manner undoubtedly constitutional and legitimate, facilitate and assist exchanges of individuals founded on real transactions of trade. The extent to which this may be done, and the best means of effecting it, are entitled to the fullest consideration. This has been bestowed by the Secretary of the Treasury, and his views will be submitted to you in his report.

But it was not designed by the Constitution that the Government should assume the management of domestic or foreign exchange. It is indeed authorised to regulate by law the commerce between the States. and to provide a general standard of value, or medium of exchange, in gold and silver; but it is not its province to aid individuals in the transfer of their funds, otherwise than through the facilities afforded by the Post Office Department. As justly might it be called on to provide for the transportation of their merchandize. These are operations of trade. They ought to be conducted by those who are interested in them, in the same manner that the incidental difficulties of other pursuits are encountered by other classes of citizens. Such aid has not been deemed necessary in other countries. Throughout Europe, the domestic as well as the foreign exchanges, are carried on by private houses, often, if not generally, without the assistance of banks. Yet they extend throughout distinct sovereignties, and far exceed in amount the real exchanges of the U. States. There is no reason why our own may not be conducted in the same manner, with equal cheapness and safety.

Certainly this might be accomplished, if it were favored by those most deeply interested; and few can doubt that their own interest, as well as the general welfare of the country, would be promoted by leaving such a subject in the hands of those to whom it properly belongs. A system founded on private interest, enterprize and competition, without the aid of legislative grants or regulations by law would rapidly prosper; it would be free from the influence of political agitation, and extend the same exemption to trade itself; and it would put an end to those complaints of neglect, partiality, injustice, and oppression, which are the unavoidable results of interference by the Government, in the proper concerns of individuals. All former attempts on the part of the Government to carry its legislation in this respect, further than was designed by the Constitution, have in the end proved injurious, and have served only to convince the great body of the people, more and more, of the certain dangers of blending private interests with the operations of public business; and there is no reason to suppose that a repetition of them now would be more successful.

It cannot be concealed that there exists, in our community, opinions and feelings on this subject in direct opposition to each other. A large portion of them, combining great intelligence, activity, and influence are no doubt sincere in their belief that the operations of trade ought to be assisted by such a connection; they regard a national bank as necessary for this purpose, and they are disinclined to every measure that does not tend, and, sooner or later, to the establishment of such an institution. On the other hand a majority of the people are believed to be irreconcilably opposed to that measure; they consider such a concentration of power dangerous to their liberties; and many of them regard it as a violation of the Constitution.—This collision of opinion has, doubtless, caused much of the embarrassment to which the commercial transactions of the country have lately been exposed.

Banking has become a political topic of the highest interest, and trade has suffered in the conflict of parties. A speedy termination of this state of things, however desirable, is scarcely to be expected. We have seen for nearly half a century, that those who advocate a national bank, by whatever motive they may be influenced, constitute a portion of our community too numerous to allow us to hope for an early abandonment of their favorite plan. On the other hand, they must indeed form an erroneous estimate of the intelligence and temper of the American people, who suppose that they have continued, on slight or insufficient grounds, their persevering opposition to such an institution; or that they can be induced by pecuniary pressure or by any other combination of circumstances, to surrender principles they have so long and and so inflexibly maintained.

My own views of the subject are unchanged. They have been repeatedly and unreservedly announced to my fellow citizens; who, with full knowledge of them, conferred upon me the two highest offices of the Government. On the last of these occasions, I felt it due to the people to apprize them distinctly, that in the event of my election, I would not be able to co-operate in the re-establishment of a national bank.

To these sentiments I have now only to add the expression of an increased conviction, that the re-establishment of such a bank, in any form, whilst it would not accomplish the beneficial purpose promised by its advocates, would impair the rightful supremacy of the popular will; injure the character and diminish the influence of our political system; and bring once more into existence a concentrated moneyed power, hostile to the spirit, and threatening the permanency, of our republican institutions.

Local banks have been employed for the deposite and distribution of the revenue, at all times partially, and, on three different occasions, exclusively; first interior to the establishment of the first Bank of the United States; secondly, in the interval between the termination of that institution and the charter of its successors; and, thirdly during the limited period which has now so abruptly closed. The connection thus repeatedly attempted, proved unsatisfactory on each successive occasion, notwithstanding the various measures which were adopted to facilitate or insure its success. On the last occasion, in the year 1833, the employment of the State Banks was guarded especially in every way which experience and caution could suggest. Personal security was required for the safe keeping and prompt payment of the moneys to be received, and full returns of their condition were, from time to time, to be made by the depositories. In the first stage the measures was eminently successful, notwithstanding the violent opposition of the Bank of the United States, and the unceasing efforts made to overthrow it. The selected banks performed with fidelity, and without any embarrassment to themselves or to the community their engagements to the Government, and the system promised to be permanently useful. But when it becomes necessary, under the act of June, 1836, to withdraw from them the public money, for the purpose of placing it in additional institutions, or of transferring it to the State, they found it, in many cases, inconvenient to comply with the demands of the Treasury, and numerous and pressing applications were made for indulgence or relief. As the instalments under the deposite law became payable, their own embarrassments, and the necessity under which they lay of curtailing their discounts and calling in their debts, increased the general distress, and contributed with other causes, to hasten the revulsion in which, at length, they, in common with other banks, were fatally involved.

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

Unforseen in the organization of the Government, and forced on the Treasury by early necessities, the practice of employing banks, was, in truth from the beginning, more a measure of emergency than of sound policy. When we started into existence as a nation, in addition to the burdens of the new Government, we assumed all the large but honorable load of debt which was the price of our liberty; but we hesitated to weigh down the infant industry of the country by resotting to adequate taxation for the necessary revenue. The facilities of banks in return for the privileges they acquired, were promptly offered, and perhaps too readily received, by an embarrassed treasury. During the long continuance of a national debt, and the intervening difficulties of a foreign war, the connection was continued from motives of convenience; but these causes have long since passed away. We have no emergencies that make banks necessary to aid the wants of the Treasury; we have no load of national debt to provide for, and we have on actual deposite a large surplus. No public interest therefore, now requires the renewal of a connection that circumstances have dissolved. The complete organization of our Government, the abundance of our resources, the general harmony which prevails between the different states, and with foreign powers, all enable us now to select the system most consistent with the Constitution, and most conducive to the public welfare. Should we, then, connect the Treasury for a fourth time, with the local banks, it can only be under the conviction that past failures have arisen from accidental, not inherent defects.

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

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

The use by the banks, for their own benefit, of the money deposited with them, has received the sanction of the Government from the commencement of this connection. The money received from the people, instead of being kept till it is needed for their use, is, in consequence of this authority, a fund, on which discounts are made for the profit of those who happen to be owner of stock in the banks selected as depositories. The supposed and often exaggerated advantages of such a boon will always cause it to be sought for with avidity. I will not stop to consider on whom the patronage incident is to be conferred; whether the selection and control be trusted to Congress or to the Executive, either will be subjected to appeals made in every form which the sagacity of interest can suggest. The banks, under such a system,