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The suggestion of the Postmaster General relative to the inadequacy of the legal allowance to witness in cases of prosecutions for mail depredations, merit your serious consideration The safety of the mails requires that such prosecutions shall be efficient, and justice to the citizens whose time is required to be given to the public, demands not only that his expenses shall be paid, but that he shall receive a reasonable compensation.

The reports from the War, Navy, and Post Office departments will accompany this communication, and one from the Treasury department will be presented to Congress in a few days.

For various details in respect to the matters in charge of these departments I would refer you to those important documents, satisfied that you will find in them many valuable suggestions, which will be found well deserving the attention of the Legislature.

From a report made in December of last year by the Secretary of State, to the Senate, showing the trial docket of each of the circuit courts, and the number of miles each judge has to travel in the performance of his duties, a great inequality appears in the amount of labor assigned to each judge. The number of terms to be held in each of the courts composing the ninth circuit, the distances between the places at which they sit, and from thence to the seat of Government are represented to be such as to render it impossible for the judge of that circuit to perform, in a manner corresponding with the public exigencies, his term and circuit duties. A revison therefore, of the present arrangement of the circuits seems to be called for, and is recommended to your notice.

I think it proper to call your attention to the power assumed by Territorial Legislatures to authorize the issue of bonds by corporate companies on the guarantee of the Territory. Congress passed a law in 1836, providing that no act of a Territorial Legislature incorporating banks should have the force of law until approved by Congress, but acts of a very exceptionable character previously passed by the Legislature of Florida, were suffered to remain in force, by virtue of which bonds may be issued to a very large amount by those institutions, upon the faith of the Territory. A resolution intending to be a joint one passed the Senate at the same session, expressing the sense of Congress that the laws in question ought not to be permitted to remain in force unless amended in many material respects, but it failed in the House of Representatives for want of time, and the desired amendments have not been made. The interests involved are of great importance, and the subjects deserves your early and careful attention.

The continued agitatuen of the question relative to the best mode of keeping and disbursing the public money, still injuriously affects the business of the country. The suspension of specie payments in 1837, rendered the use of deposite banks as prescribed by the act of 1836, a source rather of embarrassment than aid, and of necessity placed the custody of most of the public money afterward collected in charge of the public officers. The new securities for its safety, which this required, were a principal cause of my convening an extra session of Congress: but in consequence of a disagreement between the two Houses, neither then, nor at any subsequent period has there been any legislation on the subject.

The effort made at the last session to obtain the authority of Congress to punish the use of public money for private purposes as a crime, a measure attended under other Governments with signal advantage, was also unsuccessful, from diversities of opinion in that body, notwithstanding the anxiety doubtless felt by it to afford every security. The result of this is still to leave the custody of the public money without those safeguards which have been for several years earnestly desired by the Executive; and as the remedy is only to be found in the action of the Legislature, it imposes on me the duty of again submitting to you the propriety of passing a law, provided for the safekeeping of the public moneys, and especially to ask that its use for private purposes by any officers intrusted with it, may be declared to be a felony, punishable with penalties proportioned to the magnitude of the offence.

These circumstances, added to known defects in the existing laws and unusual derangement in the general operations of trade, have during the last three years, much increased the difficulties attendant on the collection, keeping and disbursement of the revenue, and called forth corresponding exertions from those having them in charge. Happily these have been successful beyond expectation.—Vast sums have been collected and disbursed by the several departments with unexpected cheapness and ease; transfers have been readily made to every part of the Union, however distant; and defalcations have been far less than might have been anticipated, from the absence of adequate legal restraints. Since the officers of the Treasury and Post Office Departments were charged with the custody of most of the public moneys received by them, there have been collected sixty millions of dollars, and, excluding the case of the late collector at New York, the aggregate amount of losses sustained in the collection cannot, it is believed, exceed sixty thousand dollars.—The defalcation of the late collector at that city, of the extent and circumstances of which Congress has been fully informed, ran through all the modes of keeping the public money that have been hitherto in use, and was distinguished by an aggravated disregard of duty that broke through the restraints of every system, and can not, therefore, be usefully referred to as a test of the comparative safety of either. Additional information will also be furnished by the report of the Secretary of the Treasury, in reply to a call made upon that officer by the House of Representatives at the last session, requiring detailed information on the subject of defaults by public officers or agents under each Administration, from 1789 to 1837. This document will be submitted to you in a few days. The general results, (independent of the post office, which is kept separately and will be stated by itself) so far as they bear upon this subject, are, that the losses which have been, and are likely to be sustained, by any class of agents, have been—the greatest by banks, including, as required in the resolution, their depreciated paper received for public dues; that the next largest have been by disbursing officers, and the least by collectors and receivers. If the losses on duty bonds are included, they alone will be threefold those by both collectors and receivers. Our whole experience, therefore, furnishes the strongest evidence that the desired legislation of Congress is alone wanting to insure in those operations, the highest degree of security and facility. Such, also, appears to have been the experience of other nations. From the results of inquiries made by the Secretary of the Treasury in regard to the practice among others, I am enabled to state, that in twenty-two out of twenty-seven foreign Governments, from which undoubted information has been obtained, the public moneys are kept in charge of public officers. This concurrence of opinion in favor of that system is perhaps as great as exists on any question of internal administration.

In the modes of business and official restraints on disbursing officers, no legal change was produced by the suspension of specie payments. The report last referred to will be found to contain, also, much useful information in relation to this subject.

I have heretofore assigned to Congress my reasons for believing that the establishment of an Independent National Treasury as contemplated by the Constitution, is necessary to the safe action of the Federal Government. The suspension of specie payments in 1837 by the banks having the custody of the public money, showed in so alarming a degree our dependence on those institutions for the performance of duties required by law, that I then recommended the entire dissolution of that connexion. This recommendation has been subjected, as I desired it should be, to severe scrutiny and animated discussion; and I allow myself to believe that notwithstanding the natural diversities of opinion which may be anticipated on all subjects involving such important considerations, it has secured in its favor as general a concurrence of public sentiment as could be expected on one of such magnitude.

Recent events have also continued to develope new objections to such a connexion. Seldom is any bank, under the existing system and practice, able to meet, on demand, all its liabilities for deposites and notes in circulation. It maintains specie payments, and transacts a profitable business, only by the confidence of the public in its solvency; and whenever this is destroyed, the demand on its depositors and noteholders—pressed more rapidly than it can make collections from its debtors—force it to stop payment. This loss of confidence with its consequences occurred in 1837 and afforded the apology of the banks for their suspension. The public then *acquiesced in the validity of the excuse:* and, while the State Legislatures did not exact from them their forfeited charters, Congress, in accordance with the recommendations of the Executive, allowed them time to pay over the public money they held, although compelled to issue Treasury notes to supply the deficiency thus created.

It now appears that there are other motives than a want of public confidence under which the banks seek to justify themselves in a refusal to meet their obligations. Scarcely were the country and Government relieved in a degree, from the difficulties occasioned by the general suspension of 1837, when a partial one, occurring within thirty months of the former, produced new and serious embarrassments though it had no palliation in such circumstances as were alleged in justification of that which had previously taken place. There was nothing in the condition of the country to endanger a well managed banking institution, commerce was deranged by no foreign war; every branch of manufacturing industry was crowned with rich rewards; and the more than usual abundance of our harvests, after supplying our domestic wants, had left our granaries and store-houses filled with a surplus for exportation. It is in the midst of this, that an irredeemable and depreciated paper currency is entailed upon the people by a large portion of the banks. They are not driven to it by the exhibition of a loss of public confidence, or of a sudden pressure from their depositors or note holders, but they excuse themselves by alleging that the current of business, and exchange with foreign countries, which draws the precious metals from their vaults, would require, in order to meet it, a larger curtailment of their loans to a comparatively small portion of the community, than it will be convenient for them to bear, or perhaps safe for the banks to exact. The plea has ceased to be one of necessity. Convenience and policy are now deemed sufficient to warrant these institutions in disregarding their solemn obligations. Such conduct is not merely an injury to individual creditors, but it is a wrong to the whole community, from whose liberality they hold most valuable privileges—whose rights they violate, whose business they derange, and the value of whose property they render unstable and insecure. It must be evident that this new ground for bank suspensions, in reference to which their action is not only disconnected with, but wholly independent of that of the public, gives a character to their suspensions more alarming than any which they exhibited before, and greatly increases the impropriety of relying on the banks in the transactions of the Government.

A large and highly respectable portion of our banking institutions are, it affords me unfeigned pleasure to state, exempted from all blame on account of this second delinquency. They have, to their great credit, not only continued to meet their engagements, but have even repudiated the grounds of suspension now resorted to. It is only by such a course that the confidence and good will of the community can be preserved, and, in the sequel, the best interests of the institutions themselves promoted.

New dangers to the banks are also daily disclosed from the extension of that system of extravagant credit of which they are the pillars. Formerly our foreign commerce was principally founded on an exchange of commodities, including the precious metals, and leaving in its transactions but little foreign debt.—Such is not now the case. Aided by the facilities afforded by the banks, mere credit has become too commonly the basis of trade. Many of the banks themselves not content with largely stimulating this system among others, have usurped the business, while they impair the stability, of the mercantile community: they have become borrowers instead of lenders; they establish their agencies abroad; they deal largely in stock and merchandise; they encourage the issue of State securities until the foreign market is glutted with them; and, unsatisfied with the legitimate use of their own capital and the exercise of their lawful privileges, they raise, by large loans, additional means for every variety of speculation. The disasters attendant on this deviation from the course of business in this country, are now shared alike by banks and individuals, to an extent of which there is perhaps no previous example in the annals of our country. So long as a willingness of the foreign lender, and a sufficient export of our productions to meet any necessary partial payments, leave the flow of credit undisturbed, all appear to be prosperous; but as soon as it is checked by any hesitation abroad, or by an inability to make payment there in our productions, the evils of the system are disclosed. The paper currency which might serve for domestic purposes, is useless to pay the debt due in Europe. Gold and silver are therefore drawn, in exchange for their notes, from the banks. To keep up their supply of coin, these institutions are obliged to call upon their own debtors, who pay them punctually in their own notes, which are as unavailable to them as they are to the merchants to meet the foreign demand The calls of the Banks, therefore, in such emergencies, of necessity exceed that demand, and produce a corresponding curtailment of their accommodations and of the currency, at the very moment when the state of trade renders it most inconvenient to be borne the intensity of this pressure on the community is in proportion to the previous liberality of credit and consequent expansion of the currency: forced sales of property are made at the time when the means of purchasing are most reduced and the worst calamities to individuals are only at last arrested, by an open violation of their obligations by the banks, a refusal to pay specie for their notes, and an imposition upon the community of a fluctuating and depreciated currency.

These consequences are inherent in the present system. They are not influenced by the banks being large or small, created by National or State Governments They are the results of the irresistible laws of trade and credit. In the recent events which have so strikingly illustrated the certain effects of these laws, we have seen the bank of the largest capital in the Union, established under a National charter, and lately strengthened as we were authoritatively informed, by exchanging that for a State charter, with new and unusual privileges—in a condition too, as it was said, of entire soundness and great prosperity—not merely unable to resist these effects, but the first to yield to them.

Nor is it to be overlooked that there exists a chain of necessary dependence among these institutions which oblige them, to a great extent, to follow the course of others, notwithstanding its injustice to their own immediate creditors, or injury to the particular community in which they are placed. This dependance of a bank, which is in proportion to the extent of its debts for circulation and deposites, is not merely on others in its own vicinity, but on all those which connect it with the centre of trade. Distant banks may fail, without seriously affecting those in our principal commercial cities; but the failure of the latter is felt at the extremities of the Union. The suspension at New York, in 1837, was every where, with very few exceptions followed, as soon as it was known: that recently at Philadelphia, immediately affected the banks of the South and West in a similar manner. This dependance of our whole banking system on the institutions in a few large cities is not found in the laws of their organization but in those of trade and exchange. The banks at that centre to which currency flows, and where it is required in payments for mercandize hold the power of controlling those in regions whence it comes, while the latter possess no means of restraining them; so that the value of individual property and the prosperity of trade, thro' the whole interior of the country, are made to depend on the good or bad management of the banking institutions in the great seats of trade on the seaboard.

But this chain of dependence does not stop here. It does not terminate in Philadelphia or New York. It reaches across the ocean, and ends in London, the centre of the credit system. The same laws of trade, which gave to the banks in our principal cities power over the whole banking system of the United States, subject the former in their turn, to the money power in Great Britain. It is not denied that the suspension of the New York banks in 1837, which was followed in quick succession throughout the Union, was produced by an application of that power; and it is now alleged, in extenuation of the present condition of so large a portion of our banks, that their embarrassments have arisen from the same cause.

From this influence they cannot now entirely escape, for it has its origin in the credit currencies of the two countries; it is strengthened by the current of trade and exchange, which centres in London, and is rendered almost irresistible by the large debts contracted there by our merchants, our banks and our States. It is thus that an introduction of a new bank into the most distant of our villages, places the business of that village within the influence of the money power in England. It is thus that every new debt which we contract in that country, seriously affects our own currency, and extends over the pursuits of our citizens its powerful influence. We cannot escape from this by making new banks, great or small, State or National. The same chains which bind those now existing to the centre of this system of paper credit, must equally fetter every similar institution we create. It is only by the extent to which this system has been pushed of late, that we have been made fully aware of its irresistable tendency to subject our own banks and currency to a vast controlling power in a foreign land; and it adds a new argument to those which illustrate their precarious situation. Endangered in the first place by their own mismanagement, and again by the conduct of every institution which connects them with the centre of trade in our own country, they are yet subjected, beyond all this, to the effect of whatever measure, policy, necessity, or caprice may induce those who control the credits of England to resort to. I mean not to comment upon these measures, present or past, and much less to discourage the prosecution of fair commercial dealing between the two countries, based on reciprocal benefits; but it having now been made manifest that the power of inflicting these and similar injuries, is, by the resistless law of a credit currency and credit trade, equally capable of extending their consequences through all the ramifications of our banking system, and by that means indirectly obtaining, particularly when our banks are used as depositories of the public moneys, a dangerous political influence in the United States, I have deemed it my duty to bring the subject to your notice, and ask for it your serious consideration.

Is an argument required beyond the exposition of these facts, to show the impropriety of using our banking institutions as depositories of the public money? Can we venture not only to encounter the risk of their individual and mutual mismanagement, but, at the same time, to place our foreign and domestic policy entirely under the control of a foreign moneyed interest? To do so is to impair the independence of our Government, as the present credit system has already impaired the independence of our banks. It is to submit all its important operations, whether of peace or war, to be controlled or thwarted at first *by our own banks, and then by a power* abroad greater than themselves. I cannot bring myself to depict the humiliation to which this Government and people might be sooner or later reduced, if the means for defending their rights are to be made dependent upon those who may have the most powerful of motives to impair them.

Nor is it only in reference to the effect of this state of things on the independence of our Government or of our banks, that the subject presents itself for consideration; it is to be viewed also in its relations to the general trade of our country. The time is not long past when a deficiency of foreign crops was thought to afford a profitable market for the surplus of our industry; but we now await with feverish anxiety the news of the English harvest, not so much from motives of commendable sympathy, but fearful lest its anticipated failure should narrow the field of credit there. Does not this speak volumes to the patriot? Can a system be beneficial, wise or just which creates greater anxiety for interests dependent on foreign credit, than for the general prosperity of our own country and the profitable exportation of the surplus produce of our labor?

The circumstances to which I have thus adverted appear to me to afford weighty reasons, developed by late events, to be added to those which I have on former occasions offered, when submitting to your better knowledge and discernment the propriety of separating the custody of the public money from banking institutions. Nor has anything occurred to lessen, in my opinion, the force of what has been heretofore urged. The only ground on which that custody can be desired by the banks, is the profitable use which they may make of the money. Such use would be regarded in individuals as a breach of trust, or a crime of great magnitude and yet it may be reasonably doubted whether, first and last it is not attended with more mischievous consequences, when permitted to the former than to the latter.

The practice of permitting the public money to be used by its keepers as here is believed to be peculiar to this country, and to exist scarcely any where else.—To procure it here, improper influences are appealed to; unwise connections are established between the Government and vast numbers of powerful State institutions; other motives than the public good are brought to bear both on the Executive and Legislative departments, and selfish combinations, leading to special legislation, are formed. It is made the interest of banking institutions and their stockholders throughout the Union to use their exertions for the increase of taxation and the accumulation of a surplus revenue, and, while an excuse is afforded the means are furnished for those excessive issues which led to extravagant trading and speculation, and are the forerunners of a vast debt abroad, and a suspension of the banks at home.

Impressed, therefore, as I am, with the propriety of the funds of the Government being withdrawn from private use of either banks or individuals, and the public money kept by duly appointed public agents; and believing, as I do, that such also is the judgment which discussion, reflection and experience have produced on the public mind, I leave the subject with you. It is, at all events, essential to the interests of the community and business of the Government, that a decision should be made.

Most of the arguments that dissuade us from employing banks in the custody and disbursement of the public money, apply with equal force, to the receipt of their notes for public dues. The difference is only in form. In one instance the Government is a creditor for its deposites, and in the other for the notes it holds. They afford the same opportunity for using the public moneys, and equally lead to all the evils attendant upon it since a bank can as safely extend its discounts on a deposite of its notes in the hands of a public officer as on one made in its own vaults. On the other hand it would give to the Government no greater security: for in case of failure, the claim of the note holder would be no better than that of a depositor.

I am aware that the danger of inconvenience to the public and unreasonable pressure upon sound banks have been urged as objections to requiring the payment of the revenue in gold and silver. These objections have been greatly exaggerated. From the best estimates we may safely fix the amount of specie in the country at eighty five millions of dollars, and the portion of that which would be employed at any one time in the receipts and disbursements of the Government, even if the proposed change were made at once, would not, it is now, after fuller investigation, believed, exceed four or five millions. If the change were gradual several years would elapse before that sum would be required, with annual opportunities, in the meantime, to alter the law, should experience prove it to be oppressive or inconvenient. The portions of the community on whose business the change would immediately operate, are comparatively small, nor is it believed that its effects would be in the least unjust or injurious to them.

In the payment of duties, which constitute the greater portion of the revenue, a very large proportion is derived from the foreign commission houses and agents of foreign manufactures, who sell the goods consigned to them, generally, at auction and after paying the duties out of the avails, remit the rest abroad in specie or its equivalent. That the amount of duties should, in such cases, be also retained in specie, can hardly be made a matter of complaint. Our own importing merchants, by whom the residue of the duties is paid, are not only peculiarly interested in maintaining a sound currency, which the measure in question will especially promote, but are from the nature of their dealings best able to know when specie will be needed, and to procure it with the least difficulty or sacrifice. Residing, too, almost universally in places where the revenue is received, and where the drafts used by the Government for its disbursements must concentrate, they have every opportunity to obtain and use them in place of specie, should it be for their interest or convenience. Of the number of these drafts and the facilities they may afford, as well as of the rapidity with which the public funds are drawn & disbursed, an idea, may be formed from the fact that, of nearly twenty millions of dollars paid to collectors and receivers during the present year, the average amount in their hands any one time has not exceeded a million and a half; and of the fifteen millions received by the collector of New York alone during the present year, the average amount held by him, subject to draft during each week, has been less than a half million.

The ease and safety of the operations of the treasury in keeping the public money, are promoted by the application of its own drafts to the public dues. The objection arising from having them too long outstanding, might be obviated, and they yet made to afford to merchants and banks holding them an equivalent for specie, and in that way greatly lessen the amount actually required. Still less inconvenience will attend the requirement of specie in purchases of public lands. Such purchases, except when made on speculation, are, in general, but single transactions, rarely repeated by the same person;—and it is a fact, that for the last year and a half, during which the notes of sound banks have been received, more than a moiety of these payments has been voluntarily made in specie, being a larger proportion than would have been required in three years under the graduation proposed.

It is moreover a principle, than which none is better settled by experience, that the supply of the precious metals will always be found adequate to the uses for which they are required. They abound in countries where no other currency is allowed. In our own states where small notes are excluded, gold and silver supply their place. When driven to their hiding places by bank suspensions, a little firmness in the community soon restores them in a sufficient quantity for ordinary purposes. Postage and other public dues have been collected in coin without serious inconvenience, even in states where a depreciated paper currency has existed for years, and this with the aid of treasury notes for a part of the time, was done without interruption during the suspension of 1837. At the present moment, the receipts and disbursements of the government are made in legal currency in the largest portion of the union—no one suggests a departure from this rule; and if it can now be successfully carried out, it will be surely attended with even less difficulty when bank notes are again redeemed in specie.

Indeed I cannot think that a serious objection would any where be raised to the receipt and payment of gold and silver in all public transactions, were it not for an apprehension that a surplus in the treasury might withdraw a large portion of it from circulation, and lock it up unprofitably in the public vaults. It would not, in my opinion, be difficult to prevent such an inconvenience from occurring; but the authentic statements which I have already submitted to you in regard to the actual amount in the public treasury at any one time during the period embraced in them, and the little probability of a different state of the treasury for at least some years to come, seem to render it unnecessary to dwell upon it. Congress, moreover, as I have before observed, will in every year have an opportunity to guard against it, should the occurrence of any circumstances lead us to apprehend injury from this source. Viewing the subject in all its aspects I cannot believe that any period will be more auspicious than the present for the adoption of all measures necessary to maintain the sanctity of our own engagements, and to aid in securing to the community that abundant supply of the precious metals which adds so much to their prosperity, and gives such increased stability to all their dealings.

In a country so commercial as ours, banks in some form will probably always exist; but this serves only to render it the more incumbent on us, notwithstanding the discouragements of the past, to strive in our respective stations to mitigate the evils they produce—to take from them, as rapidly as the obligations of public faith and a careful consideration of the immediate interests of the community will permit, the unjust character of monopolies; to check, so far as may be practicable by prudent legislation, those temptations of interest and those opportunities for their dangerous indulgence, which beset them on every side, and to confine them strictly to the performance of their paramount duty, that of aiding the operations of commerce, rather than consulting their own exclusive advantage. These and other salutary reforms may, it is believed, be accomplished without the violation of any of the great principles of the social compact, the observance of which is indispensable to its existence, or interfering in any way with the useful and profitable employment of real capital.

Institutions so framed have existed and still exist elsewhere, giving to commercial intercourse all necessary facilities, without inflating or depreciating the currency or stimulating speculation. Thus accomplishing their legitimate ends, they have gained the surest guarantee for their protection and encouragement in the good will of the community. Among a people so just as ours the same results could not fail to attain a similar course. The direct supervision of the banks belongs, from the nature of our government, to the states who authorise them. It is to their legislatures that the people must mainly look for action on that subject.—But as the conduct of the federal government, in the management of its revenue has also a powerful though less immediate influence upon them, it becomes our duty to see that a proper direction is given to it. While the keeping of the public revenue in a separate and independent treasury, and of collecting it in gold and silver, will have a salutary influence on the system of paper credit with which all banks are connected, and thus aid those that are sound and well managed, it will at the same time sensibly check such as are otherwise, by at once withholding the means of extravagance afforded by the public funds, and restraining them from excessive issues of notes which they would be constantly called upon to redeem.

I am aware it has been urged that this control may be best attained and exerted by means of a national bank. The constitutional objections, which I am well known to entertain, would prevent me in any event from proposing or assenting to that remedy, but in addition to this, I cannot, after past experience, bring myself to think that it can any longer be extensively regarded as effective for such a purpose. The history of the late national bank, through all its mutations, shows that it was not so. On the contrary, it may, after a careful consideration of the subject, be, I think, safely stated that at every period of banking excess it took the lead; that in 1817, and 1818, in 1823, and 1831 and in 1834, its vast expansions, followed by distressing contractions; led to those of the state institutions. It swelled and maddened the tides of the banking system, but seldom allayed or safely directed them. At a few periods only was a salutary control exercised, but an eager desire on the contrary exhibited for profit in the first place; and if, afterward, its measures were severe towards other institutions, it was because its own safety compelled it to adopt them It did not differ from them in principle or in form, its measures emanated from the same spirit of gain; it felt the same temptation to over issues; it suffered from, and was totally unable to avert, those inevitable laws of trade, by which it was itself affected equally with them; and at least on one occasion, at an early day, it was saved only by extraordinary exertions from the same fate that attended the weakest institution it professed to supervise. In 1837 it failed,

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