L. D. Teacher

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Dec. 30, 1839.

SPEECH OF MR CALHOUN

OF SOUTH CAROLINA,

In Senate, Wednesday, February 5, 1840.

On Mr Grundy's report in relation to the assumption of the debts of the State, by the Federal Government.

MR. CALHOUN said—

When I have heard it asserted, again and again, in this discussion, that this report was uncalled for; that there was no one in favor of the assumption of State debts, and that the resolutions were mere idle, abstract negatives, of no sort of importance; I could not but ask myself, if all this be so, why this deep excitement? why this ardent zeal to make collateral issues? and above all, why the great anxiety to avoid a direct vote on the resolutions? To these inquiries I could find but one solution; and that is disguise it as you may, there is, in reality, at the bottom, a deep and agitating question. Yes, there is such a question. The scheme of assuming the debts of the State is no idle fiction. The evidence of its reality, and that *it is now in agitation*, burst from every quarter, within and without these walls, on this side and the other side of the Atlantic; not, indeed, a direct assumption, for that would be too absurd; and harmless, because too absurd; but in a form far more plausible and dangerous—an assumption, *in effect*, by dividing the proceeds of the sales of public lands among the States. I shall not stop to show that such distribution, under existing circumstances, with the deep indebtedness and embarrassment of many of the states, would be, in reality an assumption. We all know that without such indebtedness and embarrassment, the scheme of distribution would not have the least chance for adoption, and that it would be perfectly harmless, and cause no excitement; but plunged as the States are, in debt, it becomes a question truly formidable, and on which the future politics of the country are destined for years to turn. If, then, the scheme should be adopted, it must be by the votes of the indebted States, in order to aid their credit, and lighten their burden; and who is so blind as not to see that it would not be in truth, what I have asserted it to be in effect, to that extent, an assumption of their debts.

Here, then, we have the real question at issue, which has caused this excitement and zeal—a question pregnant with the most important consequences, immediate and remote. What I now promise is, to trace rapidly and briefly some of the more prominent which would result from this scheme, should it ever become a law.

The first, and most immediate, would be to substract from the Treasury a sum equal to the annual proceeds of the sales of the public lands. I do not intend to examine the constitutional question whether Congress has or has not the right to make the substraction, and to divide the proceeds amnong the States. It is not necessary. The committee has exclusively shown that it has no such power: that it holds the public domain in trust for the States in their Federal capacity as members of the Union, in aid of their contribution to the Treasury: and that to denationalize the fund, (if I may use the expression,) by distributing it among the States for their separate and individual uses, would be a manifest violation of the trust and wholly unwarranted by the Constitution. Passing, then, by the constitutionel question, I intend to restrict my inquiry to what would be its fiscal and moneyed effects.

Thus regarded, the first effect of the subtraction would be to cause an equal deficit in the revenue. I need not inform the Senate that there is not a surplus cent in the Treasury; that the most rigid economy will be necessary to meet the demands on it during the current year; that the revenue, so far from being on the increase, must be rapidly reduced, under existing laws, in the next two years; and that every dollar withdrawn, by substracting the proceeds of the public lands, must make a corresponding deficit. We are thus brought to the question, what would be the probable annual amount of the deficit, and how is it to be supplied?

The receipts from the sales of the public lands, I would suppose, may be safely estimated at five millions of dollars at least on an average, for the next ten or fifteen years.—The first three quarters gave within a fraction of five and a half millions. The estimate for this year, is three and a half millions; making the average of the two years a little short of five millions. If with these data, we cast our eyes back on the last ten or fifteen years, we shall come to the conclusion, taking into consideration our great increase of population and wealth, and the vast quantity of public lands held by the Government that the average I have estimated it not too high. Assuming, then that the deficit would be five millions, the next inquiry is, how shall it be supplied? There is but one way, a corresponding increase of the duties on imports.—We have no other source of revenue, but the Post Office. No one would think of laying it on that, or to raise the amount by internal taxes. The result, then, thus far, would be to withdraw from the Treasury five millions of the proceeds of the sales of the public lands to be distributed among the States, and to impose an equal amount of duty on imports, to make good the deficit. Now I would ask, what is the difference, regarded as a fiscal transaction, between withdrawing that amount for distribution, and imposing a similar amount of duties on the imports, to supply its place, and that of leaving the proceeds of the sales of the land in the Treasury, and imposing an equal amount of duties for distribution. It is clearly the same thing, in effect, to retain the proceeds of the public lands in the treasury and to impose the duties for distribution, or to distribute the proceeds and thereby force the imposition of the duties to supply the place.

It is, then, in reality, a scheme to impose five millions of additional duties on the importations of the country, to be distributed among the States; and I now ask where is the Senator who will openly avow himself an advocate of such a scheme? I put the question home, solemnly, to those on the opposite side, do you not believe that such a scheme would be unconstitutional, unequal, unjust, and dangerous? And can you, as honest men, do that in effect, by indirect means, which, if done directly, would be clearly liable to every one of those objections?

I have said such would be the case, regarded as a fiscal transaction In a political point of view, the distribution of the proceeds of the sales of the land would be the worst of the two. It would create opposing and hostile relations between the old and new States, in reference to the public domain. Heretofore the conduct of the Government has been distinguished by the greatest liberality, not to say generosity, towards the new States, in the administration of the public lands. Adopt this scheme and its conduct will be the reverse. Whatever might be granted to them, would abstract an equal amount from the sum to be distributed. An austere and rigid administration would be the result, followed by hostile feelings on both sides, that would accelerate the conflict between them in reference to the public domain—a conflict advancing but too fast by the natural course of events, and which any one, in the least gifted with foresight must see, come when it will, would shake the Union to the centre, unless prevented by wise and timely concession

Having shown that the scheme is, in effect, to impose duties for distribution, the next question is, on whom will they fall? I know that there is a great diversity of opinion as to who, in fact, pays the duties on imports. I do not intend to discuss that point. We of the staple and exporting States have long settled the question; for ourselves, almost unanimously, from sad experience.

We know how ruinously high duties fell upon us; how they desolated our cities, and exhausted our section. We also know how rapidly we have been recovering as they have been going off, in spite of all the difficulties of the times, and the distracted and disordered state of the currency. It is now a fixed maxim with us, that there is not a whit of difference, as far as we are concerned, between an export and import duty—between paying toll going out, or returning in—or going down to market, or returning back. If this be true, of which we have no doubt, it is a point of no little importance to the staple States to know what portion of the duties will fall to our lot to pay. We furnish about three fourths of the exports, with about two fifths of the whole population. Four fifths of five millions is four millions, which would be the measure of our contribution; and two-fifths of five millions is two millions, which would be our share of the distribution; that is to say, for every two dollars we would receive, under this notable scheme, we would pay four dollars to the fund from which it would be derived.

I now ask what does it amount to, but making the income of the States to the amount of five millions annually, common property, to be distributed among them according to numbers, or some such ratio, with the least reference to their respective contribution?—And what is that but rank agrarianism—agrarianism among the States? To divide the annual income is as much agrarianism as to divide property itself, and would be as much so divided among twenty-six States, as among twenty-six individuals. Let me admonish the members opposite, if they really apprehend the spirit of agrarianism as much as might be inferred from their frequent declarations, not to set the fatal example here, in their legislative capacity. Remember there is but one step between dividing the income of the States, and that of individuals, and between a partial and general distribution.

Proceeding a step farther, in tracing consequences, another question presents itself—on what articles shall the duty be laid? On the free or the dutied articles? Shall they be laid for revenue or for protection? Is it not obvious that so large an amount as five millions, equal to one third of the present income from that source, and probably not much less than one half what it will be at the end of two years, cannot be raised without rousing from its slumber the tariff question, with all its distraction and danger? Should that, however, not be the case, there is another question connected with this, that cannot fail to rouse it, as I shall now proceed to explain.

The act of distributing the sales of the public lands among the States of itself, as well as the amount to be distributed, will do much to resuscitate their credit. It is the desired result, and the leading motive for the act.—Five millions annually, (the amount assumed,) on a pledge of the public domain, would, of itself, be a sufficient basis for the loan of ninety or an hundred millions of dollars, if judiciously managed. But suppose that only one half should be applied, as the means of negotiating loans abroad, in order to complete the old, or to commence new works of improvement, or other objects. I ask, what would be the effects on our imports, of negotiating a loan in England, or elsewhere in Europe, of forty or fifty millions, in the course of the next year or two? Can any one doubt, from past experience? We all know the process. Very little gold or silver is ever seen in these negotiations. A credit is obtained, and that placed in bank there, or with wealthy bankers. Bills are drawn on this country, and then sold to merchants. These are transmitted to Europe, and the proceeds returned in goods, swelling the tide of imports in proportion to the amount. The crash of our manufactures follow, and that, in turn, by denunciations against overtrading, in which those who have been most active in causing it are sure to join, but will take special care to make not the least allusion to the real source whence it flows. Is not that the case at this moment? And can it be doubted, that with the increase of the cause, the clamor for protection will increase, until with united voices the friends of the system would demand its renewal. If to this we add, that, under the compromise act, the tariff must be revived and remodelled, who can look at such a concurrence of powerful causes without seeing that it would be almost impossible to prevent the revival of the protective system, should the scheme of distribution be adopted. I hazzard nothing in asserting that the renewal would certainly follow; and, as this would be one of the most prominent and durable consequences of that scheme, I propose to consider it fully, in its most important bearing.

One of the most striking features of the system is its tendency to increase. Let it be once recognised, and let the most moderate duties be laid for protection; but put the system in motion, and its course would be onward, onward, by an irresistable impulse, as I shall presently show from past experience; and hence the necessity of vigilance, and a determined resistance to every course of policy that may possibly lead to its renewal.—This tendency to increase, results from causes inherent and inseperable from the system, and has evinced itself by the fact, that every tariff for protection has invariably disappointed its friends in the protection anticipated, and has been followed periodically, after short intervals, by a demand for another tariff with increased duties, to afford the protection vainly anticipated from its predecessor. Such has been the result throughout, from 1816 to 1828, when the first and last protective tariffs were laid, which I propose now to show by a very brief historical sketch of the rise and progress of the system.

The late war, with the embargo, and other restrictive measures that proceded it, almost expelled our commerce from the ocean, and diverted a vast amount of capital, that had been employed in it, to manufacturers. Such was the cause that led to the system. After the termination of the war, there was, on the part of Congress and the country, the kindest feeling toward the manufacturing interest, accompanied by a strong desire so to adjust the duties (indispensable to meet the expense of Government, and to pay the public debt) as to afford them ample protection. The manufacturers were consulted, and the act of '16 modelled to their wishes. They regarded it as affording sufficient & permanent protection, and I, in my then want of experience as to the nature of the system, did not dream that we would hear any more of tariff, till it would become necessary to re-adjust the duties, after the discharge of the public debt. Vain expectation! Two years had not passed away before the manufacturers were as clamorous as ever for addition protection; and to meet their wishes, new duties were laid, from time to time, with the same result; but the clamor still returned, till 1824, when the tariff of that year passed, which was believed on all sides to be ample, and was considered, like that of '16, to be a final adjustment of the question. It was under this impression that the South acquiesced (reluctantly) in the very high duties it imposed.

The late General Hayne, then a distinguished member of this body, took a very active part against it; and I well remember, after its passage, that he consoled himself with the belief that, though oppressive, it would be the last. His expectation proved as vain as mine in '16. Before two years had passed, we were again besieged with the cry of the inadequacy of the protection; and in the summer of 1827, a large convention of manufacturers from all parts was held at Harrisburg, in Pennsylvania, to devise a new and more ample scheme of protection to be laid before Congress at the next session—That movement ended in the adoption of the tariff of 1828, which in order to make sure work, went far beyond all its predecessors in the increase of duty. The duties were raised on the leading articles of consumption from forty to fifty per cent. above former duties, as high as they were. I speak conjecturally; without any certain data. In less than three years, even that enormous rise proved to be insufficient, as I shall presently show, and would certainty have been followed by new demands of protection, had not the small, but gallant State I represent, arrested its further progress—no, that is not strong enough—brought the system to the ground, against the resistance of the Aministration and opposition—never, I trust, to rise again.

The fact disclosed by this brief historical sketch is that there is a contant tendency to increase in the protective system; and that every increase of duty, however high, requires periodically, after a short interval; an additional increase. This, as I have stated, is not accidental, but is the result of causes inherent in the system itself, in the present condition of our country. It originates in the fact, that every increase of protection is necessarily followed by an expansion of the currency, which expansion must continue to enlarge till the increased price of production shall become equal to the increased duty, and when the importation of the articles prohibited may again take place with profit. That is the principle; and as it is essential to the peace and prosperity of the country that it should be clearly understood, I intend clearly to establish its truth beyond doubt or cavil; and for that purpose, shall begin with the tariff of '28, the last and by far the boldest of the series, with the view of illustrating, in its case, the operation of the principle. I entreat the Senate to give me its fixed attention. The principle, well understood, will shed a flood of light on the past and present difficulties of the country, and guide us in safety in our future course.

To give a clear conception of the operation of the tariff of 1828, it will be necessary to promise that it comprehended all the leading articles of consumption that could be manufactured in our country; amounting in value to not much less than one half of the whole of the imports, that the duties on these articles were increased enormously, as has been stated—say not less than forty or fifty per cent.; that the average domestic exports at the time was not much short of fifty millions of dollars, and the imports for consumption about the same; that the revenue from the imports was about half that sum; and that of the exports, about three fourth consisted of the great agricultural staples of the South. What, then, with these facts, must have been its necessary operations on the currency of the manufacturing States? It is impossible to continue to export for any considerable length of time without a corresponding return of imports.

It would be to give away our labor for nothing. Our exports, then, continuing at an average of sixty millions, in what, under the operation of the tariff of '28, must the corresponding imports to the same amount return? Not, certainly, to the same extent as before its passage, in the articles on which it had so greatly increased the duties? Its object in raising them, was to give our manufacturers the home market, by excluding the foreign articles of the same description. If it failed in that, it failed in accomplishing any good, whatever, and became an unmixed evil, without benefit to any one. The return, then, of imports, must have been principally in articles on which the duties were not raised, as far as the consumption of the country would warrant, and the balance, after paying what was due abroad, in gold and silver. The first effect, then, must have been to turn the foreign exchange in our favor; a most important consequence connected with the increase of gold and silver in relation to the currency. The next must have been to turn the domestic exchanges still more strongly against the staple States, and in favor of the manufacturing.

To understand this portion of the operation I must again repeat that the object of the tariff was to cut off the consumption of the foreign articles, in order that they should be supplied by our own manufactures. The necessary consequence of this must have been to diminish the demand abroad, and to increase it in the manufacturing States, and thereby to turn the influx of gold and silver to that point, in order to purchase the supplies there, which we have been in the habit of obtaining from abroad. These causes combined, must have had the effect of adding greatly to the capacity of the banks in that quarter to extend their discounts and accommodations, and with it the circulation of their notes. With a growing supply of specie, and the exchange favorable in every direction as must have been the case, there is no limit to the business of banks, nor are they slow to perceive or to act on such favorable circumstances. Nor must we overlook another powerful cause in operation, the fiscal action of the Government; through the operation of which the vast sums collected under such high duties, was transferred to the same quarter, to be applied in discharge of the public debt and disbursed on the innumerable objects of expenditure there.

Under the operation of such powerful causes, there could not but be a vast and sudden expansion of the currency where they were in such great activity, and with that expansion a corresponding increase of prices and the cost of production. Nor could this state of things cease till the increased cost of production become equal to the duty imposed for protection. At that point, and not before must specie cease to flow in, and the exchange to be favorable; but when reached, the tide must turn, importations of the protected articles would re commence, specie flow out, and exchanges become adverse. This must be so obvious that it would only darken to attempt to make it more clear. With the turn of the tide the banks must contract, and pecuniary embarrassments and distress follow. Such, under the operation of the causes assigned, must be the result, for reasons which appear to me irresistable. But, sir, I do not mean to leave so important a point to the mere force of argument, however clear and certain. I intend to prove by incontestible authority of documents, such was, in fact, exactly the result. I intend to place the principle laid down, as I have said, beyond doubt or cavil.

The first authority I shall adduce, is from the* report of a committee of the other House, made February, 1832, by Campbell P. White the chairman, and then a member from the city of New York. The report is evidently drawn with great care, and by one familiar with the subject, and has the advantage of being on another subject, (the currency,) without any reference to the tariff or protective system, and evidently without any knowledge of its operation. Hear, then what the report says:

"The recent export of specie has swept away the delusive coloring given to the actual result of production *in* 1829, 1830, *and the early part of* 1831. Real estate appreciated greatly; local stocks commanded unheard of prices; warehouses and dwellings were improved and embellished, and money was so abundant, that it could readily be obtained to any amount, upon promissary notes. How changed is the general aspect of things within a few months? All our solid professions and means of industry remain, land continues to be equally productive, labor is recompenced with its usual reward; the seasons have not been unfriendly. Whence, then, this lamentable change in our affairs? Why this great scarcity of money; depreciation in value of all commodities, and of all property; great commercial distress, and absolute impossibility with many solvent persons to discharge their just dents, so speedily and gratifyingly succeeded the gratifying and prosperous picture which was so lately presented?"

*Doct. 278, House of Representatives.