

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES,

TO

THE TWO HOUSES OF CONGRESS,

AT THE

COMMENCEMENT OF THE FIRST SESSION

OF

THE TWENTY-FIFTH CONGRESS.

SEPTEMBER 5, 1837.

Printed by order of the Senate of the United States.

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*Fellow-citizens of the Senate,
and House of Representatives:*

The act of the 23d of June, 1836, regulating the deposits 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 deposits, upon the terms and conditions therein prescribed. The general and almost simultaneous suspension of specie payments by the banks, in May last, rendered the performance of this duty imperative, in respect to those which had been selected under the act, and made it, at the same time, impracticable to employ the requisite number of others, upon the prescribed conditions. The specific regulations established by Congress, for the deposit 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 power 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 States 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 authorized by law was promptly and cheerfully granted. The dependence of the Treasury upon the avails of these bonds, to enable it to make the deposits with the States required by law, led me, in the outset, to limit this indulgence to the 1st of September; but it has since been extended to the 1st 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 deposits, requiring the interposition of Congress.

A provision of another act, passed about the same time, and intended to secure a faithful compliance with the obligation 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 or silver at the will of the holder; and the ability of the Government, with millions on deposit, 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 indispensably 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 full 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 that 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 earlier stages of the revulsion 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 operations of credit 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 Government 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 monetary 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 our's, from ultimately arriving at correct conclusions. Encouraged by the firm belief of this truth, I proceed to state 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 three or four years, affords the most convincing evidence that our present condition is chiefly to be attributed to overaction in all the departments of business; an overaction 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 1st 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 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 sales 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—an expenditure which, amounting in 1834 to about 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 merely fancied wealth, and 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 its severity. A concurrence of circumstances, inadequate of themselves to produce such wide-spread and calamitous embarrassments, tended so greatly to aggravate them, that they cannot be overlooked 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 public 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 developments 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 Britain, 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 unprecedented expansions of the systems of credit. A reference to the amount of banking capital, and the issues of paper credits put in circulation in Great Britain, by banks and in other ways, during the years 1834, 1835, and 1836, will show an augmentation of the paper currency there, as much disproportioned to the real wants of trade as in the United 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 the 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 view of these facts, it would seem impossible for 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 commercial 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 successes; the same difficulties and reverses; and, at length, nearly the same overwhelming 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 deposit, 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 United 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 sentiments are, or a reason that they should be, changed.

Events similar in their origin and character have heretofore 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 national as in State institutions. This propensity is 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 views and influenced by the same motives, will be equally 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 charter 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 the 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 the 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 favors.

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, and of 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 funds from place to place, the Government is on the same footing with the 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 authorized 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 merchandise. 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 United 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, enterprise, 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 exist, 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, 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 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 apprise 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 deposit and distribution of the revenue, at all times partially, and, on three different occasions, exclusively : first, anterior 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 successor ; 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 stages, the measure 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 became 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 States, 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 in-

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

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

Unforeseen in the organization of the Government, and forced on the Treasury by early necessities, the practice of employing banks was, in truth, from the beginning, more a measure of emergency than of sound policy. When we started into existence as a nation, in addition to the burdens of the new Government, we assumed all the large but honorable load of debt which was the price of our liberty; but we hesitated to weigh down the infant industry of the country by resorting to adequate taxation for the necessary revenue. The facilities of banks, in return for the privileges they acquired, were promptly offered, and, perhaps, too readily received, by an embarrassed Treasury. During the long continuance of a national debt, and the intervening difficulties of a foreign war, the connection was continued, from motives of convenience. But these causes have long since passed away. We have no emergencies that make banks necessary to aid the wants of the Treasury; we have no load of national debt to provide for; and we have on actual deposit 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 a 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 currency, and kept in that form by the officers of the Treasury. The citizen whose money was in bank, receives it back, since the suspension, at a sacrifice in its amount; whilst he who kept it in the legal currency of the country, and in his own possession, pursues without loss the current of his business. The Government, placed in the situation of the former, is involved in embarrassments it could not have suffered, had it pursued the course of the latter. These embarrassments are moreover augmented by those salutary and just laws which forbid it to use a depreciated currency, and, by so doing, take from the Government the ability which individuals have of accommodating their transactions to such a catastrophe.

A system which can, in a time of profound peace, when there is a large revenue laid by, thus suddenly prevent the application and the use of the money of the people in the manner and for the objects they have directed,

cannot be wise ; but who can think, without painful reflection, that, under it, the same unforeseen events might have befallen us in the midst of a war, and taken from us, at the moment when most wanted, the use of those very means which were treasured up to promote the national welfare, and guard our national rights ! To such embarrassments and to such dangers will this Government be always exposed, whilst it takes the 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 intrusted with the possession of them. Nor can such results be effectually guarded against in such a system, without investing the Executive with a control over the banks themselves, whether State or national, that might with reason be objected to. Ours is, probably, the only Government in the world that is liable, in the management of its fiscal concerns, to occurrences like these.

But this imminent risk is not the only danger attendant on the surrender of the public money to the custody and control of local corporations. Though the object is aid to the Treasury, its 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 owners of stock in the banks selected as depositories. The supposed, and often exaggerated, advantages of such a boon will always cause it to be sought for with avidity. I will not stop to consider on whom the patronage incident to it is to be conferred ; whether the selection and control be trusted to Congress or to the Executive, either will be subjected to appeals made in every form which the sagacity of interest can suggest. The banks, under such a system, are stimulated to make the most of their fortunate acquisition ; the deposits are treated as an increase of capital ; loans and circulation are rashly augmented ; and, when the public exigencies require a return, it is attended with embarrassments not provided for nor foreseen. Thus, banks that thought themselves most fortunate when the public funds were received, find themselves most embarrassed when the season of payment suddenly arrives.

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

In expressing these sentiments, I desire not to undervalue the benefits of a salutary credit to any branch of enterprise. The credit bestowed on

probity and industry is the just reward of merit, and an honorable incentive to further acquisition. None oppose it who love their country and understand its welfare. But, when it is unduly encouraged; when it is made to inflame the public mind with the temptations of sudden and unsubstantial wealth; when it turns industry into paths that lead, sooner or later, to disappointment and distress, it becomes liable to censure, and needs correction. Far from helping probity and industry, the ruin to which it leads falls most severely on the great laboring classes, who are thrown suddenly out of employment, and, by the failure of magnificent schemes never intended to enrich them, are deprived, in a moment, of their only resource. Abuses of credit and excesses in speculation will happen, in despite of the most salutary laws; no Government, perhaps, can altogether prevent them; but surely every Government can refrain from contributing the stimulus that calls them into life.

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

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

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

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

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

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

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

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

It will be seen by the report of the Postmaster General, herewith communicated, that the fiscal affairs of that Department have been successfully conducted since May last, upon the principle of dealing only in the legal

currency of the United States; and that it needs no legislation to maintain its credit and facilitate the management of its concerns; the existing laws being, in the opinion of that officer, ample for those objects.

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

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

The revenue can only be collected by officers appointed by the President, with the advice and consent of the Senate. The public moneys, in the first instance, must, therefore, in all cases pass through hands selected by the Executive. Other officers appointed in the same way, or, as in some cases, by the President alone, must also be intrusted with them when drawn, for the purpose of disbursement. It is thus seen, that even when banks are employed, the public funds must twice pass through the hands of executive officers. Besides this, the head of the Treasury Department, who also holds office at the pleasure of the President, and some other officers of the same Department, must necessarily be invested with more or less power in the selection, continuance, and supervision of the banks that may be employed. The question is then narrowed to the single point, whether, in the intermediate stage between the collection and disbursement of the public money, the agency of banks is necessary to avoid a dangerous extension of the patronage and influence of the Executive? But is it clear that the connection of the Executive with powerful moneyed institutions, capable of ministering to the interests of men in points where they are most accessible to corruption, is less liable to abuse than his constitutional agency in the appointment and control of the few public officers required by the proposed plan? Will the public money, when in their hands, be necessarily exposed to any improper interference on the part of the Executive? May it not be hoped that a prudent fear of public jealousy and disapprobation, in a matter so peculiarly exposed to them, will deter him from any such interference, even if

higher motives be found inoperative? May not Congress so regulate, by law, the duty of those officers, and subject it to such supervision and publicity, as to prevent the possibility of any serious abuse on the part of the Executive? And is there equal room for such supervision and publicity in a connection with banks, acting under the shield of corporate immunities, and conducted by persons irresponsible to the Government and the people? It is believed that a considerate and candid investigation of these questions will result in the conviction that the proposed plan is far less liable to objection, on the score of Executive patronage and control, than any bank agency that has been or can be devised.

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

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

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

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

practice, continued to dispense with the currency required by the act of 1789, and took the notes of banks, in full confidence of their being paid in specie on demand; and Congress, to guard against the slightest violation of this principle, have declared, by law, that, if notes are paid in the transactions of the Government, it must be under such circumstances as to enable the holder to convert them into specie without depreciation or delay.

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

The receipt into the Treasury of bank notes not redeemed in specie on demand, will not, I presume, be sanctioned. It would destroy, without the excuse of war or public distress, that equality of imposts and identity of commercial regulation which lie at the foundation of our confederacy, and would offer to each State a direct temptation to increase its foreign trade, by depreciating the currency received for duties in its ports. Such a proceeding would also, in a great degree, frustrate the policy, so highly cherished, of infusing into our circulation a larger proportion of the precious metals; a policy, the wisdom of which none can doubt, though there may be different opinions as to the extent to which it should be carried. Its results have been already too auspicious, and its success is too closely interwoven with the future prosperity of the country, to permit us for a moment to contemplate its abandonment. We have seen, under its influence, our specie augmented beyond eighty millions; our coinage increased so as to make that of gold amount, between August, 1834, and December, 1836, to ten millions of dollars,—exceeding the whole coinage at the Mint during the thirty-one previous years.

The prospect of further improvement continued without abatement until the moment of the suspension of specie payments. This policy has now, indeed, been suddenly checked, but is still far from being overthrown. Amidst all conflicting theories, one position is undeniable: the precious metals will invariably disappear when there ceases to be a necessity for their use as a circulating medium. It was in strict accordance with this truth, that whilst, in the month of May last, they were everywhere seen, and were current for all ordinary purposes, they disappeared from circulation the moment the payment of specie was refused by the banks, and the community tacitly agreed to dispense with its employment. Their place was supplied by a currency exclusively of paper, and, in many cases, of the worst description. Already are the bank notes now in circulation greatly depreciated, and they fluctuate in value between one place and another; thus diminishing and making uncertain the worth of property and the price of labor, and failing to subserve, except at a heavy loss, the purposes of business. With each succeeding day, the metallic currency decreases; by some it is hoarded, in the natural fear that, once parted with,

it can not be replaced; while, by others, it is diverted from its more legitimate uses for the sake of gain. Should Congress sanction this condition of things, by making irredeemable paper money receivable in payment of public dues, a temporary check to a wise and salutary policy will, in all probability, be converted into its absolute destruction.

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

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

To say that the refusal of paper money by the Government introduces an unjust discrimination between the currency received by it, and that used by individuals in their ordinary affairs, is, in my judgment, to view it in a very erroneous light. The constitution prohibits the States from making any thing but gold and silver a tender in the payment of debts; and thus secures to every citizen a right to demand payment in the legal currency. To provide by law that the Government will only receive its dues in gold and silver, is not to confer on it any peculiar privilege, but merely to place it on an equality with the citizen, by reserving to it a right secured to him by the constitution. It is doubtless for this reason that the principle has been sanctioned by successive laws, from the time of the first Congress under the constitution, down to the last. Such precedents, never objected to, and proceeding from such sources, afford a decisive answer to the imputation of inequality or injustice.

But, in fact, the measure is one of restriction, not of favor. To forbid the public agent to receive in payment any other than a certain kind of money, is to refuse him a discretion possessed by every citizen. It may be left to those who have the management of their own transactions to make their own terms; but no such discretion should be given to him who acts merely as an agent of the people; who is to collect what the law requires, and to pay the appropriations it makes. When bank notes are redeemed on demand, there is then no discrimination in reality, for the individual who receives them may, at his option, substitute the specie for them; he takes them from convenience or choice. When they are not so redeemed, it will scarcely be contended that their receipt and payment, by a public officer, should be permitted, though none deny that right to an individual;

if it were, the effect would be most injurious to the public, since their officer could make none of those arrangements to meet or guard against the depreciation, which an individual is at liberty to do. Nor can inconvenience to the community be alleged as an objection to such a regulation. Its object and motive are their convenience and welfare.

If, at a moment of simultaneous and unexpected suspension by the banks, it adds something to the many embarrassments of that proceeding, yet these are far overbalanced by its direct tendency to produce a wider circulation of gold and silver, to increase the safety of bank paper, to improve the general currency, and thus to prevent altogether such occurrences, and the other and far greater evils that attend them.

It may, indeed, be questioned, whether it is not for the interest of the banks themselves that the Government should not receive their paper. They would be conducted with more caution, and on sounder principles. By using specie only in its transactions, the Government would create a demand for it, which would, to a great extent, prevent its exportation, and, by keeping it in circulation, maintain a broader and safer basis for the paper currency. That the banks would thus be rendered more sound, and the community more safe, cannot admit of a doubt.

The foregoing views, it seems to me, do but fairly carry out the provisions of the federal constitution in relation to the currency, as far as relates to the public revenue. At the time that instrument was framed, there were but three or four banks in the United States; and had the extension of the banking system, and the evils growing out of it, been foreseen, they would probably have been specially guarded against. The same policy which led to the prohibition of bills of credit by the States, would, doubtless, in that event, have also interdicted their issue as a currency in any other form. The constitution, however, contains no such prohibition; and since the States have exercised, for nearly half a century, the power to regulate the business of banking, it is not to be expected that it will be abandoned. The whole matter is now under discussion before the proper tribunal—the people of the States. Never before has the public mind been so thoroughly awakened to a proper sense of its importance; never has the subject, in all its bearings, been submitted to so searching an inquiry. It would be distrustful the intelligence and virtue of the people to doubt the speedy and efficient adoption of such measures of reform as the public good demands. All that can rightfully be done by the Federal Government, to promote the accomplishment of that important object, will, without doubt, be performed.

In the mean time, it is our duty to provide all the remedies against a depreciated paper currency which the constitution enables us to afford. The Treasury Department, on several former occasions, has suggested the propriety and importance of a uniform law concerning bankruptcies of corporations and other bankers. Through the instrumentality of such a law, a salutary check may doubtless be imposed on the issues of paper money, and an effectual remedy given to the citizen, in a way at once equal in all parts of the Union, and fully authorized by the constitution.

The indulgence granted by executive authority, in the payment of bonds for duties, has been already mentioned. Seeing that the immediate enforcement of these obligations would subject a large and highly respectable portion of our citizens to great sacrifices, and believing that a temporary postponement could be made without detriment to other interests, and with increased certainty of ultimate payment, I did not hesitate to

comply with the request that was made of me. The terms allowed are, to the full extent, as liberal as any that are to be found in the practice of the Executive Department. It remains for Congress to decide whether a further postponement may not, with propriety, be allowed; and, if so, their legislation upon the subject is respectfully invited.

The report of the Secretary of the Treasury will exhibit the condition of these debts; the extent and effect of the present indulgence; the probable result of its further extension on the state of the Treasury; and every other fact necessary to a full consideration of the subject. Similar information is communicated in regard to such depositories of the public moneys as are indebted to the Government, in order that Congress may also adopt the proper measures in regard to them.

The receipts and expenditures for the first half of the year, and an estimate of those for the residue, will be laid before you by the Secretary of the Treasury. In his report of December last, it was estimated that the current receipts would fall short of the expenditures by about three millions of dollars. It will be seen that the difference will be much greater. This is to be attributed not only to the occurrence of greater pecuniary embarrassments in the business of the country than those which were then predicted, and, consequently, a greater diminution in the revenue, but also to the fact that the appropriations exceeded, by nearly six millions, the amount which was asked for in the estimates then submitted. The sum necessary for the service of the year, beyond the probable receipts and the amount which it was intended should be reserved in the Treasury at the commencement of the year, will be about six millions. If the whole of the reserved balance be not at once applied to the current expenditures, but four millions be still kept in the Treasury, as seems most expedient, for the uses of the Mint, and to meet contingencies, the sum needed will be ten millions.

In making this estimate, the receipts are calculated on the supposition of some further extension of the indulgence granted in the payment of bonds for duties, which will affect the amount of the revenue for the present year to the extent of two and a half millions.

It is not proposed to procure the required amount by loans or increased taxation. There are now in the Treasury nine millions three hundred and sixty-seven thousand two hundred and fourteen dollars, directed by the act of the 23d of June, 1836, to be deposited with the States in October next. This sum, if so deposited, will be subject, under the law, to be recalled, if needed, to defray existing appropriations; and, as it is now evident that the whole, or the principal part of it, will be wanted for that purpose, it appears most proper that the deposit should be withheld. Until the amount can be collected from the banks, Treasury notes may be temporarily issued, to be gradually redeemed as it is received.

I am aware that this course may be productive of inconvenience to many of the States. Relying upon the acts of Congress which held out to them the strong probability, if not the certainty, of receiving this instalment, they have in some instances adopted measures with which its retention may seriously interfere. That such a condition of things should have occurred, is much to be regretted. It is not the least among the unfortunate results of the disasters of the times; and it is for Congress to devise a fit remedy, if there be one. The money being indispensable to the wants of the Treasury, it is difficult to conceive upon what principle of justice or expediency

its application to that object can be avoided. To recall any portion of the sums already deposited with the States, would be more inconvenient and less efficient; to burden the country with increased taxation, when there is in fact a large surplus revenue, would be unjust and unwise; to raise moneys by loans under such circumstances, and thus to commence a new national debt, would scarcely be sanctioned by the American people.

The plan proposed will be adequate to all our fiscal operations, during the remainder of the year. Should it be adopted, the Treasury, aided by the ample resources of the country, will be able to discharge, punctually, every pecuniary obligation. For the future, all that is needed will be, that caution and forbearance in appropriations which the diminution of the revenue requires, and which the complete accomplishment or great forwardness of many expensive national undertakings, renders equally consistent with prudence and patriotic liberality.

The preceding suggestions and recommendations are submitted, in the belief that their adoption by Congress will enable the Executive Department to conduct our fiscal concerns with success, so far as their management has been committed to it. Whilst the objects, and the means proposed to attain them, are within its constitutional powers and appropriate duties, they will, at the same time, it is hoped, by their necessary operation, afford essential aid in the transaction of individual concerns, and thus yield relief to the people at large, in a form adapted to the nature of our Government. Those who look to the action of this Government for specific aid to the citizen, to relieve embarrassments arising from losses by revulsions in commerce and credit, lose sight of the ends for which it was created, and the powers with which it is clothed. It was established to give security to us all, in our lawful and honorable pursuits, under the lasting safeguard of republican institutions. It was not intended to confer special favors on individuals, or on any classes of them; to create systems of agriculture, manufactures, or trade; or to engage in them, either separately or in connection with individual citizens or organized associations. If its operations were to be directed for the benefit of any one class, equivalent favors must, in justice, be extended to the rest; and the attempt to bestow such favors with an equal hand, or even to select those who should most deserve them, would never be successful.

All communities are apt to look to Government for too much. Even in our own country, where its powers and duties are so strictly limited, we are prone to do so, especially at periods of sudden embarrassment and distress. But this ought not to be. The framers of our excellent constitution, and the people who approved it with calm and sagacious deliberation, acted at the time on a sounder principle. They wisely judged that the less Government interferes with private pursuits, the better for the general prosperity. It is not its legitimate object to make men rich, or to repair, by direct grants of money or legislation in favor of particular pursuits, losses not incurred in the public service. This would be, substantially, to use the property of some for the benefit of others. But its real duty, that duty the performance of which makes a good Government the most precious of human blessings, is to enact and enforce a system of general laws commensurate with, but not exceeding, the objects of its establishment; and to leave every citizen and every interest to reap, under its benign protection, the rewards of virtue, industry, and prudence.

I cannot doubt that on this, as on all similar occasions, the Federal

Government will find its agency most conducive to the security and happiness of the people, when limited to the exercise of its conceded powers. In never assuming, even for a well meant object, such powers as were not designed to be conferred upon it, we shall, in reality, do most for the general welfare. To avoid every unnecessary interference with the pursuits of the citizen, will result in more benefit than to adopt measures which could only assist limited interests, and are eagerly, but perhaps naturally, sought for, under the pressure of temporary circumstances. If, therefore, I refrain from suggesting to Congress any specific plan for regulating the exchanges of the country, relieving mercantile embarrassments, or interfering with the ordinary operations of foreign or domestic commerce, it is from a conviction that such measures are not within the constitutional province of the General Government, and that their adoption would not promote the real and permanent welfare of those they might be designed to aid.

The difficulties and distresses of the times, though unquestionably great, are limited in their extent, and cannot be regarded as affecting the permanent prosperity of the nation. Arising, in a great degree, from the transactions of foreign and domestic commerce, it is upon them that they have chiefly fallen. The great agricultural interest has, in many parts of the country, suffered comparatively little; and, as if Providence intended to display the munificence of its goodness at the moment of our greatest need, and in direct contrast to the evils occasioned by the waywardness of man, we have been blessed, throughout our extended territory, with a season of general health and of uncommon fruitfulness. The proceeds of our great staples will soon furnish the means of liquidating debts at home and abroad, and contribute equally to the revival of commercial activity and the restoration of commercial credit. The banks, established avowedly for its support, deriving their profits from it, and resting under obligations to it which cannot be overlooked, will feel at once the necessity and justice of uniting their energies with those of the mercantile interest. The suspension of specie payments, at such a time, and under such circumstances as we have lately witnessed, could not be other than a temporary measure; and we can scarcely err in believing that the period must soon arrive when all that are solvent will redeem their issues in gold and silver. Dealings abroad naturally depend on resources and prosperity at home. If the debt of our merchants has accumulated, or their credit is impaired, these are fluctuations always incident to extensive or extravagant mercantile transactions. But the ultimate security of such obligations does not admit of question. They are guarantied by the resources of a country, the fruits of whose industry afford abundant means of ample liquidation, and by the evident interest of every merchant to sustain a credit, hitherto high, by promptly applying these means for its preservation.

I deeply regret that events have occurred which require me to ask your consideration of such serious topics. I could have wished that, in making my first communication to the assembled representatives of my country, I had nothing to dwell upon but the history of her unalloyed prosperity. Since it is otherwise, we can only feel more deeply the responsibility of the respective trusts that have been confided to us, and, under the pressure of difficulties, unite in invoking the guidance and aid of the Supreme Ruler of Nations, and in laboring with zealous resolution to overcome the difficulties by which we are environed.

It is, under such circumstances, a high gratification to know, by long

experience, that we act for a people to whom the truth, however unpromising, can always be spoken with safety ; for the trial of whose patriotism no emergency is too severe, and who are sure never to desert a public functionary honestly laboring for the public good. It seems just that they should receive, without delay, any aid in their embarrassments which your deliberations can afford. Coming directly from the midst of them, and knowing the course of events in every section of our country, from you may best be learnt as well the extent and nature of these embarrassments, as the most desirable measures of relief.

I am aware, however, that it is not proper to detain you, at present, longer than may be demanded by the special objects for which you are convened. To them, therefore, I have confined my communication ; and, believing it will not be your own wish now to extend your deliberations beyond them, I reserve, till the usual period of your annual meeting, that general information on the state of the Union which the constitution requires me to give.

M. VAN BUREN.

WASHINGTON, September 4th, 1837.

DOCUMENTS

ACCOMPANYING THE MESSAGE OF THE PRESIDENT OF THE UNITED STATES TO THE TWO HOUSES OF
CONGRESS, AT THE COMMENCEMENT OF THE FIRST SESSION OF
THE TWENTY-FIFTH CONGRESS.

REPORT

OF

THE POSTMASTER GENERAL.

POST OFFICE DEPARTMENT,

September 4, 1837.

SIR : Immediately after the suspension of specie payments by the banks in New York, in May last, a circular was sent out, directing all postmasters who had been instructed to deposite the proceeds of their offices in banks, to retain them in specie, to meet the drafts of the department.

To those who had been instructed to pay directly to contractors, another circular was sent, reminding them of their duties and liabilities in reference to the moneys to be received and paid by them under existing laws.

Instructions have recently been prepared, directing the manner in which returns of cash on hand are hereafter to be made to the department, and forbidding the loaning or use of the moneys belonging to the public, for any purpose whatsoever. Copies of these papers are annexed, marked A, B, and C.

In relation to upwards of ten thousand of the post offices, these regulations make no change. The only change effected by them is, that about eleven hundred postmasters, who formerly deposited their income in banks, weekly, monthly, or quarterly, according to its amount, now retain the money in their own hands till drawn for by the department. To about nine-tenths of these, the new system is more convenient than the old, as it saves them the trouble of going or sending to the banks and procuring certificates of deposite ; it is equally safe, as their entire balances will be drawn for as often as they deposited ; and it is more efficient, because some postmasters, who might neglect to deposite, will not venture to dishonor a draft.

The postmasters who will not close their accounts quarterly, will not, probably, exceed one hundred ; and the balances in their hands, from quarter to quarter, are not likely, under a proper administration of the department, to exceed, in ordinary times, one or two hundred thousand dollars. As they are required to have their balances always ready in gold and silver, the department will always have the means of meeting its engagements ; and if a default in an individual case should occasionally happen, nothing like a general refusal to pay, as in the case of the late deposite banks, is ever to be apprehended.

It will ever be the true policy of the department not to have a large sur-

plus, and, consequently, there will be little to intrust to the custody of postmasters or others. Moreover, the number of post offices now instructed to retain their funds, will be largely reduced upon an adjustment of the collection system to the mail service, as arranged within the last twelve months.

Though in some places convenient, banks are not necessary to the collection and disbursement of the funds of this department. In reference to more than ten thousand post offices, the collections and disbursements are effected more expeditiously and more conveniently without the interposition of banks, than they could be with it. The contractors who are creditors of the department, are its collectors from postmasters, and the collection and disbursement are but one operation. It is generally effected in a few days after the close of each quarter. The operation is the same where the postmasters pay to contractors upon the drafts of the department, though it is more tardy. The few offices, in reference to which banks are a convenience, are those whose receipts are large, and are not likely to be absorbed from quarter to quarter by the drafts of the department. They have generally iron chests or safes where the specie is kept; and, with a strict supervision and careful attention to their bonds, they will seldom, if ever, be found in default.

The necessary transfers of funds are effected by the department without inconvenience or loss. On the interior mail routes, the expenditure is generally greater than the income; so that after the contractors have received the entire revenue of the offices supplied by them, balances are still due. These balances are as readily paid off by drafts on the postmasters in the cities where the surplus arises, as they could be by checks on banks in the same places. The process is rendered the more easy, from the fact, that the heaviest surplus accrues at those points where funds are the most valuable, particularly at New York; so that the drafts of the department to pay balances in the most distant parts of the Union are generally better than cash, being available for mercantile remittances. Thus, the necessary transfers of the department are readily effected; and as this state of things is not likely to change, it would seldom, if ever, become necessary for the department to transport specie from one point to another, if there was not a bank in existence.

Upon the suspension of the banks, efforts were made in some quarters to compel the department to receive irredeemable and depreciated paper for postages. Law, justice, and public policy required an inflexible resistance of these efforts. Gold and silver are the only constitutional and legal currency of the United States, and nothing but that currency, or its equivalent, can be legally offered to the public creditors in payment. All taxes and postages are imposed in this currency, and all contracts are made upon its basis. The public faith could be kept, and the public business successfully carried on, only by a strict adherence to the plain letter as well as obvious spirit of the law.

The undersigned is happy to state, that all attempts to force the department to receive depreciated paper were soon abandoned; that little difficulty has been experienced in collecting postages in specie, and none where the circulation of change tickets has been successfully resisted; and that the credit of the department has been preserved unimpaired. Nor is any difficulty apprehended, so long as postages are collected in the constitutional currency of the United States. But, should the department be compelled

to receive, and offer to its creditors, the depreciated notes issued by hundreds of embarrassed, faithless, or bankrupt corporations or individuals, no sure calculation can be made as to the future; and there is reason to apprehend general discontent, extensive failures, and deplorable disorganization throughout the mail service. With what face could the department insist on, and compel, a strict performance of contract obligations by contractors, when stripped of the power to perform the most vital part of the contracts (so far as the interest of the contractor is concerned) on its own part? Justice and sound policy alike demand a firm adherence, in the mail service, to the standard of value, and the basis of contracts, prescribed by the constitution, and hitherto strictly maintained, (except for a short period,) amidst the calamities of war.

On the whole, no legislation is necessary to maintain the credit of this department, or enable it to manage its fiscal concerns; the existing laws being deemed ample for those purposes.

I have the honor to be,

Your obedient servant,

AMOS KENDALL.

To the PRESIDENT OF THE UNITED STATES.

A.

POST OFFICE DEPARTMENT,

1837.

SIR: You will, until further orders, retain the proceeds of your office in your hands, *in specie*, to meet the drafts of this department.

I am, respectfully,

Your obedient servant.

Postmaster at

B.

POST OFFICE DEPARTMENT,

Appointment Office, Washington, May 16, 1837.

SIR: I am instructed by the Postmaster General to call your *particular* attention to the fact, that the rates of postage, as established by law, are based upon *the legal currency of the United States*. The following extracts from the printed regulations and the law, will clearly show what are your duties and responsibilities in relation to the kind of currency to be received for postage, viz:

"You will receive nothing but specie, or its equivalent, for postage."—*Instructions to Postmasters*, chapter 5, section 62.

"All payments to the department, whether upon its drafts, or by deposit in bank, must be in specie, or its equivalent. No allowance can be made

to postmasters for the depreciation of money received for postage, nor for losses by fire, robbery, or theft."—Chapter 28, section 245.

Extract from an act of Congress, approved on the 14th of April, 1836.

"SECTION 2. *And be it further enacted*, That, hereafter, no bank notes of less denomination than ten dollars, and that from and after the 3d day of March, anno Domini 1837, no bank note of less denomination than twenty dollars, shall be offered in payment, in any case whatsoever in which money is to be paid by the United States, or by the Post Office Department; nor shall any bank note, of any denomination, be so offered, unless the same shall be payable, and paid on demand, in gold or silver coin at the place where issued, and which shall not be equivalent to specie at the place where offered, and convertible into gold or silver upon the spot, at the will of the holder, and without delay or loss to him: *Provided*, That nothing herein contained shall be construed to make any thing but gold or silver a legal tender by any individual, or by the United States."

Hence, you will perceive that, whatever you may receive for postage, you are responsible for gold or silver; and that it is *unlawful* for you to offer in payment to contractors, or others, any note of any bank which does not pay its notes in specie. As the Postmaster General has no power to release you from your responsibilities under the laws, and as, on the contrary, it is his duty to see them faithfully executed, he has deemed it expedient to give you this notice, that you may guard yourself against loss in the collection of your postages.

Very respectfully,

Your obedient servant,

ROBERT JOHNSTON,

Second Assistant Postmaster General.

C.

Postmasters, who may be under instructions to retain the proceeds of their offices until drawn for by the department, will observe the following regulations, viz:

Those whose nett proceeds are five hundred dollars or more per week, will report the amount weekly to the department. Fractions of weeks at the beginning and end of quarters need not be reported separately.

Those whose nett proceeds are not five hundred dollars per week, but amount to that sum or more per month, will report them monthly. The last month of each quarter need not be reported separately.

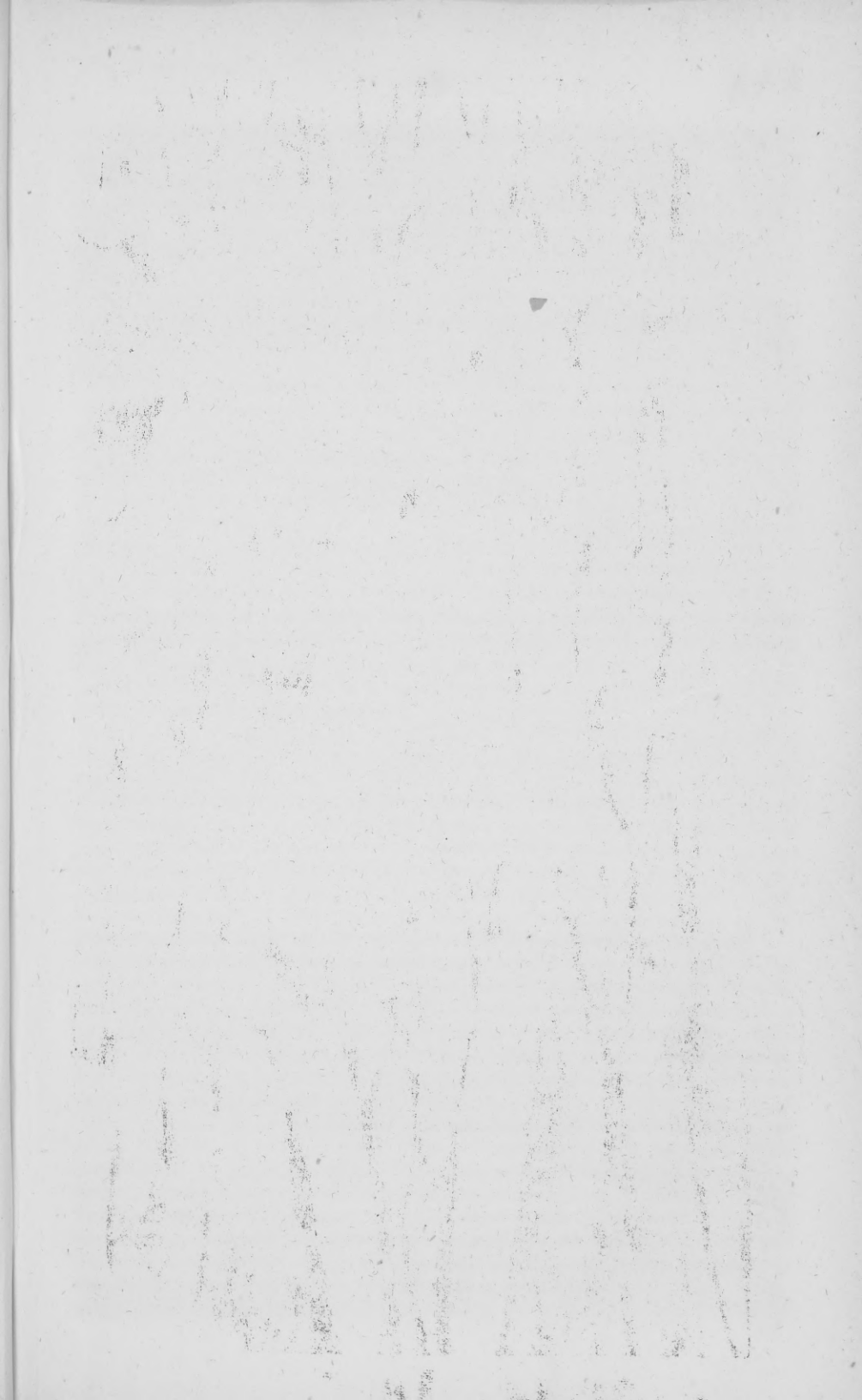
At the end of each quarter, all postmasters at draft offices will immediately ascertain the amount of nett revenue accruing at their respective offices during the quarter, and report it forthwith to the department, setting down the sums, if any, which may have been reported weekly or monthly, and deducting them, thus exhibiting the balance not reported.

All these reports must be *by letter, addressed to the Postmaster General*, which must be sent separately, and not enclosed with the quarterly accounts, or tied to them, or to any other letter or packet on other business.

Nor must it be delayed until the accounts are forwarded, if it can be sent sooner.

Postmasters will not be permitted to use or loan out any of the moneys belonging to the department, but will keep them always on hand to meet its drafts. A violation of this regulation will be considered good cause for instant removal and prosecution. Every draft must be paid on presentation.

The travelling agents of the department will be instructed to call occasionally on the draft offices, without notice, for the purpose of counting and reporting the cash on hand, and reporting also the manner in which it is kept.



REPORT

SECRETARY OF THE TREASURY

FOR THE YEAR 1881

IN RESPONSE TO A RESOLUTION OF THE HOUSE OF REPRESENTATIVES

Passed March 10, 1881, and a subsequent resolution of the same body, passed May 10, 1881, relating to the report of the Secretary of the Treasury on the operations of the Treasury Department during the year 1880.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Treasury Department at Washington, this 1st day of January, 1882.

WILLIAM A. WHEELER, Secretary of the Treasury.

Approved: JAMES G. BROWN, Treasurer of the United States.

Printed by the Government Printing Office, Washington, D.C., 1882.

