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DEBATE IN THE SENATE.

Friday Feb. 9, 1838.

Extract from the Speech of Mr. SMITH, of Indiana against the Sub-treasury Bill.

First. Is it of importance to this Nation that the currency and exchanges should be maintained in a sound, healthy and uniform condition? This is a question about which there can be but one opinion; it presented, in the language, on another occasion, of the Senator from South Carolina, (Mr. Calhoun,) a platform upon which all can, nay, more, all must stand. There is no party, any where, that denies the position. As the currency and exchanges are the life-blood of the industry and enterprise of the People, whether it be agricultural, commercial, mechanical or professional, the moment they become vitiated and uncertain, that industry and that enterprise must at once receive a corresponding depression; the whole system of the body politic is thrown into an unusual position; industry no longer receives its adequate reward; public confidence is soon impaired or totally destroyed; and enterprise becomes paralyzed, or degenerates into inactivity, idleness and dissipation. Sir, said Mr. S., it is but a waste of time to pursue this argument; he would point Senators to the contrast between the prosperity of this people under a sound currency, and a wholesome state of the exchanges, between the different parts of the nation, and their present condition, under a vicious state of the currency and exchanges, as conclusive of the argument on this point. Then, sir, it is of importance to the people and their industry and enterprise, that the currency and exchanges should be maintained in a sound, healthy, and uniform condition. Is it not, also, equally important to the administration of the fiscal concerns of the Government that such should be the state of the currency and exchanges? Can this be questioned; are they not so intimately connected with the revenues of the Government, which are drawn from the pockets of the people, that they must necessarily corrupt those revenues, or reduce them by the inability of the Government debtors to contribute their part. He would inquire—

Secondly, Has the Government the power, and is it its duty to provide and maintain such a state of the currency and exchanges, either directly or by directing its fiscal operations to that end? He maintained the affirmative of this proposition. He had never heard it doubted, until he saw the Message of the President, at the extra session. If the Government does not possess this power, where is it lodged? The people cannot exercise it, except through their Government. It will not be contended that it is lodged with the States. They have no power over the currency, except so far as their banking power may effect it. They have no power "to coin money, regulate the value thereof and of foreign coin." They have no power over the commerce of the nation. They have no power to raise a revenue for the General Government, by either direct or indirect taxation. They have no power "to borrow money on the credit of the United States." Nor have they any power "to make all laws which shall be necessary and proper for carrying into execution" the special delegations of power contained in the Constitution, in providing for the general welfare.— But the General Government has all these powers. The States retained none of them. For great, wise, and prudent purposes, the power over the army, the navy, to declare war, and make peace, to levy impost duties, over the currency, so far as relates to coin, and the other enumerated powers, were vested expressly in the General Government; and all the incidental powers which were necessary and proper to carry into execution the delegated powers follow as a matter of course, including the power and the consequent duty to so direct its fiscal operations as to regulate and maintain a uniform general currency, and produce a wholesome state of the exchanges.— The General Government can give uniformity to the currency, and exchanges. The States could not, even if the constitutional power existed.— He (Mr. S.) had searched the American State Papers in vain to find even an expression denying this power. If such an idea had ever been entertained, he had not been able to find any evidence of it; on the contrary, he found the power admitted on all hands, down to the Message at the extra session.— The early statement, the men that founded our Government, admitted the power and contended for its exercise.

At the memorable period after the war, in 1815, the currency of the country was depreciated and deranged, industry paralyzed, public confidence destroyed, and the exchanges were in a most unwholesome condition. What, sir, was thought of this matter then? Mr. Madison had no hesitation in recommending the subject to the consideration of Congress as entirely within the constitutional powers of the General Government; and, on the 8th of Jan., 1816, "Mr. Calhoun, from the Committee on the President's Message, which relates to a uniform national currency, reported a bill to incorporate the subscribers to the Bank of the United States" as the proper exercise of the power. President Jackson, in his last Message, admits the power; and President Van Buren, in his letter to a member of the other branch of Congress, also recognizes it; as both labor to prove that the State banks had exercised it more beneficially to the American People than the Bank of the United States did while it was used as the fiscal agent of the Government.— "Why did both President Jackson and President Van Buren labor to show that those duties had been so effectively performed by the State banks as fiscal agents, if in truth they believed that no power over the subject was vested in the General Government? In the Message, denying the power, which was sent to the extra session, it will be recollected, was contained an official recommendation of this Sub-treasury scheme.— At then become necessary, in order to favor that scheme, to repudiate the idea that the General Government had any power over the currency or exchanges. The scheme required that those great fundamental and essential constitutional powers, and corresponding duties, should be surrounded; that the Government should be divorced from those duties, and be allowed, therein, to draw herself within the limits prescribed for her by this bill; reckless of the pelting storms that may prostrate the fairest fields of enterprise of those who may not be so fortunate as to be sheltered by its provisions. Sir, (said Mr. S.) he would rather surrender any of the other powers of the Government than the power over the currency and exchanges. He maintained that the Government had the power, and she would prove recalcitrant to her duty not to exercise it for the benefit of a suffering and depressed people. He would inquire—

Thirdly, Will the bill before the Senate establish such a currency or maintain such a state of the exchanges? He had already answered this question in part. It would do neither. It withdraws entirely the aid of the Government, for any such purposes; it leaves the people to regulate this matter for themselves as well as they can; it denies the powers and corresponding duties of the Government over the matter. It says, in effect, the Government will take care of itself, and the people may take care of themselves. Nay, more, it withdraws from the people, as a general medium of circulation, a large sum of the coin that would otherwise circulate amongst them, and renders the residue of the currency and exchanges so much the more vicious, as being confined in a greater degree to a currency inconvertible and unsound. If this bill did not stand in direct opposition to the restoration of a sound and uniform state of the currency and exchanges, it would find more favor in his eyes. He would inquire—

Fourthly, What would be the effect of the bill on the business and general prosperity of the country, and especially on the West, even supposing the object of its advocates should be attained, in bringing us back to an exclusive specie or metallic currency?— This is a most important inquiry.— What will be its effects, we have a faint taste of its blessings in the operation of a portion of its principles, the least odious, under the direction of the Secretary of the Treasury. And, sir, what are those blessings, as the case now stands? Industry paralyzed; specie withdrawn from circulation; and converted into an article of merchandise; property of every description falling in value; money becoming scarcer every day; times becoming harder and harder; credit destroyed, and the debtor at the mercy of his creditor, trembling in anticipation of his final ruin. Sir, this picture is not overdrawn. But, sir, what have we in anticipation when all the revenues are collected in specie, and we are reduced to an exclusive metallic currency? Let gentlemen look to the fact that we have, at the highest estimate, not over \$80,000,000 of specie in the Union, and that it requires over \$400,000,000 to transact the business of the people at this day, besides the usual credit.— Now, sir, withdraw from circulation \$80,000,000, the redundancy over the specie or metallic currency, and then let Senators look at the case in its true light.— Would it not at once reduce the value of all kinds of property and labor in the same proportion? Would it not affect all kinds of industry, enterprise and all manner of improvements in the same ratio? Supposing it was now in the power of Cen-

gress to cancel all the obligations between citizen and citizen that now exist—it will not be contended, however, that Congress has any such power; then we must, as prudent statesmen, legislate for the country as it is. We know that the whole sum he had mentioned, the \$400,000,000, would not pay and cancel the debts that are now owing on private contract; we know those contracts were entered into with reference to the state of the currency that existed at the time they were made. If, then, you strike from the circulation all but the metallic currency, how do gentlemen suppose these debts are to be paid? Would not the debt be increased on the debtor in proportion to the decrease of the circulation, and the consequent increase of the value of the residue? Sir, these debts already contracted can never be paid with a metallic currency; property must come to the hammer and be sacrificed, and your jails and prison bounds must be filled with the unhappy victims of your policy, while the enterprising, industrious citizens will be compelled to stand and look on to see the wealthy miser who has hoarded the metallic currency become the owner of the earnings of an industrious life for a mere nominal price. But, sir, what will be its effects upon the West, on the State he was from? Will it not draw all the specie into the Government vaults, through the offices, the land offices and the post-offices? Will it not make money scarcer every day? Will it not gradually undermine the metallic basis of the State institutions? Will it not increase the difficulty of obtaining Western exchanges on the East? The exchanges are now at from five to ten per cent. against the West; this sum the citizens of the West had now to pay. They paid it, to be sure, promptly, but they felt it severely. Will it not reduce the price of Western property and produce to one-half its present value? Will it not paralyze her public and private enterprise? Will it not increase the difficulties of all who may be in debt greatly by making money scarcer and property of less value? Will it not deprive the poor man of credit and the just reward of his industry, his only capital? Will it not make the rich richer and the poor poorer? It seemed to him that such must be the result, should the scheme be fastened upon us. He would leave the Senate to anticipate the residue that ought to be said on this point, and proceed to inquire—

Fifthly, Is this not a bill to establish a Government bank, to be controlled by the officers of the Government and directed by the wishes of the party that may be in power? This is a most important inquiry. He was fortunate, however, in having been preceded by the able and distinguished Senator from Virginia, (Mr. Rives,) in one of the most powerfully argumentative and eloquent speeches he had ever heard, in which that distinguished Senator had done this part of the subject, great justice; and it would almost seem unnecessary for him (Mr. S.) to do more than to point the country to the speech of that Senator, and ask them to read his remarks, which he hoped every person who felt any interest in political matters would do; yet he felt disposed to add a few thoughts and facts on the same point.

Mr. President, this is not with this Administration an original idea of establishing a Government bank, to be founded on the revenues of the nation, and controlled by Government officers; that proposition was formally presented to Congress by President Jackson, in his Message of 1830. He says:— "It is thought practicable to organize such a bank, based on the public and individual deposits, without power to make loans or purchase property, which shall remain the funds of the Government, and the expense of which may be paid, if thought advisable, by allowing its officers to sell bills of exchange to private individuals, at a moderate premium. Not being a corporate body, having no stockholders, debtors, or property, and but few officers, it would not benoxious to the constitutional objections which are urged against the present bank; and having no means to operate on the hopes, fears or interests of large masses of the community, it would be short of the influence which makes them formidable."

Here we have a direct proposition for a Government bank, made by a man who called things by their right names. It will be recollected by Senators that this Message was written in the hey-day of the great popularity of that very popular man. He had but recently come victorious from a popular election to the elevated office which he then filled, and it is but reasonable to suppose that any recommendation of his would be accompanied by his overshadowing influence, and that nothing short of the honest convictions of a pure heart could withstand its effects on Congress. The proposition in the House of Representatives was referred to the committee of ways and means, and in the Senate to the committee on finance. Mr. McDuffie, a distinguished representative from South Carolina, was chairman of the committee in the House. Mr. McDuffie was the warm political friend of the President at that time, so was a majority of the committee. The committee made a report against the proposition, to which he would call the especial attention of

the Senate, for he was compelled, in justice to its author, to say that it reflects great credit on his head and his heart, and breathes a spirit of pure and unswerving patriotism. He asked the friends of this measure to read it; he commended it to their attention. The committee says:—

"The mind almost instinctively shrinks from the contemplation of an idea so ominous to the purity of the government and the liberties of the people. No government of which the committee have any knowledge, except the despotism of Russia, was ever invested with a patronage at once so prodigious in its influence, and so dangerous in its character. In the most desperate financial extremities, no other European Government has ever ventured upon an experiment so perilous. If the whole patronage of the hands of the American Executive, it may be well doubted whether the public liberty would be so much endangered by it as it would by the vast pecuniary machine, which would place in the hands of every administration fifty millions of dollars as a fund for retaining political partisans. Without assuming that a corrupt use would be made of this species of Government patronage, a very slight acquaintance with the practice of all political parties, whatever may be their professions, will be sufficient to satisfy any reflecting mind that all the evil consequences of corruption would flow from its exercise. Have not our political contests too frequently degenerated into a selfish scramble for the offices of the country? Are there not those who sincerely and honestly believe that these offices are legitimate objects of political warfare, and the rightful reward of the victorious party? And disinterested and patriotic as the great body of every political party is admitted to be, the fact is no less true than it is lamentable, that the most devoted and active partisans are very often men of fortune, who watch the political signs, and wait at the eleventh hour under the banners of the party most likely to prove successful. The powerful, and in the hands of a bad administrator, the irresistible and corrupting influence which it would exercise over the elections of the country, constitutes an objection more imposing than all others united. No matter what means an administration might get into power, with such a tremendous engine in their hands, it would be almost impossible to displace them, without some miraculous interposition of Providence. Deeply impressed with the conviction that the weak point of a free government is the absorbing tendency of Executive patronage, and sincerely believing that the proposed bank would invest that branch of the government with a weight of moneyed influence more dangerous in its character, and more powerful in its operation, than the entire mass of its present patronage, the committee have felt that they were imperiously called upon, by the highest considerations of public duty, to express the views they have presented with a frankness and freedom demanded by the occasion. It is at the same time due to their own feelings that they should state unequivocally their conviction, that the suggestion of the Chief Magistrate, which they have thus freely examined, proceeded from motives of the most disinterested patriotism, and was exclusively designed to promote the welfare of the country. This is not the mere formal and barren homage sometimes offered up to official station, either from courtesy or interest, but a tribute which is eminently due, and cheerfully rendered, to the exalted character of the distinguished individual on whom it is bestowed."

The proposition in the Senate received no countenance, the committee refused to adopt it; and, sir, it may be safely said that there never was a proposition of a Chief Magistrate that was so universally condemned every where, by the friends as well as the opponents of the administration. There was but one voice. Even President Jackson himself never afterwards officially noticed it in terms, though, as appears from his Message of 1834, from which he (Mr. S.) begged leave to read an extract, he became satisfied with the report of the committee against his own proposition. He says, when recommending the State Banks to the special favor of Congress:—

"The power of Congress to direct in what places the Treasurer shall keep the moneys in the Treasury, and to impose restrictions in relation to their custody and removal, is unquestioned, and its exercise will rather be courted than discouraged by those public officers and agents on whom rests the responsibility for their safety. It is desirable that as little power as possible should be left to the President or Secretary of the Treasury over those institutions, which, being thus freed from Executive influence, and without a common head to direct their operations, would have neither the temptation nor the ability to interfere with the political conflicts of the day."

What a commentary, Mr. President, on the original project, and a no less severe one against the bill before us. President Jackson was willing to acknowledge, after he had recommended the Treasury Bank, that an institution like that contained in this bill, under the power of the President and Secretary of the Treasury, as its "common head," to direct its operations, would have the temptation and the ability to interfere with the political conflicts of the country. He therefore repudiated the idea of such an institution, and pressed the State Bank system on the country. It had been truly said by the Senator from Virginia, (Mr. Rives,) that it is not the act of incorporation that determines the question of bank or no bank, but the powers conferred, and the mode and manner of the exercise of those powers. In England they have many banks, only one of which is incorporated. The Senator from Virginia had saved him the trouble of going specially into this matter. He (Mr. S.) had showed the name President Jackson called it; and he thought it was no nickname. He fully concurred with the Senator from Virginia on that point. He would close his remarks on this part of the subject by reading to the Senate a paragraph from the printed speech of the honorable chairman who reported the bill, (Mr. Wright,) and adding a single word of

explanation. The remark of the Senator alludes to the section (21) of the bill that had been stricken out on motion of the Senator from South Carolina, (Mr. Calhoun,) in opposition to the strenuous efforts and a vote of the honorable chairman. The chairman said:—

"The twenty-first section might have been altered by some as peculiarly appropriate to this bill, but he trusted to be able to satisfy the Senate that it connected itself with its provisions in a very important manner, and ought to form a part of it. The section made it the duty of the Secretary of the Treasury, when there should be an amount upon deposit to the credit of the Treasurer beyond the sum of four millions of dollars, to invest such surplus in stocks of the United States, or some one of the States, bearing an interest, and transferable at the pleasure of the holder, by delivery or assignment." This provision, which was deemed so necessary a part of the bill by the honorable chairman, authorized the Secretary of the Treasury to use the whole surplus revenue over the 4,000,000 of dollars in the purchase of stocks, transferable at the pleasure of the holder, by delivery or assignment, thereby putting it in the power of the Secretary of the Treasury to throw into circulation certificates of stock bearing an interest to the full amount of the entire surplus revenue over that sum. This would answer the same purpose as the provision recommended by President Jackson, of authorizing the sale of bills of exchange by the Treasury bank, and was, therefore, necessary, as it was supposed by the chairman, to make the system or bank complete. He would have occasion to refer to this section again before he closed his remarks. This Treasury bank, he would say, altho' it was an untried system in this country, was well known in France. The Senator from Virginia had fully expounded its operations there in comparison with the fiscal system of Great Britain, and the contrast was any thing but favorable to the French or sub Treasury bank system. He would not, therefore, go over that ground, but would leave it in able hands, and inquire—

Sixthly, Will not the bill greatly increase the number, and add largely to the value of the salaries of the officers of the Government? He maintained the affirmative of this proposition in both points of view. He would, in the first place, show that the number of the officers and agents of the government would be increased to an alarming extent. He was not a little surprised, on reading the printed speech, for he was not in his seat all the time it was being delivered, of the honorable chairman of the committee (Mr. Wright,) to find this declaration of that Senator:—

"The number of additional officers whose appointments were provided for was four, and he would assume that their combined salaries would not be less than eight nor more than 12 thousand dollars. It might be necessary to employ from six to twelve additional clerks under the various provisions of the bill; their combined pay might amount to from six to ten thousand dollars. These last are regular annual expenses, and are, therefore, to be considered as the constant charge upon the public Treasury of the system proposed."

He knew that honorable Senator too well to suppose that he would intentionally mislead the Senate or the country in this matter. The honorable chairman doubtless supposed that he was accurate in his statement; but most assuredly, if he had read his own bill, he could have scarcely brought his mind to realize the applicability of his remarks to the facts of the case. That he (Mr. S.) might not run into a similar error on the other side, he would read to the Senate the sections of the bill on which he relied to prove that even the chairman of the committee seemed to be unacquainted with its provisions. The 5th section provides as follows: "That the President shall nominate, and, by and with the advice and consent of the Senate, appoint four officers, to be denominated receivers-general of public money." The 15th section, providing for special deposits in banks, provides also, "and to secure the fulfillment of this condition, the Secretary of the Treasury is authorized, in his discretion, to furnish the banks selected as deposit banks with safes for keeping of the public moneys exclusively, and under the joint control of the bank and some designated officer of the government, or to adopt such other guards as he shall prefer." The same section further provides: "A commission such as shall be agreed upon between the Secretary of the Treasury and the bank" to be paid for keeping the deposits. Then comes the 15th section; by which it is provided "That the Secretary of the Treasury shall be, and he is hereby authorized to cause examinations to be made of the books, accounts, and money on hand of the several depositories constituted by this act, and for that purpose to appoint special agents, as occasion may require, with such compensation as he may think reasonable, to be fixed and declared at the time of each appointment; which said examinations, in all cases, where the sum annually expended three fourths of the amount of the officers' bond, shall not be made less frequently than once in each year, and as much more frequently in those and all other cases as the Secretary in his discretion may direct." The depositories constituted by this act, referred to in the section

he had just read, are the mint in Philadelphia, the branch mint in New Orleans, the four receivers general, located at different points, the Treasurer of the United States, the treasurer of the mint of the U. S., the treasurers of the branch mints, all collectors of the customs, all surveyors of the customs, acting also as collectors, all receivers of public moneys at the several land offices, and postmasters; and yet, Mr. President, with these possessions in the bill, the honorable chairman tells us that the number of officers provided for were four only, that it might be necessary to provide from six to ten clerks, and that the annual expense of the system would be the payment of these four officers, and from six to ten clerks. Surely the honorable chairman could not have seen the sections he (Mr. S.) had read, or he must have come to a very different conclusion, unless he means to be understood as saying that four are all the officers named by the bill, and that he did not intend to include the officers to watch the special deposits, the army of officers and clerks that it will, and the increased army that it may require to examine, under the provisions of the bill, the depositories of the public money spread all over the Union. He (Mr. S.) had thought something on the subject; he had no data to govern him in a calculation; but he thought he would risk nothing in saying that hundreds of examining officers alone would have to be appointed annually to discharge the duties required by this bill, and that it will be discretionary with the Secretary of the Treasury to increase it to thousands on any case of political emergency. This whole army, controlled by a corrupt administration, should such a one ever get into power, would become spies on the people, traversing every part of the nation under the pay of the government, bringing the patronage of the government into conflict with the freedom of elections, their pay dependent upon the amount of political as well as other services they render the party; for it will be observed by Senators, that the compensation of this army is left to the Secretary of the Treasury by the bill; no salary is fixed for their services; and for the payment of these indefinite and unlimited sums, "a sufficient sum of money be, and the same is hereby appropriated, to be paid out of any money in the Treasury not otherwise appropriated," says the last section of the bill. He saw in this unlimited power over the liberties of the people as well as their Treasury, granted by the bill to the Executive, a power which, in the hands of a corrupt administration, may be wielded to the prostration of the elective franchise, and the corruption of the pure fountains of the Republic. It was a power he could not consent to confer on any administration. He was speaking of the principle, and not in relation to a particular administration. Mr. President, is it to be presumed that the officers on whom the additional duties are to be thrown by the bill are to receive nothing for the additional services? Is it true they receive no additional compensation by this bill, but let it become a law, and the next step is to raise the salaries of all these officers. But gains will not the bill make the present salaries much more valuable than they now are, though they may nominally appear the same? If you succeed in bringing us to a metallic currency, a salary of \$5,000, which the head of a department now receives, will purchase as much property or produce as the \$25,000 which the President receives will now purchase; consequently the whole policy of the bill is not only to play into the hands of the government officers, but to do so at the expense of the people, to increase the patronage and powers of the executive, that are already extended to an alarming point. For himself, he saw the great tendency of the government to Executive centralism, and in proportion as you increase the powers and patronage of the executive, you increase the force of the attraction, and invite the surrender of the other powers of the government. He should be induced to recur to this topic incidentally before he resumed his seat, and would at this time pass on to inquire—

Seventhly, Will the public moneys be as safe as they have been heretofore under the fiscal operations of bank agency? On this point, opinions must be more or less speculative. We have, however, some experience on this subject, and some data to reason from: forty years of the time since we have been a government, its fiscal operations have been carried on through a United States Bank; and notwithstanding the immense sums that had been received and disbursed by that agent, he believed not one dollar had ever been lost to the Government. The Secretary of the Treasury, a few days ago, made a report to Congress, in which he gives us a list of individual defaultures, exclusive of the Post Office defaultures, by which it appears that the sum reported is \$2,480,150; and this under a system that required frequent payments over to the general depository of all moneys that come in to their hands. He was aware that

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