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EDITOR AND PROPRIETOR.

TERMS.
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SPEECH OF MR. CALHOUN,
OF SOUTH CAROLINA, ON THE
Sub-Treasury Bill
Delivered in the Senate of the United States,
February 15, 1838.

Having now shown how this league, or combination of banks is to be formed and revived, with the difficulties in the way, it remains to determine, what will be the true character and nature of the combination when formed. It will consist of State banks retaining their original powers, that of discounting and all, without being in the slightest degree impaired. To these the substitute proposes to add important additions; to receive their notes as gold and silver in the public dues, to give them the use of the public deposits, and to organize and blend the whole into one, as the fiscal agent of the Government, to be placed under the immediate supervision and control of the Secretary of the Treasury. Now what does all this amount to? Shall I name the word—be not startled! A BANK—a Government bank,—the most extensive, powerful and dangerous, that ever existed. This substitute would be the act of incorporation; and the privileges it confers, so much additional banking capital, increasing immensely its powers, and giving it an unlimited control over the business, and exchanges of the country.

The Senator from Virginia (Mr. Rives) was right in supposing that this new trial of the experiment would be made under very different circumstances from the first, and would have a different termination. That too, like this, was a bank—a Government bank, as distinguished from the late bank to which it was set up, as a rival, and was at the time constantly so designated in debate. But the circumstances now are indeed different—very different, and so would be the result of the experiment. This bank would not be the same rickety concern as the former. That ended in anarchy, and this would in despotism. I will explain.

The former failed not so much in consequence of the adverse circumstances of the times, or an essential defect in the system, as from the want of a head—a common sentiment, to think,—to will,—and decide,—for the whole, which was indispensably necessary to ensure concert and give unity of design and execution. A head will not be wanting now. Mr. Biddle's bank will supply the defect. His would be not only one of the remaining banks, as I have shown, but would also be one of the 25 to be selected.—If there should be the temerity to omit it, the present project would share the fate of its predecessor. Mr. Biddle's bank at the head of those excluded, would be an overmatch for the selected, in skill, capital and power; and the whole league would inevitably be overturned. But if selected, the position of his bank in the league would be certain. Its vast capital, its extensive connections, its superior authority, and his skill, abilities and influence, would place it at the head, to think and act for the whole. The others would be as dependent on him, as the branches of the late bank were on the mother institution. The whole would form one entire machine, impelled by a single impulse, and making a perfect contrast with its predecessor in the unity and energy of its operations.

Nor would its fate be less dissimilar. Anarchy was inscribed on the first from the beginning. Its deficiency in the great and essential element, to ensure concert, was radical and could not be remedied. Its union with the Government could not supply it, nor avert its destiny. But very different would be the case of the present. Add its intimate union, with the Government, for which the substitute provides, to its other sources of power, and it would become irresistible. The two, Government and bank, would unite and constitute a single power; but which would gain the ascendancy—whether the Government would become the bank, or the bank the Government, is neither certain nor material; for whichever it might be, it would form a despotic money-craze, (if I may be permitted to unite an English and a Greek word,) altogether irresistible.

It is not a little surprising, that the Senator from Virginia (Mr. Rives) would watch, jealousy could detect, as he supposed, the embryo of a Government bank in the bill, should overlook this regular incorporation of one by his own substitute. Out of the

slender materials of Treasury warrants and drafts to pay public creditors, nor transfer funds from place to place, as the public service might require, and four principal receivers to keep the public money, he has conjured up, with the aid of a vivid imagination, a future Government bank, which he told us, with the utmost confidence, would rise like a cloud, at first as big as a hand, but which would soon darken all the horizon. Now it is not a little unfortunate for his confident predictions, that these seminal principles from which the bank is to spring, have all existed from the commencement of our Government in full force, except the four receivers, without showing the least tendency to produce the result he anticipates. Not only ours, but every civilized Government has the power to draw Treasury warrants, and transfer drafts; nor has the power in a single instance terminated in a bank. Nor can the fact, that the money is to be kept by receivers, contribute in the least to produce one. The public funds in their hands will be as much beyond control of the Executive, as it was in the vaults in the banks. But, to shorten discussion, I would ask, how can there be a bank without the power to discount or to use the deposits? and out of which of the provisions of the bill could the Treasury, by any possibility obtain either, under the severe penalties of the bill, which prohibits the touching of the public money, except on warrants or drafts, drawn by those having authority, in due form, and for the public service.

But the danger which an excited imagination anticipates hereafter from the bill would exist in sober reality under the substitute. There it would require neither fancy nor conjecture to create one. It would exist with all its faculties and endowments complete; discount, deposit, and all—with which immense means, guided by a central and directing head, and blended and united with the Government, so as to form one great mass of power.—What a contrast with the bill! How simple and harmless the one, with its four principal receivers, twice as many clerks, and five inspectors, compared with this complex and mighty engine of power! And yet there are many, both intelligent and patriotic, who oppose the bill and support the substitute, on the ground that the former would give more patronage and power than the latter! How strange and wonderful the diversity of the human mind!

So far from being true, the very fact of the separation of the functions from the banks, provided for in the bill, would, of itself, be the most decisive blow that could be given against Government patronage; and the union of the two, the most decisive in its favor. When their notes are received in the public dues, as cash, and the public money deposited in their vaults, the banks become the allies of the Government on all questions connected with its fiscal action. The higher its taxes and duties, the greater its revenue and expenditure; and the larger its surplus, the more their circulation, and business, and, of course, the greater their profits; and hence on all questions of taxation and disbursements, and the accumulations of funds in the Treasury, their interest would throw them on the side of the Government and against the people.

All this is reversed, when separated. The higher the taxation and disbursements, and the larger the surplus, the less would be their profits; and their interests in that case, would throw them with the people, and against the Government. The reason is obvious. Specie is the basis of banking operations; and the greater amount they can command, the greater will be their business and profits; but when the Government is separated from them and collects and pays away its dues in specie instead of their notes, it is clear that the higher the taxes and disbursements, and the greater the surplus in the Treasury, the more specie will be drawn from the use of the banks and the less will be left as the basis of their operations; and consequently, the less their profit. Every dollar withdrawn from them would diminish their business four-fold at least; and hence a regard to their own interest would inevitably place them on the side to which I have assigned them.

The effects on the politics of the country would be great and salutary. The weight of the banks would be taken from the side of the tax consumers, where it has been from the commencement of the Government, and placed on the side of the tax payers. This great division of the community necessarily grows out of the fiscal action of the Government. Take taxation and disbursement together, and it will always be found that one portion of the community pays into the Treasury, in the shape of taxes, more than it receives back in that of disbursements, and that another receives back more than it pays. The former are the tax payers, and the latter the consumers,—making the great, essential, and controlling division in all civilized communities. If, with us, the Government has been thrown on the side of

the consumers, as it has, it must be attributed to its alliance with the banks, whose influence has been, in consequence, at all times steadily and powerfully on that side. It is to this mischievous and unholy alliance that may be traced a most all the disasters that have befallen us, and the great political degeneracy of the country. Hence the protective system; hence its associated and monstrous system of disbursements; hence the collection of more money from the people than the Government could require; hence the vast and corrupting surpluses; hence Legislative and Executive usurpations; and finally, hence the prostration of the currency and the disasters which give rise to our present deliberations. Give this fatal connection; adopt this substitute, and all this train of evils will again follow with redoubled disaster and corruption. Refuse the connection; adopt this bill, and all will be reserved; and we shall have some prospect of restoring the Constitution and country to their primitive simplicity and purity. The effect of the refusal on the patronage of the Government would be great and decisive. Burke has wisely said, that the "revenue is the State in modern times."—Violence and coercion are no longer the instruments of Government in civilized communities. Their reign is past. Every thing is now done by money. It is not only the sinew of war, but of politics; over which, in the form of patronage, it exercises almost unlimited control. Just as the revenue increases or diminishes, almost in the same proportion, is patronage increased or diminished.

But admit for a moment, that neither the separation nor the connection would have any sensible effect to increase or diminish the revenue; and that it would be of the same amount, whether the bill or substitute should be adopted; yet, even on that supposition, the patronage of the latter would be an hundred fold greater than the former. In estimating the amount of patronage of any measure, three particulars must be taken into the calculation: the number of persons who may be effected by it; their influence in the community, and the extent of the control exercised over them. It will be found on comparison, that the substitute combines all these elements in a far greater degree, than the bill, as I shall now proceed to show. I begin with the number.

The bill provides, as has been stated, for four principal receivers, eight or ten clerks, and a suitable number of agents to act as inspectors, making in all about 200 persons. These would constitute the only additional officers to keep and disburse the public money. The substitute, in addition to the officers now in service, provides for the selection of 25 banks, to be taken from the most powerful and influential, and which would have, on an average, at least, 100 officers and stockholders each, making in the aggregate, 2,500 persons, who would be directly interested in the banks, and of course, under the influence of the Government.

As to the relative influence of the officers and the selected banks over the community, every impartial man must acknowledge, that the preponderance would be greater on the side of the latter. Admitting the respectability of the receivers and other officers provided for in the bill, and the officers and stockholders of the banks to be individually the same, still the means of control at the disposition of the former, would be as nothing compared to that of the latter. They could not touch a cent of public money. Their means would be limited to their salary, which would be too small to be felt in the community. Very different would be the case with the officers and stockholders of the banks. They, of all persons, are by far the most influential in the community. A greater number depend on them for accommodation and favor, and the success of their business and prospects in life, than any other class in society; and this would be especially true of the banks connected with the Government.

It only remains now to compare the extent of the control that may be exercised by the Government over two, in order to complete the comparison; and here again the preponderance will be found to be strikingly on the same side. The whole amount of expenditure under the bill would not exceed \$30,000 or \$40,000 annually at the very farthest; and this constitutes the whole amount of control which the Government can exercise. There would be no requisites, no contracts, jobs or incidental gains. The offices and salaries would be all. To that extent, those who may hold them, would be dependent on the Government, and thus far they may be controlled. How stands the account on the other side? What value shall be put on the public deposits in the banks? What on the receivability of their notes, as cash, by the Government? What on their connection with the Government, as their fiscal agent, which would give so great a control over the exchanges and business of the country? How many millions shall these be estimated at, and how insignificant must the paltry sum of \$30,000 or \$40,000 appear to those

countless millions held under the provisions of the substitute at the pleasure of the Government.

Having now finished the comparison as to the relative patronage of the two measures, I shall next compare them as fiscal agents of the Government; and here let me say, at the outset, that the discussion has corrected an error, which I once entertained. I had supposed, that the hazard of keeping the public money under the custody of officers of the Government would be greater, than in bank. The Senators from New Hampshire and Connecticut, (Messrs. Hubbard and Niles) have proved from the record, that the hazard is on the other side; and that we have lost more by the banks, than by the collecting and disbursing officers combined. What can be done to increase the security by judicious selection of officers, and proper organization, is strongly illustrated by the fact stated by the chairman (Mr. Wright) in his opening speech; that in the War Department, there has been no loss for 15 years,—from '21 to '36,—on an expenditure certainly not less than \$100,000,000. I take some pride in this result of an organization, which I originated and established when Secretary of War against the most formidable opposition.

As to the relative expense of the two agencies, that of the bill, as small as it is, if we are to judge by appearances, is the greatest; but by facts, the substitute would be much the most so, provided we charge it with all the advantages, which the banks would derive from their connection with the Government, as ought in fairness to be done, as the whole ultimately comes out of the pockets of the people.

In a single particular the banks have the advantage as fiscal agents. They would be the more convenient. To this they are entitled, and I wish to withhold from them no credit, which they may justly claim.

The Senator from Virginia (Mr. Rives) appeared to have great apprehension, that the collection of the public dues in specie might lead to hoarding. He may dismiss his fears on that head. It is not the genius of modern an civilized Government to hoard; and if it were, the banks will take care, that there shall be no extraordinary accumulation of cash in the Treasury. Pass the bill, and I under-write, that we shall never have again to complain of a surplus. It would rarely, if ever in peace and settled times, exceed three or four millions at the boarding of specie would lead to war, less groundless. The danger is in another quarter. War is the harvest of banks, when they are connected with Government. The vast increase of revenue and expenditures, and the enormous public loans, which necessarily ensue mainly to their advantage, swell their profits in war to the utmost limits. But separate them from Government, and war would then be to them, a state of famine, for reasons which must be apparent, after what has been said, which would throw their weight on the side of peace and against war; just as certainly, as I have shown, that the separation would throw it on the side of tax payers, and against the tax consumers.

I come now to the comparison of the effects of the two measures on the currency of the country. In this respect, the Senator from Virginia (Mr. Rives) seemed to think, that his substitute would have a great superiority over the bill; but his reasons were to me wholly unsatisfactory. If we are to judge from experience, it ought to be pronounced to be the worst possible measure. It has been in operation but twice (each for but a few years) since the commencement of the Government; and it has so happened, that the only two explosions of the currency occurred during those periods. But, without relying on these disastrous occurrences, we have seen enough, to satisfy the most incredulous, that there are great and radical defects in our bank circulation, which no remedy heretofore applied, has been able to remove. It originates in the excess of paper, compared to specie, and the only effective cure, is to increase the latter and reduce the former; and this the substitute itself implicitly acknowledges, by proposing a remedy that would prove wholly unoperative. It proposes that, after a certain period mentioned, none of the banks to be selected should issue notes under ten dollars. The effects would clearly be, not a diminution of the circulation of small notes, but a new division of the banking business, in which the issue of large notes would fall to the lot of the selected banks and the small to the others, without restricting, in the least, the aggregate amount of paper circulation.

But what the substitute would fail to do, the bill would effectually remedy. None doubt, but the separation from the banks would greatly increase the proportion of specie to paper, but the Senator from Virginia (Mr. Rives) apprehends, that its operation would be too powerful, so much so, in fact, as to destroy the banks. His argument is, that specie would be always, at a premium, and that it would be impossible for the banks to do business, so long as that was the case. His fears are groundless. What he threads would be but a temporary evil. The very fact, that specie would bear a premium would have the double effect, to diminish paper circulation, and increase the importation of specie, till an equilibrium between the two would be restored; when they would be at war. At what point this would be effected, is a little uncertain; but the fear is, that with our decreasing revenue, instead of the specie being increased to excess, it would not be increased sufficiently to give the desired stability to the currency.

In this connection, the Senator urged an objection against the bill, which I regard as wholly groundless. He said that the payment of the dues of the Government in specie would create a doubled demand; a domestic, as well as a foreign; the effect of which would be to increase greatly, its fluctuations, and so deeply was he impressed with the idea, that he drew a vivid picture of its alternate flow from the coast to the interior, and from North to South, and back again. All this is the work of imagination. The effect would be directly the reverse. The more numerous the demands, the less the fluctuation; so much so, that the greatest stability would be where it exclusively performed the function of circulation; and where each individual must keep a portion to meet his daily demands. This is so obvious, that I shall not undertake to illustrate it. But the superiority of the bill over the substitute would not be limited only to a more favorable proportion between specie and paper. It would have another important advantage that cannot be well over-estimated; it would make a practical distinction between currency and circulation, between the currency of the country, and private and local circulation, under which head bank paper would be comprehended. The effects would be, to render a general explosion of the circulation almost impossible. Whatever derangements might occur, would be local and confined to some one particular commercial sphere, and even within its limits, there would be a sound currency to fall back on, not partaking of the shock, and which would greatly diminish the intensity and duration of the distress. In the mean time, the general business and trade would receive no derangement. With a few remarks on the comparative effects of the two measures on the industry and business of the country, I shall conclude their comparison. What has been said on their relative effects on the currency, far to decide the question of their relative effects on business and industry.

It is not a little surprising, that the Senator from Virginia (Mr. Rives) would watch, jealousy could detect, as he supposed, the embryo of a Government bank in the bill, should overlook this regular incorporation of one by his own substitute. Out of the slender materials of Treasury warrants and drafts to pay public creditors, nor transfer funds from place to place, as the public service might require, and four principal receivers to keep the public money, he has conjured up, with the aid of a vivid imagination, a future Government bank, which he told us, with the utmost confidence, would rise like a cloud, at first as big as a hand, but which would soon darken all the horizon. Now it is not a little unfortunate for his confident predictions, that these seminal principles from which the bank is to spring, have all existed from the commencement of our Government in full force, except the four receivers, without showing the least tendency to produce the result he anticipates. Not only ours, but every civilized Government has the power to draw Treasury warrants, and transfer drafts; nor has the power in a single instance terminated in a bank. Nor can the fact, that the money is to be kept by receivers, contribute in the least to produce one. The public funds in their hands will be as much beyond control of the Executive, as it was in the vaults in the banks. But, to shorten discussion, I would ask, how can there be a bank without the power to discount or to use the deposits? and out of which of the provisions of the bill could the Treasury, by any possibility obtain either, under the severe penalties of the bill, which prohibits the touching of the public money, except on warrants or drafts, drawn by those having authority, in due form, and for the public service.

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the consumers, as it has, it must be attributed to its alliance with the banks, whose influence has been, in consequence, at all times steadily and powerfully on that side. It is to this mischievous and unholy alliance that may be traced a most all the disasters that have befallen us, and the great political degeneracy of the country. Hence the protective system; hence its associated and monstrous system of disbursements; hence the collection of more money from the people than the Government could require; hence the vast and corrupting surpluses; hence Legislative and Executive usurpations; and finally, hence the prostration of the currency and the disasters which give rise to our present deliberations. Give this fatal connection; adopt this substitute, and all this train of evils will again follow with redoubled disaster and corruption. Refuse the connection; adopt this bill, and all will be reserved; and we shall have some prospect of restoring the Constitution and country to their primitive simplicity and purity. The effect of the refusal on the patronage of the Government would be great and decisive. Burke has wisely said, that the "revenue is the State in modern times."—Violence and coercion are no longer the instruments of Government in civilized communities. Their reign is past. Every thing is now done by money. It is not only the sinew of war, but of politics; over which, in the form of patronage, it exercises almost unlimited control. Just as the revenue increases or diminishes, almost in the same proportion, is patronage increased or diminished.

to manufactures in lieu of a protective tariff. Its effects would be to enable them to meet foreign competition, not by raising prices by high duties, but by enabling them to sell as cheap as the foreigner, which would harmonize every interest, and place our manufactures on the most solid basis. It is the only mode by which the foreign market can ever be commanded; and commanded it will be, with a sound and moderately expanded currency. Our ingenuity, invention, and industry are equal to any people; and all our manufactures want, is a sound currency and even chance, to meet competition with success, any where, at home or abroad. But with a bloated and fluctuating paper circulation, this will be impossible. Among its many drawbacks, it levies an enormous tax on the community.

I have already stated that the community is estimated to have been indebted to the banks \$475,000,000 at the suspension of specie payments. The interest on this sum, estimated at six per cent. (it ought to be higher, would give an annual income to those institutions of upwards of thirty millions; and this is the sum yearly paid by the community for bank accommodations, to the excess of which we owe our bloated and unstable circulation. Never was a circulation so worthless, furnished at so dear a rate. How much of this vast income may be considered as interest on real capital, it is difficult to estimate; but it would, I suppose, be ample to set down ten millions to that head, which would leave upwards of twenty millions annually, as the profits derived from banking privileges over and above a fair compensation for the capital invested, which some body must pay, and which must ultimately fall on the industry and business of the country. But this enormous expenditure of the system is not astonishing, so great is the stimulus applied to its growth. Ingenious men of other ages, devoted themselves in vain to discover the art of converting the base metals into gold and silver; but we have conferred on a portion of the community an art still higher,—of converting paper to all values and purposes, into the precious metals; and ought we to be surprised, that an article so cheap to the manufacturers, and so dear to the rest of the community, should be so greatly over applied, and without any reference to the interests, or to the wants of the community?

If we account for our some of our prosperity to the banking system, and if it should fail, the age of barbarism would again return. I had supposed that the basis of our prosperity were our free institutions; the wide spread & fertile regions we occupy; and the hereditary intelligence and energy of the Stock, from which we are descended; but it seems, that all these go for nothing, and that the banks are every thing. I make no war on them. But I insist, on it, that the Government shall separate from them; which I believe to be indispensable, for the reasons I have assigned, both now and formerly. But cannot concur in a trifling to them our improvements and prosperity. That they contribute to give a strong impulse to industry and enterprise in the early stages of their operation, I doubt not. Nothing more stimulating than an expanding and depreciating currency. It creates a delusive appearance of prosperity; which puts every thing in motion. Every one feels as if he was improving; as prices rise, and he has in his power, by foresight and exertion, to make his fortune. But it is the nature of stimulus, moral as well as physical, to excite at first, and to depress afterwards. The draught, which first causes unnatural exertion of energy, is sure to terminate in corresponding depression and weakness; it is less certain that the stimulus of a currency, expanding beyond its proper limits, follows the same law. We have had the exhibition, and the depression has succeeded. We have had the pleasure of getting drunk, and now experience the pain of becoming sober. The good is gone, and the evil has succeeded; and on a fair calculation, the latter will be found to be greater than the former. Whatever impulse this banking system was calculated to give to our improvement and prosperity, has already been given; and the reverse effects will hereafter follow, unless the system should undergo great and radical changes; the first step towards which would be the adoption of the measure proposed by this bill.

I have, Mr. President, finished what I intended to say. I have long anticipated the present crisis, but did not expect its arrival in my time. When I saw its approach, I resolved to do my duty by the consequences to me, what they might, and I offer my thanks to the Author of my being, that he has given me the resolution and opportunity to discharge, what I honestly believe to be that duty of this great subject. How the question will be decided, is acknowledged to be doubtful, so nearly are the two Houses supposed to be divided; but whatever may be its fate

Millions