

limits of a just economy. But if the necessity of levying the taxes, be taken from those who make the appropriations, and thrown upon a more distant and less power to approach the people by an indirect and stealthy taxation, there is reason to fear that prodigality will soon supersede these characteristics which have thus far made us look with so much pride and confidence to the State Governments, as the main stay of our Union and liberties. The State Legislatures, instead of studying to restrict their State expenditures to the smallest possible sum, will claim credit for their prodigality, and harass the General Government for increased supplies. Practically, there would soon be but one taxing power, and that vested in a body of men far removed from the people, in which the farming and mechanic interests would scarcely be represented. The States would gradually lose their purity as well as their independence; they would not dare to murmur at the proceedings of the General Government, lest they should lose their supplies; all would be merged in a practical consolidation, cemented by wide-spread corruption, which could only be eradicated by one of those bloody revolutions which occasionally overthrow the despotic systems of the old world.

In all the other aspects in which I have been able to look at the effect of such a principle of distribution upon the best interests of the country, I can see nothing to compensate for the disadvantages to which I have adverted. If we consider the protective duties, which are, in a great degree, the source of the surplus revenue, beneficial to one section of the Union, and prejudicial to another, there is no corrective for the evil in such a plan of distribution. On the contrary, there is reason to fear that all the complaints which have sprung from this cause would be aggravated. Every one must be sensible that a distribution of the surplus must beget a disposition to cherish the means which create it, and any system, therefore, into which it enters, must have a powerful tendency to increase, rather than diminish the tariff. If it were admitted that the advantages of such a system could be made equal to all the sections of the Union, the reasons already so urgently calling for a reduction of the revenue; would, nevertheless, lose none of their force; for it will always be improbable that an intelligent and virtuous community can consent to raise a surplus for the mere purpose of dividing it, diminished as it must, inevitably be by the expenses of the various machinery necessary to the process.

The safest and simplest mode of obviating all the difficulties which have been mentioned, is to collect only revenue enough to meet the wants of the Government, and let the people keep the balance of the property in their own hands, to be used for their own profit. Each State will then support its own Government, and distribute its due share towards the support of the General Government. There would be no surplus to cramp and lessen the resources of individual wealth and enterprise, and the banks would be left to their ordinary means. Whatever agitations and fluctuations might arise from our unfortunate paper system, they could never be attributed, justly or unjustly, to the action of the Federal Government. There would be some guaranty that the spirit of wild speculation, which seeks to convert the surplus revenue into banking capital, would be effectually checked, and that the scenes of demoralization, which are now so prevalent through the land, would disappear.

Without desiring to conceal that the experience and observation of the last two years, have operated a partial change in my views upon this interesting subject, it is nevertheless regretted that the suggestions made by me in my annual messages of 1829 and 1830, have been greatly misunderstood. At that time, the great struggle was begun against that latitudinarian construction of the constitution, which authorizes the unlimited appropriation of the revenues of the Union to internal improvements within the States, tending to invest in the lands, and place under control, of the General Government, all the principal roads and canals of the country, in violation of State rights, and in derogation of State authority. At the same time, the condition of the manufacturing interest was such as to create an apprehension that the duties on imports could not, without extensive mischief, be reduced in season to prevent the accumulation of a considerable surplus after the payment of the national debt. In view of the dangers of such a surplus, and in preference to its application to internal improvements, in derogation of the rights and powers of the States, the suggestion of an amendment of the constitution to authorize its distribution was made. It was an alternative for what were deemed greater evils—a temporary resort to relieve an overburdened Treasury until the Government could, without a sudden and destructive revolution in the business of the country, gradually return to the just principle of raising no more revenue from the people, in taxes, than is necessary for its commercial support. Even that alternative was not spoken of but in connection with an amendment of the constitution. No temporary inconvenience can justify the exercise of a prohibited power, or a power not granted by that instrument; and it was from a conviction that the power to distribute even a temporary surplus of revenue is of that character, that it was suggested only in connection with an appeal to the source of all legal power in the General Government, the States which have established it. No such appeal has been taken, and in my opinion a distribution of the surplus revenue by Congress, either to the States or the people, is to be considered as among the prohibitions of the constitution. As already intimated, my views have undergone a change, so far as to be convinced that no alteration of the constitution in this respect is wise or expedient. The influence of an accumulating surplus upon the legislation of the General Government and the States, its effects upon the credit system of the country, producing dangerous extensions and ruinous contractions, fluctuations in the price of property, rash speculation, idleness, extravagance, and a deterioration of morals, have taught us the important lesson, that any transient mischief which may attend the reduction of our revenue to the wants of our Government, is to be borne in preference to an overflowing Treasury.

I beg leave to call your attention to another subject intimately associated with the preceding one—the currency of the country.

It is apparent, from the whole context of the constitution, as well as the history of the times which gave birth to it, that it was the purpose of the convention to establish a currency consisting of the precious metals. These, from their peculiar properties, which rendered them the standard of value in all other countries, were adopted in this, as well to establish its commercial standard in reference to foreign countries by a permanent rule, as to exclude the use of a mutable medium of exchange, such as certain agricultural commodities, recognized by the statutes of some States as a tender for debts, or the still more pernicious expedient of a paper currency. The last, from the experience of the evils of the issues of paper during the revolution, had become so justly obnoxious, as not only to suggest the clause in the constitution forbidding the emission of bills of credit by the States, but also to produce that vote in the convention which negated the proposition to grant power to Congress to charter corporations—a proposition well understood at the time, as intended to authorize the establishment of a national bank, which was to issue a currency of bank notes.

on a capital to be created to some extent out of Government stocks. Although this proposition was refused by a direct vote of the convention, the object was afterwards in effect obtained, by its ingenious advocates, through a strained construction of the constitution. The debts of the revolution were funded, at prices which formed no equivalent compared with the nominal amount of the stock, and under circumstances which exposed the motives of some of those who participated in the passage of the act to distrust.

The facts that the value of the stock was greatly enhanced by the creation of the bank, that it was well understood that such would be the case, and that some of the advocates of the measure were largely benefited by it, belong to the history of the times, and are well calculated to diminish the respect which might otherwise have been due to the action of the Congress which created the institution.

On the establishment of a national bank, it became the interest of its creditors, that gold should be superseded by the paper of the bank, as a general currency. A value was soon attached to the gold coins, which made their exportation to foreign countries, as a mercantile commodity, more profitable than their retention and use at home as money. It followed, as a matter of course; if not designed by those who established the bank, that the bank became, in effect, a substitute for the mint of the United States.

Such was the origin of a national bank currency, and such the beginning of those difficulties which now appear in the excessive issues of the banks incorporated by the various States. Although it may not be possible, by any legislative means within our power, to change at once the system which has thus been introduced, and has received the acquiescence of all portions of the country, it is certainly our duty to do all that is consistent with our constitutional obligations in preventing the mischiefs which are threatened by its undue extension. That the efforts of the fathers of our Government to guard against it by a constitutional provision were founded on an intimate knowledge of the subject, has been frequently attested by the bitter experience of the country. The same causes which led them to refuse their sanction to a power authorizing the establishment of incorporations for banking purposes, now exist in a much stronger degree to urge us to exert the utmost vigilance in calling into action means necessary to correct the evils resulting from the unfortunate exercise of the power, and it is to be hoped that the opportunity for effecting this great good, will be improved before the country witnesses new scenes of embarrassment and distress.

Variableness must ever be characteristic of a currency, of which the precious metals are not the chief ingredient, or which can be expanded or contracted without regard to the principles that regulate the value of those metals as a standard in the general trade of the world. With us bank issues constitute such a currency, and must ever do so until they are made dependent on those just proportions of gold and silver, as a circulating medium, which experience has proved to be necessary, not only in this, but in all other commercial countries. Where those proportions are not infused into the circulation, and do not control it, it is manifest that prices must vary according to the tide of bank issues, and the value and stability of property must stand exposed to all the uncertainty which attends the administration of institutions that are constantly liable to the temptation of an interest distinct from that of the community in which they are established.

The progress of an expansion, or rather a depreciation of the currency, by excessive bank issues, is always attended by a loss to the laboring classes. This portion of the community have neither time nor opportunity to watch the ebb and flow of the money market. Engaged from day to day in their useful toils, they do not perceive that although their wages are nominally the same, or even somewhat higher, they are greatly reduced in fact by the rapid increase of a spurious currency which, as it appears to make money abundant, they are at first inclined to consider a blessing. It is not so with the speculator, by whom this operation is better understood, and is made to contribute to his advantage. It is not until the prices of the necessities of life become so dear that the laboring classes cannot supply their wants out of their wages, that the wages rise, and gradually reach a justly proportioned rate to that of the products of their labor. When thus by the depreciation in consequence of the quantity of paper in circulation, wages, as well as prices become exorbitant, it is soon found that the whole effect of the adulteration is a tariff on our home industry for the benefit of the countries where gold and silver circulate, and maintain uniformity and moderation in prices. It is then perceived that the enhancement of the price of land and labor produces a corresponding increase in the price of products, until these products do not sustain a competition with similar ones in other countries; and thus both manufactured and agricultural productions cease to bear exportation from the country of the spurious currency, because they cannot be sold for cost. This is the process by which specie is banished by the paper of the banks. Their wants are soon exhausted to pay for foreign commodities; the next step is a stoppage of specie payment; a total degradation of paper as a currency; unusual depression of prices; the ruin of debtors, and the accumulation of property in the hands of creditors and cautious capitalists.

It was in view of these evils, together with the dangerous power wielded by the Bank of the United States, and its repugnance to our constitution, that I was induced to exert the power conferred upon me by the American people, to prevent the continuance of that institution. But, although various dangers to our republican institutions have been obviated by the failure of that bank to extend from the Government a renewal of its charter, it is obvious that little has been accomplished, except a salutary change of public opinion, towards restoring to the country the sound currency provided for in the constitution. In the acts of several of the States prohibiting the circulation of small notes, and the auxiliary enactments of Congress at the last session forbidding their reception or payment on public account, the true policy of the country has been advanced, and a large portion of the precious metals infused into our circulating medium. These measures will probably be followed up, in due time, by the payment of State bank notes from specie, and the bank notes of still higher denominations, and the object may be materially promoted by further acts of Congress, forbidding the employment, as fiscal agents of such banks as continue to issue notes of low denominations, and throw impediments in the way of the circulation of gold and silver.

The effects of an extension of bank credits and over issues of bank paper, have been strikingly illustrated in the sales of the public lands. From the returns made by the various Registers and Receivers in the early part of last summer, it was perceived that the receipts arising from the sales of the public lands were increasing to an unprecedented amount. In effect, however, these receipts amount to nothing more than credits in bank. The banks lent out their notes to speculators; they were paid to the Receivers and immediately returned to the banks to be lent out again and again, being mere instruments to transfer to speculators the most valuable public land, and pay the Government by a credit on the books of the banks. These credits on the books of some of the western banks, usually called deposits, were already greatly beyond their immediate means of payment, and were rapidly increasing. Indeed each speculation furnished means for another; for no sooner had one individual or company paid in the notes, than they were immediately lent to another for a like purpose, and the banks were extending their business and their issues so largely, as to alarm considerate men and render it doubtful whether these bank credits, if permitted to accumulate, would ultimately be of the least value to the Government. The spirit of

expansion and speculation was not confined to the deposit banks, but pervaded the whole multitude of banks throughout the Union, and was giving rise to new institutions to aggravate the evil.

The safety of the public funds, and the interest of the people generally, required that these operations should be checked; and it became the duty of every branch of the General and State Governments to adopt all legitimate and proper means to produce that salutary effect. Under this view of my duty, I directed the issuing of the order which will be laid before you by the Secretary of the Treasury, requiring payment for the public lands sold to be made in specie, with an exception until the 15th of the present month, in favor of actual settlers. This measure has produced many salutary consequences. It checked the career of the western banks, and gave them additional strength in anticipation of the pressure which has since pervaded our eastern as well as the European commercial cities. By preventing the extension of the credit system, it measurably cut off the means of speculation, and retarded its progress in monopolizing the most valuable of the public lands. It tended to keep open the public lands for entry by emigrants at Government prices, instead of their being compelled to purchase of speculators at double or treble prices. And it is conveying into the interior large sums in silver and gold, there to enter permanently into the currency of the country, and place it on a firmer foundation. It is confidently believed that the country will find in the motives which induced that order, and the happy consequences which will have ensued, much to commend and nothing to condemn.

It remains for Congress, if they approve the policy which dictated this order, to follow it up in its various bearings. Much good, in my judgement, would be produced by prohibiting sales of the public lands, except to actual settlers, at a reasonable reduction of price, and to limit the quantity which shall be sold to them. Although it is believed the General Government never ought to receive anything but constitutional currency in exchange for the public lands that point would be of less importance if the lands were sold for immediate settlement and cultivation. Indeed, there is scarcely a mischief arising out of our present land system, including the accumulating surplus of revenue, which would not be remedied at once by a restriction on land sales to actual settlers; and it promises other advantages to the country in general, and to the new States in particular, which cannot fail to receive the most profound consideration of Congress.

Experience continues to realize the expectations entertained as to the capacity of the State Banks to perform the duties of fiscal agents for the Government at the time of the removal of the deposits. It was alleged by the advocates of the Bank of the United States that the State banks, whatever might be the regulations of the Treasury Department, could not make the transfers required by the Government, or negotiate the domestic exchanges of the country. It is now well ascertained that the real domestic exchanges performed, through discounts, by the United States Bank and its twenty-five branches, were at least one third less than those of the deposit banks for an equal period of time; and if a comparison be instituted between the amounts of service rendered by these institutions, on the broader basis which has been used by the advocates of the United States Bank in estimating what they consider the domestic exchanges transacted by it, the result will be still more favorable to the deposit banks.

The whole amount of public money transferred by the Bank of the United States in 1832, was \$16,000,000. The amount transferred and actually paid by the deposit banks in the year ending the first of October last, was \$39,310,899; the amount transferred and paid between that period and the sixth of November was \$6,399,000; and the amount of transfer warrants outstanding on that day was \$14,450,000; making an aggregate of \$59,159,899. These enormous sums of money first mentioned have been transferred with the greatest promptitude regularity, and the rates at which the exchanges have been negotiated previously to the passage of the deposit act, were generally below those charged by the Bank of the United States. Independently of these services, which are far greater than those rendered by the United States Bank, and its twenty-five branches, a number of the deposit banks have, with a commendable zeal to aid in the improvement of the currency, imported from abroad, at their own expense, large sums of the precious metals, for coinage and circulation.

In the same manner have we nearly all the predictions turned out in respect to the effect of the removal of the deposits—a step unquestionably necessary, to prevent the evils which it was foreseen the bank itself would endeavor to create in a final struggle to procure a renewal of its charter. It may be thus, too, in some degree, with the further steps which may be taken to prevent the excessive issue of other bank paper, but it is to be hoped that nothing will deter the Federal State authorities from the firm and vigorous performance of their duties themselves and to the people in this respect.

In reducing the revenue to the wants of the Government, your particular attention is invited to those articles which constitute the necessities of life. The duty on salt was laid as a war tax, and

was no doubt continued to assist in providing for the payment of the war debt.—There is no article the release of which from taxation would be felt so generally and so beneficially. To this may be added all kinds of fuel and provisions. Justice and benevolence unite in favor of relieving the poor of our cities from burdens which are not necessary to the support of our Government, and tend only to increase the wants of the destitute.

It will be seen by the report of the Secretary of the Treasury, and the accompanying documents, that the Bank of the United States has made no payment on account of the stock held by the Government in that institution, although urged to pay any portion which might suit its convenience, and that it has given no information when payment may be expected. Nor, although repeatedly requested, has it furnished the information in relation to its condition, which Congress authorized the Secretary to collect at its last session; such measures as are within the power of the Executive, have been taken to ascertain the value of the stock, and procure the payment as early as possible.

The conduct and present condition of that bank, and the great amount of capital vested in it by the United States, require your careful attention. Its charter expired on the 3d day of March last, and it has now no power but that given in the 21st section “to use the corporate name, style, and capacity, for the purpose of suits for the final settlement and liquidation of the affairs and accounts of the corporation, and for the sale and disposition of its estate, real, personal, and mixed, but not for any other purpose, or in any other manner whatsoever, nor for a period exceeding two years after the expiration of the said term of incorporation.” Before the expiration of the charter, the stockholders of the bank obtained an act of incorporation from the Legislature of Pennsylvania, excluding only the United States. Instead of proceeding to wind up their concerns, and pay over to the United States the amount of the stock held by them, the president and directors of the old bank appear to have transferred the books, papers, notes, obligations, and most or all of its property to the new corporation, which entered upon business as a continuation of the old concern. Amongst other acts of questionable validity, the notes of the expired corporation are known to have been issued as its own, and again put in circulation. That the old bank had no right to issue or re-issue its notes after the expiration of its charter, cannot be denied, and that it could not confer any such right on its substitute, any more than exercise itself, is equally plain. In law and honesty, the notes of the bank in circulation, at the expiration of its charter, should have been called in by public advertisement, paid up as presented, and together with those on hand, cancelled and destroyed. Their re-issue is sanctioned by no law, and warranted by no necessity. If the United States be responsible in their stock for the payment of these notes, their re-issue, by the new corporation, for their own benefit, is a fraud on the Government. If the United States is not responsible, then there is no legal responsibility in any quarter, and it is a fraud on the country. They are the redeemed notes of a dissolved partnership, but, contrary to the wishes of the retiring partner, and without his consent, are again re-issued and circulated.

It is the high and peculiar duty of Congress to decide whether any further legislation be necessary for the security of the large amount of public property now held and in use by the new bank, and for vindicating the rights of the Government, and compelling a speedy and honest settlement with all the creditors of the old bank, public and private, or whether the subject shall be left to the power now possessed by the Executive and Judiciary. It remains to be seen whether the persons, who, as managers of the old bank, undertook to control the Government, retained the public dividends, shut their doors upon a committee of the House of Representatives, and filled the country with panic to accomplish their own sinister objects, may now, as managers of a new bank, continue with impunity to flood the country with a spurious currency, use the seven millions of Government stock for their own profit, and refuse to the United States all information as to the present condition of their own property, and the prospect of recovering it into their own possession.

The lessons taught by the Bank of the United States cannot well be lost upon the American people. They will take care never again to place so tremendous a power in irresponsible hands, and it will be fortunate if they seriously consider the consequences which are likely to result on a smaller scale from the facility with which corporate powers are granted by their State Governments.

It is believed that the law of the last session regulating the deposit banks, operates onerously and unjustly upon them in many respects; and it is hoped that Congress, on proper representation, will adopt the modifications which are necessary to prevent this consequence.

The report of the Secretary of War *ad interim*, and the accompanying documents, all which are herewith laid before you, will give you a full view of the diversified and important operations of that Department during the past year.

The military movements rendered necessary by the aggressions of the hostile portions of the Seminole and Creek tribes of Indians, and by other circumstances, have required the active employment of nearly our whole regular force, including the marine corps, and of large bodies of militia and volunteers. With all these events, so far as they were known at the seat of Government before the termination of your last session, you are already acquainted and it is therefore only needful in this place to lay before you a brief summary of what has since occurred.

The war with the Seminoles, during the summer, was, on our part, chiefly confined to the protection of our frontier settlements, from the incursions of the enemy; and as a necessary and important means for the accomplishment of that end, to the maintenance of the posts previously established. In the course of this duty, several actions took place, in which the bravery and discipline of both officers and men were conspicuously displayed, and which I have deemed it proper to notice, in respect to the former, by the granting of brevet rank for gallant services in the field. But as the force of the Indians was not so far weakened by these partial successes, as to lead them to submit, and as their savage inroads were frequently repeated, early measures were taken for placing at the disposal of Governor Call, who, as commander in chief of the Territorial militia, had been temporarily invested with the command, an ample force, for the purpose of resuming offensive operations, in the most efficient manner, so soon as the season should permit. Major General Jesup was also directed on the conclusion of his duties in the Creek country, to repair to Florida, and assume the command.

The result of the first movement made by the forces under the direction of Governor Call, in October last, as detailed in the accompanying papers, excited much surprise and disappointment. A full explanation has been required of the cause which led to the failure of that movement, but has not yet been received. In the mean time, as it was feared that the health of Governor Call, who was understood to have suffered much from sickness, might not be adequate to the crisis, and as Major General Jesup was known to have reached Florida, that officer was directed to assume the command, and to prosecute all needful operations with the utmost promptitude and vigor. From the force at his disposal, and the dispositions he has made and is instructed to make, and from the very efficient measures which it is since ascertained have been taken by Governor Call, there is reason to hope that they will soon be enabled to reduce the enemy to subjection. In the mean time, as you will perceive from the report of the Secretary,

there is urgent necessity for further appropriations to suppress these hostilities.

Happily for the interests of humanity, the hostilities with the Creeks were brought to a close soon after your adjournment, without that effusion of blood which at one time was apprehended as inevitable. The unconditional submission of the hostile party was followed by their speedy removal to the country assigned them west of the Mississippi. The inquiry as to alleged frauds in the purchase of the reservations of these Indians, and the causes of their hostilities, requested, by the resolution of the House of Representatives of the 1st of July last, to be made by the President, is now going on, through the agency of commissioners appointed for that purpose. Their report may be expected during your present session.

The difficulties apprehended in the Cherokee country have been prevented, and the peace and safety of that region and its vicinity effectually secured, by the timely measures taken by the War Department, and still continued.

The discretionary authority given to Gen. Gaines to cross the Sabine, and to occupy a position as far west as Nacogdoches, in case he should deem such a step necessary to the protection of the frontier, and to the fulfillment of the stipulations contained in our treaty with Mexico, and the movement subsequently made by that officer, have been alluded to in a former part of this message. At the date of the latest intelligence from Nacogdoches, our troops were yet at that station; but the officer who has succeeded General Gaines has recently been advised that, from the facts known at the seat of Government, there would seem to be no adequate cause for any longer maintaining that position; and he was accordingly instructed, in case the troops were not already withdrawn under the discretionary powers before possessed by him, to give the requisite orders for that purpose on the receipt of the instructions, unless he shall then have in his possession such information as shall satisfy him that the maintenance of the post is essential to the protection of our frontiers, and to the due execution of our treaty stipulations, as previously explained to him.

Whilst the necessities existing during the present year, for the service of militia and volunteers, have furnished new proofs of the patriotism of our fellow citizens, they have also strongly illustrated the importance of an increase in the rank and file of the regular army. The views of this subject submitted by the Secretary of War, in his report, meet my entire concurrence; and are earnestly commended to the deliberate attention of Congress. In this connection it is also proper to remind you, that the defects in our present militia system are every day rendered more apparent. The duty of making further provision by law for organizing, arming and disciplining this arm of defence has been so repeatedly presented to Congress by myself and my predecessors, that I deem it sufficient on this occasion to refer to the last annual message, and to former Executive communications, in which the subject has been discussed.

It appears from the reports of the officers charged with mustering into service the volunteers called for under the act of Congress of the last session, that more presented themselves at the place of rendezvous in Tennessee than were sufficient to meet the requisition which had been made by the Secretary of War upon the Governor of that State. This was occasioned by the omission of the Governor to apportion the requisition to the different regiments of militia, so as to obtain the proper number of troops, and no more. It seems but just to the patriotic citizens who repaired to the general rendezvous, under circumstances authorizing them to believe that their services were needed, and would be accepted, that the expenses incurred by them while absent from their homes, should be paid by the Government. I accordingly recommend that a law to this effect be passed by Congress, giving them a compensation which will cover their expenses on the march to and from the place of rendezvous, and while there; in connection with which, it will also be proper to make provision for such other equitable claims, growing out of the service of the militia, as may not be embraced in the existing laws.

On the unexpected breaking out of hostilities in Florida, Alabama, and Georgia, it became necessary, in some cases, to take the property of individuals for public use. Provision should be made by law for indemnifying the owners; and I would also respectfully suggest whether some provision may not be made, consistently with the principles of our Government, for the relief of the sufferers by Indian depredations, or by the operations of our own troops.

No time was lost after the making of the requisite appropriations, in resuming the great national work of completing the unfinished fortifications on our seaboard, and of placing them in a proper state of defence. In consequence, however, of the very late day at which those bills were passed, but little progress could be made during the season which has just closed. A very large amount of the moneys granted at your last session, accordingly, remains unexpended; but as the work will be again resumed at the earliest moment in the coming spring, the balance of the existing appropriations, and in several cases, which will be laid before you with the proper estimates, further sums for the like objects, may be usefully expended during the next year.

The recommendations of an increase in the Engineer Corps, and for a reorganization of the Topographical Corps, submitted to you in my last annual message,