

Roger Brooke Taney to Andrew Jackson, July 3, 1837, from Correspondence of Andrew Jackson. Edited by John Spencer Bassett.

CHIEF JUSTICE TANEY TO JACKSON.

Private

Baltimore, July 3, 1837.

. . . . You may well imagine that I have been looking with deep interest upon the present derangement of our monetary concerns, and upon the events which led to it. Ever since the Bank of the U. States received its charter from Pennsylvania¹ I have been satisfied that it was busy in preparing for the overthrow of the other State Banks, and operating with all its power to produce disorder and confusion in the currency, and that the profession of its having abandoned all hope of a charter from Congress, was a mere pretence, and intended to cover its real designs. The plan I have no doubt was to produce the explosion in the West, and it was expected that the drain of specie from that quarter of the country, would enable this Bank to keep itself safe amid the ruin it produced there, and the panic that would follow. But the Treasury order defeated that design, and this Bank has become with the rest a victim to its own measures.

¹ The Bank of the United States received a charter from Pennsylvania in February, 1836, and became the United States Bank of Pennsylvania. Biddle retired from the presidency.

In all these designs however the Bank of the U. States is nothing more than the concentrated power of the whole class of the moneyed aristocracy who have so long struggled to get possession of the government, and it carries along with it by a natural attraction the numerous army of greedy speculators, and ambitious politicians who hope

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to profit by its aid. Matters have however been at length brought to the true issue and we must now go to the root of the evil. Without the aid of a paper currency the moneyed aristocracy will have nothing more than their fair share of power. And the issue now made must I think be whether we are to have a paper currency or a currency of silver and gold. It is perhaps best that events have suddenly brought us to that point. The great body of the people had thought but little upon the subject of the currency, until the measures of your administration called their attention to it. The discussions now going on, and the events which have so recently passed before their eyes will enable them to comprehend the question, and to understand the controversy in all its bearings. And if our friends at Washington are firm, (as I doubt not they will be) the intelligence of the people will carry them through. But we have a severe contest before us and money will be poured out like water to accomplish the object of the Bank. And it is mortifying enough to know that we owe all these difficulties to the unpardonable folly of friends.

For the Bank with all the mischiefs which it brings in its train was effectually put down, when the worse than folly of our friends in Pennsylvania, in quarrelling among themselves about straws, enabled it to recover so much ground, that it is once more in a situation to make pressures and panics; and after so many hazards and so many sacrifices and such triumphant success the battle is again to be fought. I could almost wish that I was again at Washington with you at the head of the government to see it out. And I agree with you entirely that any attempt at compromise or even efforts to conciliate the enemy will be fatal.

A paper currency in any form or in any shape should be resisted with inflexible resolution. It is absurd to talk about a sound and stable paper currency. No currency of that description whether issued by the government or by a corporation was ever sound and stable for any length of time. From the nature of man such a currency must always be fluctuating in value. Nothing will do as a measure of value but a metallic currency which has of itself real and intrinsic value. I speak of course, of the money which circulates and is current in the ordinary and daily transactions of business, and once thought it would be

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safe to allow the Banks to issue notes as low as twenty dollars. But experience and the example of the Bank of England has convinced me that there will be no safety short of fifty, and perhaps one hundred would be better. A fifty dollar note is seldom used except for the purpose of remittance and exchange and if the Banks were restricted to notes of that amount, they would in effect cease to be Banks of issue, and cease to manufacture any part of our currency. The merchants would still have their system of credits with one another by means of exchange and they would no doubt again overtrade and gamble in commerce, and upon a sudden change of prices would again break by hundreds. Yet their means of gambling at the expence of the great body of the people would be taken away and the currency used by the community generally would remain sound although the merchants and speculators should fail. It would not be in their power again, by breaking the banks over which they must always exercise absolute control, to debase the currency and by that means throw their losses upon other people.

But bad as our system of Banking and currency now is, still the present embarrassment in the revenues of the government ought not to have taken place; nor could the Bank of the U. States with all its efforts have produced it, if our friends in congress had in the deposite law,² adhered to the plan adopted by the Executive when the Deposites were first removed. But in their eagerness to get hold of the surplus for their respective states, or from some other cause they appear to have suffered the adversary to mould that law according to their own pleasure, and to introduce into it provisions which took away the control of the government over its own funds, and left them and the currency also at the mercy of men who had for years been endeavoring to destroy both in order to embarrass the government. If they had passed the Deposit Bill which I prepared with your sanction the public Treasure would have been in no danger and although the other Banks might have stopped the deposite Banks would have remained firm.

² The Act to Regulate Deposits of the Public Money. *U. S. Statutes at Large*, V. 52.

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Independent of the distribution clause, there are two provisions in the bill passed, which changed the plan upon which we made the removal in essential particulars and I have always felt surprised that our friends in Congress did not resist such objectionable and fatal provisions. I speak of 1st, the clause which prohibited a deposit in any Bank to the amount of more than three fourths its Capital, and 2dly, the clause which charges interest on the Deposites. When I left the Treasury there were I think but twenty Deposit Banks. I perceive by a late statement that there are now no less than ninety, and this vast and ruinous increase was forced upon the Executive by the clause above mentioned.

When the Deposites were confined to a few respectable Banks the government could keep a strict supervision over them, and the Presidents and Directors of these institutions felt that they were a peculiar class of Banks, distinguished from the general mass of state Banks and that they derived importance and credit as well as profit from their employment as depositories of the public money. They were therefore naturally anxious to maintain their superior rank in the public estimation and to preserve the confidence of the Government. But after the passage of the Deposit Law, the revenue of the nation became mixed up with the general rag-money currency, feeding and stimulating the spirit of speculation in every quarter. The circumstance of being a Deposit Bank ceased to be an honorable distinction among the money corporations, and no longer gave to the selected Banks any additional importance nor any greater share of public confidence. They lost the power of exercising a salutary influence over the issues of the neighbouring Banks, by the balances which they before were accustomed to leave in their hands, and which enabled the Deposit Banks to restrain the disposition for extravagant issues, and the public money has I doubt not in some instances been placed in corporations governed by heated political partizans, and greedy speculators, who would claim merit with their brethren of the same stamp, for wasting the public Treasure, and imitating the Bank of the U. States in its endeavours to embarrass the operators of the government.

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The charge of interest on the Deposites was equally pernicious and perhaps more so. For until that principle was adopted, the Secretary of the Treasury had the power to order the Deposite Banks to have the whole amount of the public money (or such portion of it as he deemed adviseable) in specie, whenever he saw that imprudence or any other cause was leading them astray. But after they were required to pay interest the Secretary could no longer give such an order. For when they were compelled to pay interest on the public money, they of course had a right to make interest on it, by lending it out, and could not therefore be lawfully required to retain it in specie in their vaults. It was in truth a misnomer to call it a deposite of the public money, or to call the Banks Deposite Banks, after interest was charged by the Government. It was to all intents and purposes a loan of the public money, and the Banks were nothing more nor less than the borrowers from the Government. And this provision in the law presented the singular absurdity of a government carefully collecting all of its dues in hard money; and the moment they were collected converting them into paper and very bad paper too by lending to Banks the money it took from the people, and thus putting it at hazard for the miserable gain of two percent. However I need not dwell on these subjects in a letter to you, because I know that at the time of the passage of the law, you viewed these provisions as I do, but they were not objections of such a character as would have justified a veto.

The money collected from the hard earnings of the people ought to remain in specie as it [is] paid in in specie, until it is paid out in the regular disbursements of the government. The merchants and speculators have no more right to use it for their private profit, than any other class of our citizens, and when it is in the hands of the government it ought never to be connected in any degree with trade or exchange, but be held by the agents to whom it is entrusted as a sacred deposite, and never to be touched except for the purposes for which the government is authorized to collect it. And I trust that our friends at Washington will go resolutely for such a system, and for a specie currency, and listen to no schemes or nostrums of Treasury notes or any other paper. If they do this, they will have a hard fight but they will in the end be victorious.

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I thank you for your review of Judge Whites testimony. Mere party politicians may endeavour to sustain him for a time. But in this enlightened community no man can stand after such an exposition as you have given of his conduct. He is a fallen man, and his friends must feel deeply mortified at the predicament in which he has placed himself.

As to my history of the panic war, I am sorry to say I have as yet done nothing in it. I have not yet been able to procure a copy of the Senates documents of that session, and find moreover as I reflect upon the subject, that I cannot do justice to you or to myself without visiting you at the Hermitage and taking extracts from the documents in your possession shewing the various consultations that were held by you with your Cabinet, and the opinions and arguments of the different members. These documents are too long to copy. But I indulge the hope that we shall both be spared until I can see you again, and trust that I may have that pleasure next summer, and pass time enough with you to collect the necessary materials for my history.³ I must go to Washington in the beginning of next month, and shall there make another effort to procure the Senates documents above mentioned.

³ [The reference is doubtless to a document which since Professor Bassett's death, namely in 1929, has come into the Division of Manuscripts in the Library of Congress, a manuscript of some 132 pages in Chief Justice Taney's handwriting, written about 1848, and giving an account of his relations to the affair of the U. S. Bank.]