

James Madison to Alexander J. Dallas, August 25, 1816. Transcription: The Writings of James Madison, ed. Gaillard Hunt. New York: G.P. Putnam's Sons, 1900-1910.

TO ALEXANDER J. DALLAS. MAD. MSS.

Montpellier Augt. 25, 1816

Dear Sir Since the recet. of your several letters relating to the Treasury proposition,¹ & the decision of Bank Deputies at Phila. my thoughts have been

¹ Dallas wrote August 8 that he had conferred with Baltimore, Philadelphia, and New York bankers on the resumption of specie payment. On August 11 he wrote that he was solicitous concerning the conduct of the State banks, the National bank, and the state of the currency.

August 31 he wrote: "The National bank grows in the public confidence. I believe its immediate uses will be as great as was anticipated by its most strenuous advocates. Under a prudent and skilfull director acting in concert with the government, it will restore the national currency, and destroy the artificial differences of exchange. But I look with peculiar pleasure to the establishment, as furnishing a machinery to frustrate the usurpation of the state banks, and to retrieve the constitutional powers of the Government over the coin and currency of the nation."— *Mad. MSS.*

duly turned to the important & perplexing subject. Altho' there may be no propriety in recalling the proposition, it seems now certain that it will fail of its effect. Should the Banks not represented at Phila. come into the measure, the refusal of those represented would be fatal. The want of a medium for taxes in a single state would be a serious difficulty; so

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extensive a want would forbid at once an enforcement of the proposition. The Banks feel their present importance & seem more disposed to turn it to their own profit than to the public good, & the views of the Govt. Without their co-operation

it does not appear that any immediate relief can be applied to the embarrassments of the Treasury or of the currency. This co-operation they refuse. Can they be coerced?

Should the State Legislatures unite in the means within their power, the object may be attained. But this is scarcely to be expected; & in point of time is too remote. The National Bank must for a time at least, be on the defensive.

The interposition of Congress remains; & we may hope the best as to a vigorous use of it. But there is danger that the influence of the local Banks may reach even that resource. Should this not be the case, the remedy is future not immediate. The question then before us is, whether any & what further expedients lie with the Executive. Altho we have satisfied by what has been already attempted our legal responsibility, it would be still incumbent on us to make further experiments if any promising ones can be devised. If there be such I have full confidence, that they will enter into your views on the subject. One only occurs to me; & I mention it because no other does, not because I regard it as free from objections which may be deemed conclusive. The notes in the Treasury might be presented to the Banks respectively with a demand of the specie due on the face of them. On refusal suits might be immediately instituted not with a view to proceed to execution, but to establish a claim to interest from the date of the demand. The notes thus bearing interest being kept in hand, Treasury notes bearing interest might be issued in payments from the Treasury; & so far injustice to the several classes of creditors might be lessened, whilst a check would be given to the unjust career of the Banks.

Such a proceeding ought to be supported by the Stockholders, the Army, the Navy, & all the disinterested & well-informed part

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of the community. The clamor agst. it would be from the Banks & those having interested connections with them, supported by the honest part of the community misled by their fallacies; and the probability is but too great that the clamor would be overwhelming. I do not take into view the expedient of requiring a payment of the Impost, in specie, in part at least, because it could not be extended to the other taxes, & would in that respect as well as otherwise, be a measure too delicate for the Ex: Authy; nor would its effect be in time for any very early purpose.

I have been led by the tenor of your letters to put on paper these observations. The report you are preparing will doubtless enlighten my view of the whole subject.