dation of real capital. They were generally got up by knots of speculating tradesmen and lawyers, often with­out depositing a dollar beyond what was necessary to pay for paper and engraving. Even the respectable banks issued notes for a single dollar ; but in the western country, where these establishments were on the worst footing, notes were issued for a half, a quarter, an eighth, and even a six­teenth of a dollar. An immense mass of paper money was thus put into circulation by these banks, which, w hen it fell into discredit, was followed by a degree of embarrassment and distress that had almost the character of a general bank­ruptcy. The paper bubbles burst, one after another, with extraordinary celerity, and involved multitudes in ruin. Of a hundred banks in Ohio, Kentucky, Tennessee, and In­diana, there were only two whose notes were received at the land-offices. In some of these states, acts were passed by the legislature, suspending legal proceedings to compel pay­ment of debts. It may be imagined what an extraordinary derangement was produced in the state of property, when the circulating medium was reduced in three years (1815 to 1819) from 110 to forty-five millions of dollars.@@1

Of the 663 banks which were established in America in 1838, the bank of the United States is by far the most im­portant, from the extent of its capital, which amounts to 35,000,000 of dollars. It was incorporated in 1791, under the presidency of General Washington. The charter, which was for twenty years, expired in 1811 ; and from the fear that had in the mean time arisen, of this great national bank being converted into a political engine, it was not re­newed. But owing to the disorder that arose at this time in the trade, and in the state of the currency, the consequence partly of the war with Great Britain, it was thought expedient to establish a new bank, with a char­ter for twenty years. General Jackson was decidedly op­posed to this establishment ; and in 1829, in his mes­sage to Congress, he expressed his opinion in the strongest terms. The senate and house of representatives entirely disapproved of the president’s views, in which he how­ever persevered ; and though in 1832 an act was passed for renewing the charter of the bank, the president exer­cised his constitutional privilege of rejecting the act, it not being sanctioned by two thirds of the legislative bodies. In pursuance of his views, he in 1833 directed the govern­ment deposits to be removed from the federal bank to cer­tain other banks, which he selected ; though a committee of the house of representatives declared, on inquiry into its af­fairs, a balance in its favour of 43,058,143 dollars.@@2 The contest between the executive and the monied interest was carried on with increasing acrimony ; and such was the dis­trust of the banks by General Jackson and his friends, that they proposed to collect the public revenue entirely in specie, to be laid up in vaults under the charge of public officers. This question has created a great division in the American community, and has finally decided the late contest for the great office of president against Van Bu­ren, an advocate of this system, and in favour of General Harrison.

But though General Jackson has carried too far his dis­trust of the banks, yet his measures, however mistaken, could not have occasioned the great calamity which soon after befell the credit and commerce of the United States. The cause was more deeply seated in the general condition of commerce, arising from the great extent to which credit was carried in Great Britain and in the United States, and the intense spirit of speculation thence arising, under the influence of which vast funds were lavished in ruinous ad­ventures. A great increase had taken place in the impor­tations, especially from Great Britain, which had risen from 108 millions, the amount in 1833, to 190 millions in 1836. A large debt was thus incurred to Great Britain, while vast sums, mostly in paper, to the amount, as estimated, of 125,000,000 of dollars, were expended on railroads, canals, banks, insurance and other companies, by which states, cities, corporations, and merchants, were involved in ex­tensive engagements: wild tracts of government lands were purchased on speculation with paper to the estimated amount of about forty millions of dollars. The sales of these lands had increased from five millions of dollars in 1833, to twenty-five millions in 1836; extensive lots were besides purchased around the different cities, towns, and villages, with borrowed funds, and large sums were ex­pended on rash improvements and on town buildings.@@3 An immense superstructure was thus reared on a slender basis. There was a fair show of outward wealth and a false security, which continued until the unfortunate speculator was rous­ed from his golden dreams by the commercial storm, and by a scene of ruin which was without a parallel in the history of commerce. The alarm began in Great Britain, where credit had been carried to a great excess. The bank contracting its credit to American houses, they in their turn called for pay­ment of their American debts. At the same time Congress passed a bill, in June 1836, ordering that the surplus revenue of the United States, which had accumulated in the treasury, should, after reserving five millions of dollars, be deposited, by four quarterly instalments, with the several states. This sum amounted to 37,468,859 dollars. It had been lent out by the banks in which it was deposited, to the mer­chants of New York and other cities; and they being now suddenly called upon for payment, insisted on prompt pay­ment from the merchants, at the time they were called up­on to pay their European debts. The treasury order issued on 11th July 1836, in order to check the inordinate spe­culations in land, ordaining all payments at the land-offices to be made in specie, increased the pressure for money, and combined, with all the other causes, to hasten on the crisis for which the materials had been long prepared. The scarcity of money rapidly increased ; those who in the riot of speculation had recklessly borrowed, were now called upon to pay : the golden dream had vanished, and they had no funds. A general panic now spread far and wide; the banks were assailed by demands for specie ; and in May 1837 cash payments were universally suspended throughout the United States. This was follow ed by a general depre­ciation of the currency, which was more or less in propor­tion to its excess or its discredit ; by a varying rate of ex­change in consequence, for all remittances of money between the different states ; by a universal panic, a fall in the price of all goods, and heavy sacrifices of property in order to pro­cure funds. But these calamities, though they were ag­gravated, were not altogether occasioned by the failure of the banks. They were involved in the general ruin which arose from other causes, namely, the undue extension of credit, and the excess to which speculation was carried. Great commercial distress was also experienced from the same cause in Great Britain, where the Bank of England and the other banks continued to pay in specie.

To supply the want of change, notes were issued under the value of five dollars, though they had been prohibited by law; and it is mentioned in a Report on the State of New York, that “ it was flooded with every species of depre­ciated paper, to the general annoyance and loss of the people at large.” The suspension of cash payments is an

@@@, Report of the Secretary of the Treasury on the Currency, 1820. Flint’s Letter« from America, Nov. 16 and 17.

@@@s See Mr Trotter’s Observations on the Financial Position of the States of the North American Union, i. p. 15.

@@@\* See Statements in relation to the Condition of the Slate Banks, laid before Congress February 27, 1839, p. 404, Doc. No. 227. Re­port to the Missouri Assembly on the Currency, November 20, 1838.