Buchanan

From this statement it is easy to account for our financial history for the last forty years. It has been a history of extravagant expansions in the business of the country, followed by ruinous contractions. At successive intervals the best and most enterprising men have been tempted to their ruin by excessive bank loans of mere paper credit, exciting them to extravagant importations of foreign goods, wild speculations, and ruinous and demoralizing stock gambling. When the crisis arrives, as arrive it must, the banks can extend no relief to the people. In a vain struggle to redeem their liabilities in specie they are compelled to contract their loans and their issues, and at last, in the hour of distress, when their assistance is most needed, they and their debtors together sink into insolvency.

It is this paper system of extravagant expansion, raising the nominal price of every article far beyond its real value when compared with the cost of similar articles in countries whose circulation is wisely regulated, which has prevented us from competing in our own markets with foreign manufacturers, has produced extravagant importations, and has counteracted the effect of the large incidental protection afforded to our domestic manufactures by the present revenue tariff. But for this the branches of our manufactures composed of raw materials, the production of our own country--such as cotton, iron, and woolen fabrics--would not only have acquired almost exclusive possession of the home market, but would have created for themselves a foreign market throughout the world.

Deplorable, however, as may be our present financial condition, we may yet indulge in bright hopes for the future. No other nation has ever existed which could have endured such violent expansions and contractions of paper credits without lasting injury; yet the buoyancy of youth, the energies of our population, and the spirit which never quails before difficulties will enable us soon to recover from our present financial embarrassments, and may even occasion us speedily to forget the lesson which they have taught. In the meantime it is the duty of the Government, by all proper means within its power, to aid in alleviating the sufferings of the people occasioned by the suspension of the banks and to provide against a recurrence of the same calamity. Unfortunately, in either aspect of the case it can do but little. Thanks to the independent treasury, the Government has not suspended payment, as it was compelled to do by the failure of the banks in 1837. It will continue to discharge its liabilities to the people in gold and silver. Its disbursements in coin will pass into circulation and materially assist in restoring a sound currency. From its high credit, should we be compelled to make a temporary loan, it can be effected on advantageous terms. This, however, shall if possible be avoided, but if not, then the amount shall be limited to the lowest practicable sum.

I have therefore determined that whilst no useful Government works already in progress shall be suspended, new works not already commenced will be postponed if this can be done without injury to the country. Those necessary for its defense shall proceed as though there had been no crisis in our monetary affairs.