

THE  
UNITED STATES MAGAZINE  
AND  
DEMOCRATIC REVIEW.

Vol. 1. No. 4.

COTTON,\*

AND ITS CONNECTION WITH THE CURRENCY QUESTION.

OUR most important national interest, of a physical nature, is, undeniably, our cotton culture. This is the great staple on which our vast foreign commerce mainly depends. This affords the rich mine from which we draw the means of paying for the enormous quantity of the productions of foreign art now necessary to the daily comfort of all classes of our population. If the English spinning-jenny is the sceptre with which the Island Queen rules the world, with an undisputed sway of commercial ascendancy, the American saw-gin is an instrument of power, upon which the other is itself almost wholly dependent for its ability to maintain that magnificent dominion. We could not, therefore, more usefully fill a portion of our pages, than by devoting them to the subject denoted by the above title; of the different points of view in which it presents itself, its financial importance, as connected with the currency, induces us to direct our attention to that branch of the subject, in particular, in this article,—the interesting topics of the history of its culture and manufacture, both in our own and in other countries, being reserved for future numbers.

Previously to the peace by which our national independence was established, no cotton was produced within the present limits of the United States. It can hardly be said to have been cultivated, excepting perhaps as a rare exotic, before the adoption of the Federal Constitution. Its subsequent history may safely be pointed to, as exhibiting a signal instance of the influence of free, popular institutions, such as were created by that imperishable instrument, to develop the natural resources of a country.

At this day, we can hardly appreciate the vast revolution which the introduction of this staple has effected in our commercial rela-

\* LETTER of the Secretary of the Treasury transmitting tables and notes on the cultivation, manufacture and foreign trade of cotton. Document of House of Representatives, No. 146, 1st session, 24th Congress.

tions. Powerful as its influence is now known to have become, its effect in this particular, to be fully understood, should be contrasted with our situation at the close of the Revolution. For a series of years, the pecuniary condition of the United States was deplorable in the extreme. No one of the present generation can have made himself familiar with the public and domestic affairs of that period, without being painfully affected with the strong evidences of general poverty which prevailed. Some of the fairest and most productive sections of the Union had been totally exhausted by the ravages incident to war. The citizens of those sections, which had not been overrun with ruthless bands of foreign mercenaries, had patriotically expended their resources in the public defence. In most of our towns and cities, the extensive mercantile establishments, which flourished before the war, had been broken up. A scene of ruin and desolation almost universal was exhibited, arising from the baleful effects of a depreciated paper currency, and the destruction of property incident to a state of domestic hostility of seven years' duration.

With peace came strong temptations to indulgence in the luxuries and fashions of Europe, from the example of which our own social habits had been generally formed. Instead of weaning our countrymen from their expensive tastes, the long compulsory abstinence they had undergone, had greatly increased their relish for such gratifications. Our productions, which could be exported in payment for foreign commodities, possessed at that time a comparatively trifling value. The inevitable consequence was, that a large proportion of the circulating medium, that was intrinsically valuable, was remitted abroad, to meet the balances due to foreign merchants. Indebtedness and embarrassment, approaching to desperation, pervaded the community, to such an extent that in several sections of the United States, popular tumults arose, and, in some instances, were carried to the extent of an organized resistance to the laws. The enemies of our free institutions, both at home and abroad, boldly and confidently anticipated a speedy overthrow of the *experiment* of the people of the United States in the art of self government.

These trying scenes were met by the *men* who, in the midst of innumerable privations and disasters, had withstood unshaken both the arms and the intrigues of the most powerful nation on earth. Despising all temporary expedients, and—with a wisdom which it would be well that their successors had always imitated—denouncing all measures of temporary relief which might involve the country in more formidable subsequent difficulties, they resolutely adhered to those high principles in which alone were to be found the safest protection for their true and permanent interests. The burthen of debt which pressed so heavily upon all classes was gradually reduced by laborious industry and careful frugality. Confidence

eventually became restored by this natural and healthy mode; and the earnest attention of the whole people was directed to the development of the resources of our extensive territory.

The production of cotton in the southern and south-western States, may be fairly considered to have exercised a more important agency than any other single circumstance in retrieving the credit of the country both at home and abroad. By furnishing a staple commodity of general necessity to a great amount, this cultivation has enabled our citizens, in all sections of the United States, to follow their gainful commerce without being constantly exposed to the disturbing influence of the enormous sacrifices upon their remittance to foreign nations, to which they were before subjected. In connection with our tobacco, fish, lumber, rice, and bread-stuffs, cotton, has mainly enabled us to pay for the articles of necessity as well as luxuries, which we have so largely imported from England, France, and other countries. It has accordingly become one of the principal sources of the wealth of our citizens, greatly advantageous even to the States which do not produce it. Our cotton crops have in fact placed Europe in a state of greater dependence upon us than we are upon Europe, inasmuch as this commodity is essential, not only to the prosperity, but to the very existence of a great portion of its manufacturing population. In this point of view the production of cotton in the United States may be regarded as the most important element of our actual commercial independence.

The precise circumstances under which this cultivation began in the southern States, the time when, and place where, it obtained first a permanent footing, are involved in much obscurity. It doubtless commenced upon so small a scale as to have attracted little general attention. South Carolina appears to be entitled to the credit of its first introduction, as early as 1785 or 1786; though it was immediately communicated to the adjoining State of Georgia, where it was produced at the earlier stages of its cultivation, in the largest quantity. The great obstacle to its extension was the infinite trouble and delay with which the separation of the fibre from its seed was attended. The species of cotton first introduced, known in commerce by the name of upland, adheres to every part of its seed with great tenacity. Among the early cultivators, the fibre was usually separated from the seed by the hands of the laborers. A pound of clean cotton was the usual task for the day's work of a female. The first planter who raised cotton upon a large scale, as it was then called, was Mr. Teake, of Savannah. In 1788 his crop was 5000 lbs. in the seed. This would make about 1200 lbs. of clean cotton by the present mode of ginning. The difficulty which he experienced in procuring this crop to be cleaned was so great, that he proposed to his correspondent in the north to send it to him in the seed, under the belief that the persons by whom it was manu-

factured would devise some more convenient and economical mode of preparing it for carding, than was in the power of the planter. It was found, however, that cotton in the seed was an unsaleable article among the manufacturers. Rollers and the bowstring were subsequently introduced, to facilitate the separation from the seed, and continued in use until the saw-gin was invented; but the process with their assistance was exceedingly tedious and expensive. After they had been universally abandoned, upland cotton was known for many years in the English market as "Bowed Georgia." In fact it is sometimes quoted by that name in the prices-current of the present day—more than forty years since the instrument from which it was originally called has been entirely out of use.

In 1793, the difficulty which had so long been the principle obstacle to the extensive and profitable cultivation of upland cotton, was effectually obviated by a young man from Massachusetts who had been engaged to go to Georgia in the capacity of a family tutor. Soon after his arrival in that State he was apprised of the great inconveniences to which growers of cotton were subjected in preparing it for market. With the characteristic enterprise of his origin, and a prophetic perception of its incalculable national importance, he immediately racked his invention for the contrivance of a remedy. The *saw-gin* was not, as has been the case with so many of the most valuable discoveries, the offspring of a lucky accident, but was the result of the systematic application of earnest thought and powerful mechanical genius. When it was originally put in motion it was precisely identical in principle and operation with those now employed throughout the southern and south-western States. For the sake of the credit of those States which have derived almost incalculable wealth from his simple and ingenious invention, we wish it was in our power to say that a fit reward had been bestowed upon ELI WHITNEY!

The commencement of the cultivation of sea-island cotton is more clearly ascertained. It was first grown upon Sapelo Island, on the coast of Georgia, in 1790, from Pernambuco seed. This description of cotton greatly exceeds all other kinds, both in fineness and length of fibre. For the highest and most expensive manufacture, this species of cotton is indispensable, and only coming to perfection upon the islands, and near the coast of the Atlantic, the limited quantity produced maintains its comparatively high price in the market. In preparing sea-island cotton, the saw-gin is not generally employed, as it breaks the long silky fibre which is one element of its peculiar value. This fibre does not cling so strongly to the seed as that of the upland, but adheres principally at the ends. They may, therefore, be separated by rollers with much greater facility, though the process is exceedingly slow when compared with the operation of the saw-gin. This increased labor is compen-

sated by its enhanced price, which, for the best quality, is usually, in the English market, three or four times greater than that of upland. No part of the world produces cotton of equal excellence. The amount raised has been nearly stationary for the last thirty years, from the limited extent of territory upon which it can be grown.

The admirable report of Mr. Woodbury, on this subject, to the last Congress at its first session, gives, in a succinct form, the best data any where to be found relative to the progress and extent of the cultivation of cotton in the United States. It furnishes, indeed, the quantity produced, as well as manufactured, in every part of the world, at different stated periods. We have been struck in examining this document, with the vast amount of important information on this subject, compressed within the compass of less than a hundred and twenty pages. It seems that all the publications in the European languages, as well as those of our own country, which refer either to the production or the manufacture of cotton, have been diligently consulted and brought together. None but such as have been accustomed to such researches, can appreciate the labor necessary to collect such a mass of facts, from detached sources, and present them to view in a condensed and tangible form. That it should have been done, and so well done, by an individual holding a public station which requires such laborious and unremitting attention, may appear wonderful to those unacquainted with the range of information, and the habits of industry, for which Mr. Woodbury is distinguished.

From that invaluable collection of the leading statistics of our subjects, we derive the following statements, to show the remarkable fact of the wonderful increase of its production, within the period of less than half a century. As the quantity consumed in this country at various periods appear to be wholly a matter of estimate and opinion, we take the account of exports from the United States, which are clearly ascertained, as the means of comparing the relative amounts produced.

The quantity exported in 1790, was 400,000 lbs. In 1791, 200,000 lbs. and in 1792, 150,000 lbs. Its diminution, during the two last named years, furnishing, even in the absence of all other testimony the most conclusive evidence of the difficulty of preparing the commodity for market, to which we have adverted.

In 1795, after the saw-gin had begun to operate to a considerable extent, the export was 6,250,000 lbs. From this period the exportation has gradually increased to its present extent—being in 1835, the last year stated by Mr. Woodbury, 336,500,000 lbs. From other authentic sources we have ascertained that the export of 1836 was upwards of four hundred and twenty-three millions of pounds. The whole of the exportation of cotton from the United States during the three first years before stated would hardly suffice for the cargo of

a single ship of the size usually employed in freighting it to Europe ; while, in 1836, if we add to the quantity exported that used in the United States, for domestic purposes and our extensive manufactures, which cannot be fairly estimated at less than one hundred and twenty-five millions of pounds, the aggregate would not fall far short of enough to freight a thousand such ships. Such a wonderful increase in the production of a single article, within so short a period, cannot fail to fill the mind with astonishment.

Among the sudden changes which have influenced for good or evil, all classes of society throughout the United States, none perhaps are more worthy of investigation than the vibrations to which, the price of cotton has been subjected. Within the last twenty years, during which it has been by far our most important staple, it has exercised a controlling influence upon our whole commerce. The causes and consequences of the revulsions to which the cotton trade has been exposed, possess, therefore, the deepest interest to individuals engaged in every pursuit. The whole community are affected directly or indirectly by the prosperity or adversity of those engaged in the production of cotton. The producers of other commodities are compelled, from its superior amount and value, and from its entering so largely into all our transactions with those countries with which we have the most intercourse, to share, to a greater or less extent, the same fate. The question of the origin of the pernicious fluctuations of price which cotton has undergone during this period is, one of scarcely less importance to all portions of our community, than to the particular sections of the Union more immediately concerned with it. Those fluctuations have been enormous ; and though usually cited, with reference to the single pound, by the change of a few cents more or less, each one is accompanied by a convulsive agony to the social body, involving an incalculable amount of present suffering, and a permanent evil effect still less easy to be accurately measured. The leading idea ought never to be lost sight of, that steadiness and uniformity are essential to the sound prosperity of all productive industry,—instability of value, even though it may occasionally stimulate to a temporary excess of delusive prosperity, being the worst of evils, and beneficial only to those classes whose profession it is to live, by their superior vigilance and dexterity, upon that productive industry. It was well remarked during the debates of the extra session, in the Senate, that the great drawback of *fluctuation* alone deprived the cotton growing sections of this Union of their natural birthright of the highest degree of prosperity and wealth that the teeming bounty of the earth can bestow upon human labor. No subject, then, appears to us more worthy of careful investigation—of an importance far superior to temporary party passions or interests—than the manner in which our merchants and planters have heretofore been seen

periodically to wax rich to superfluity, on a rise of prices, and to suffer themselves to be suddenly overwhelmed with bankruptcy and ruin when the scale of price is depressed. Price is, of course, in all cases, immediately dependent on two elements, acting distinctly, though with a mutual influence on each other,—the first being the demand for the purpose of consumption, the rise or fall of which naturally acts directly on the price,—the other being the state of the currency, whether of expansion or contraction, relatively to the average standard of the business wants of the community, increasing or decreasing the facilities of obtaining money, and proportionately appreciating or depreciating its real value, and with it raising or lowering the scale of nominal prices. The former is a wholesome, as it is a natural, stimulus to production, to the extent required to furnish the due supply; the latter produces only a delusive and temporary excitement which sooner or later involves those who act under its influence (except only a fortunate and skilful few) in disappointment, and often ruin. Whenever both these stimulants happen to co-operate in giving impetus to production, the result has always shown that the fundamental law of physics which was first explained and demonstrated by D'Alembert, and has since been the foundation of some of the most brilliant discoveries of modern astronomy, may be said to apply in like manner to economical science. The great principle that the action of forces, producing motion, is always equalized by their reaction, enabled Laplace to unravel all the apparent irregularities of the solar system, which had confounded his predecessors. In its application to mathematical science, this principle is susceptible of exact proof. The principles of economics being, from their nature, incapable of similar rigid demonstration, the mind must rest satisfied whenever the records of experience will enable us to draw a sufficient number of correct inferences to establish any important general truth.

We have stated that a rise of price, occasioned by the increased demand of the consumers, is a healthy stimulus to production. But the immediate influence of high profits, though salutary in furnishing a supply co-extensive with the demand, rarely stops at that point. Among a free and enterprising people the rates of profit, realized by individuals engaged in the various employments of life, have a constant tendency to the same level. Unless competition be directly repressed by extraneous circumstances—such as climate, soil, want of capital, or restrictive legislation—it is clearly impossible to prevent a free participation in the superior returns furnished by any particular pursuit. Whenever high prices are obtained by any description of cultivators—those of cotton for instance—other persons whose capital and labor were previously bestowed upon occupations affording less profit, are induced to abandon them, and embark themselves and their means in the more promising employ-

ment. The profits acquired from time to time in the business are also reinvested as speedily as possible. The accession of new adventurers, and the expansion of the cultivation of the old, combine to increase production in a ratio the rapidity of which is rarely perceived by those whose attention is devoted each to his individual affairs.

In the ordinary pursuits of life, whenever any employment becomes peculiarly profitable, those engaged in other occupations are seldom able to rush suddenly into it. Generally, it is a work of considerable time to change entirely the objects of agricultural industry, to withdraw laborers from employments to which they have been accustomed, and train them to pursuits entirely novel. Under most circumstances, the extensive enlargement of production in any branch of agriculture is, therefore, a gradual operation. But the peculiar condition of the southern and south-western States have enabled them to increase the amount of their crops of cotton with great rapidity. Their facilities in this respect, since this culture was introduced among them, has been greatly overlooked by those who may have anticipated a permanent rise of prices from a supply presumed to be insufficient, to satisfy the immense and increasing consumption of Europe. Those States comprehend a vast extent of new and fertile soil, readily acquired by individuals at prices barely nominal, compared with the value of its produce when cotton finds a ready demand. The kind of labor principally employed in this cultivation enables any individual, who can control capital or credit, to command any desirable amount of force. The processes of cultivation and preparation for market, require comparatively a small degree of skill. Accordingly, it is always easy to increase the supply with little delay, to any amount to which the present impetus, whether of a healthful or a factitious character, may stimulate. But it is impossible generally to ascertain beforehand when the supply shall have reached the demand at remunerating prices,—or, if known, to arrest the increase of production at that point. Many other circumstances tend to aggravate the evil of over production after a brisk demand. The profits of the cotton growers are generally grossly exaggerated, not only by themselves, for the purpose of enhancing their importance and increasing their credit, but by most of those employed in other pursuits. Few individuals who newly embark in the business, probably suppose that the same causes which have induced one to engage in it, have probably impelled thousands. The employment to which a person is accustomed, and from which he derives a fair profit, is abandoned in the expectation of realizing a speedy fortune; while those already engaged in the business, from which they have obtained large profits, strain all their energies to extend their cultivation. A supply increased beyond all calculation ensues, and a glut of the market is



the result. By the ruinous fall of price the recent adventurer discovers, that his anticipated fortune only existed in his own sanguine imagination, and finds, too late, that it is impossible to return, without immense sacrifice, to the former secure business which he abandoned in his haste to be rich.

Such a state of things might occasionally occur, to a certain extent, from mere competition, under an equal and stable system of practical currency. But these evils are aggravated in a tenfold degree from the second source of the influence upon prices, before mentioned. Unlimited power, in effect, if not in form, has been given, both in this country and in that where our cotton finds its principal market, to a few irresponsible individuals, to raise or lower the value of all property, by increasing or decreasing the amount of the circulating medium, according to their own interest or caprice. The facilities of obtaining money, and the temptations to improvident speculations, which are invariably offered by these individuals, until they become alarmed by a call for specie, or are influenced by a wish to effect ulterior designs—when they suddenly curtail their accommodations, and render it impossible for those dependent upon them to fulfil their engagements,—have produced a degree of insecurity in the property of those engaged in commerce, which is destructive to all sober and prudent calculation, as it is to all sound national prosperity and happiness. The past year has witnessed the overthrow of many large fortunes, possessed by worthy and respectable individuals, from this source. They were ruined by being required to fulfil engagements entered into when currency was unduly expanded, and enforced when it was scarce. Most of them were men of great integrity and intelligence, who probably never would have defended the management which occasioned their disasters, had they understood the real causes of their own destruction. A summary notice of the principal facts, attending the recent revulsion, will shew more fully than volumes of abstract argument, the mode and the consequences of the alteration which took place during the last spring—not indeed in the legal standard of money—but in the actual value of our currency.

Throughout the year 1835, and a portion of 1836, the liberality, and even profusion, with which the Bank of England, and the other banking establishments of that country, lavished accommodations upon merchants, manufacturers, and speculators, inflated the paper currency to such a degree that all kinds of merchandise rose to extravagant prices. The common qualities of cotton, which had never, since 1819, exceeded a shilling sterling per pound, and during the most part of the intervening period, had sold at about half that price, actually went up to thirteen pence. This adventitious prosperity was not confined to cotton, but was extended to most other commodities. In consequence of this favorable condition of the

English markets, they were soon flooded with the productions of other countries. The inevitable result was, that the exchanges with the Continent of Europe turned against England in April, 1836. The first large exportation of bullion was however made on account of a powerful corporation in this country, to the amount of about seven millions of dollars. Though this amount was not drawn from the Bank of England with any view of crippling its resources, or restricting the issues of its paper, but exclusively for the purpose of sustaining the expanded circulation of the institution by which it was brought here, yet it seems to have occasioned a great degree of jealousy on the part of the managers of the Bank of England towards the American merchants, and was, no doubt, one cause of their subsequent illiberal proscription. Soon afterwards the exportation of specie to Amsterdam, Paris, and Hamburg, became so frequent and extensive as to occasion great alarm to the Bank of England, in whose notes the circulation of all the other banking institutions in the kingdom are redeemable by law, and from whose vaults this drain of specie was of course wholly to be satisfied. The disastrous consequences, both public and private, of the suspension of specie payments in 1797, and the horrors of the panic of 1825, were too fresh in the memories of the managers of the Bank to induce them to hazard a repetition of a similar state of things. The return of her notes for specie, to a large amount, of course narrowed the circulation and rendered increased accommodations necessary to the merchants, to enable them to meet engagements entered into in a more abundant state of the currency. But self-preservation compelled her not only to decline the issue of notes upon the discount of commercial paper, except to a very small amount, and at an increased rate of interest, but led to a further measure of precaution for preventing the increased demand for specie, by contracting her circulation in a still greater degree, through the sale of a portion of her public securities. The result of thus suddenly lessening the quantity and increasing the value of the paper currency is but too well known in every part of the civilized world. Several of the most opulent commercial establishments in the British Empire found themselves unable to obtain the means of meeting their engagements, in consequence of this sudden change of policy on the part of the Bank. Those who sustained themselves, were only able to succeed by making enormous sacrifices. So difficult did it become to obtain the circulating medium, in exchange for commodities, that, in the month of May last, Alabama cotton fell, in the Liverpool market, to four pence per pound—a degree of cheapness unparalleled in the history of the cultivation of cotton. What an instructive lesson to the friends of a credit system of paper money banking, regulated by a powerful central institution, is contained in this single fact!

Whether the official returns made by the various banking estab-

ishments in England corroborate the view we have taken of the expansion and contraction of their circulation, does not in the slightest degree affect its accuracy. In point of fact they clearly establish our inferences. But had such evidence been directly opposed to them, we should consider the fall of price in a great staple like cotton, of which the consumption had maintained its usual ratio with the production, to one-third part of its former rate within a few months, to be more conclusive proof of the extent to which currency had been made scarce, than returns from whatever source. When many individuals, possessing the highest character and most extensive property, fail in meeting their engagements, after making the most strenuous exertions, wholly from the impossibility of obtaining a sufficiency of the ordinary circulating medium, it would be difficult to satisfy any person, of common discernment, that money is as plentiful as ever in the general channels of business. It might as well be asserted that the whole world is shrouded in darkness at noon day, because an individual chooses to shut his own eyes—even though that individual may be a Senator of the United States.

We would not be understood to join in the vulgar epithets which have been cast upon the Bank of England for adopting measures absolutely essential to her preservation. A rigid restriction of issues, while the notes were daily returning for specie, was, in the then existing state of her stock of bullion, a step of imperious necessity. In this act the Bank cannot be charged with any wanton infliction of distress. It would, indeed, be the height of absurdity in such an institution as the Bank of England—the pivot upon which all the monetary affairs of the British Empire turn—to produce, wilfully, such a state of things as prevailed in the great marts of that kingdom a few months since. But our exculpation goes no further. In the earlier stages of its proceedings there must have been the grossest mismanagement on the part of the Bank, or the system of which it is the heart, from which the vital current flows, is destructive of all commercial security. Whether the inflation of prices, by means of a redundant issue of paper, is to be attributed to the system, or its management, or, as we believe, to the combined influence of both, it is not our object to discuss here. If there must be a paper currency—and it is certainly convenient for extensive commercial transactions—it would seem to be proper that those who enjoy the power of increasing or contracting its amount and consequent value,—a power greater than that of any autocracy that human nature in the most ignorant ages has ever been willing to submit itself to,—ought, at least, to be made in some way responsible for its abuse. Its practical operation is felt in every quarter of the globe. Twenty-four private merchants in London exercise the actual power of raising and depreciating, according to their will and pleasure, the marketable value of all property throughout the commercial world—

for the prices in England influence materially those of every other country! How far, however, the beam in our own eye entitles us to reproach England for upholding such a system, 'must give us pause,' when we reflect upon the number and power of the banks of our own country.

The explanations we have given of the operations of the Bank of England, furnish, in connection with the still greater expansion of our own paper money system, an ample clue to the crisis which has occurred to the cultivators and dealers in cotton, in this country. It has affected, to an almost equal extent, all other classes of our community. The enormous system of overtrading, into which both banks and individuals, throughout the United States, were embarked, had involved almost every one engaged in the active pursuits of life. The improvident accommodations granted by many of our banks were only surpassed in extravagance by the absurd manner in which a great portion of these loans were invested. Suddenly unlimited confidence, unhealthily swollen, gave place to universal distrust. To meet this change, the banks of this country adopted a course of policy, totally different from that of the Bank of England. Instead of compelling their debtors to sacrifice their property, for the purpose of sustaining themselves, our banks generally preferred to submit to the mercantile disgrace of discrediting their currency—we were about to add, the moral ignominy of refusing to perform their sacred obligations, but are checked by the recollection that corporations, having according to the highest legal authority no souls, and are of course destitute of the moral sense. The community were compelled not only to pay the interest which the banks enjoyed from its issue; but to suffer the loss of its depreciation below the legal standard.

Some circumstances peculiar to the state of the currency in this country, exercised unquestionably great influence upon our banks, in adopting this humiliating alternative. A brief outline of these facts will greatly add to the instruction to be derived from the different course of the Bank of England.

The Bank of the United States originally chartered by Congress, and rechartered by the State of Pennsylvania, exercises a power over the actual currency of this country, nearly analogous to that of the Bank of England over the currency of the British Empire. The influence of the latter, from its intimate connection with the public finances, is somewhat counterbalanced by the vastly greater proportion of metallic money in general circulation in England, compared with the amount used in this country, since the Bank of the United States was originally chartered. The practical currency here, is almost exclusively the paper of banks, except for the purposes of small change. The Bank of the United States, from its extensive connections and the general confidence which it has enjoyed among

those engaged in commerce, receives and pays out in its transactions an amount of currency, perhaps nearly equal to that of all the other banks, if we consider the business of the institutions dependent upon it as a part of its operations. Under such circumstances, it must be obvious to every one conversant with such affairs, that it is always in the power of the Bank of the United States to compel the other banks to follow a similar course of contraction, when all bank notes are redeemed in specie, should it choose to adopt that line of policy, as well as to enable them to enlarge their circulation, by forbearing to return their currency for redemption. In laying the new charter from Pennsylvania before the stockholders for their acceptance in 1836, the president of the Bank of the United States expressly claimed the power we have described as one of the advantages belonging to the institution.

President Jackson, who was well conversant with all the questions of currency which had affected the security of property in this country, from the era of the revolution, felt it to be his duty to the people of the United States, when the bill from Congress, rechartering the bank, came before him in 1832, to interpose his constitutional veto. He had seen the effects of the disturbing influence of this institution upon the industry and prosperity of the country, exercised on several occasions in the manner we have lately seen done by the Bank of England. With the combined object of mitigating the mercantile inconveniences which might result from a sudden change in the financial policy of the Government, and of assisting the other institutions from which the existing paper currency was derived, to bear up against the gigantic effort which the Bank of the United States stood just prepared to make, to force a recharter, he directed, in the summer of 1833, that the subsequent deposits of public money be made in State Banks, in anticipation of the expiration of the charter of the Bank of the United States in March, 1836.

On this occasion the power of the Bank of the United States over the other banks was signally exhibited. By its severe contraction, they were compelled to curtail their issues, which its example had tempted them to expand, to such an extent as to occasion a fearful distress for money throughout the community. And when, between January and July, 1835, it enlarged its accommodations twenty millions of dollars, most of the other banks followed its example in again expanding to a large amount, with the additional stimulus of the public deposits accumulating with unparalleled rapidity.

The inordinate rise of prices occasioned by the great abundance of currency put into circulation by the banks, was supported and still further stimulated by the correspondent course which we have seen was adopted in England. The average price of cotton here rose from thirteen cents in 1834, to sixteen and a half in 1835, and to eighteen cents per pound in 1836. In England it advanced from

eight pence half-penny in 1834, to a shilling in 1835, and thirteen pence in 1836.

The vast sales of public lands, and the excessive importations of foreign commodities, which this state of things produced, greatly increased the public revenue beyond the necessary expenditures. The large amounts of public money of which the use was enjoyed by the few banks employed as depositories, excited a general feeling of dissatisfaction among those who thought its benefits should be more equally distributed. A law was passed by Congress in the summer of 1836, directing that all the public money, excepting five millions of dollars, which should remain in the Treasury of the United States, at the close of that year, should be deposited with the several States, and in the mean time, should be divided among the banks in such a manner that no one should hold more than three-fourths of the amount of its capital.

As the public money nominally placed in the existing deposite banks had been loaned by them, and was mainly held in the shape of obligations against the individuals who had borrowed it for investment, under the expectation of realizing large profits from the continued rise of prices, it was predicted by many that the recal of these loans for the purpose of paying over this public money could not fail to create a severe pressure upon the banks and their debtors. This was evidently foreseen by the Bank of the United States, and probably induced that bank to make the first grasp at the stock of bullion held by the Bank of England, by drawing from it early in 1836 the large amount of specie we have already mentioned.

The collection and transfer of the large amounts required by the law, fully realized the difficulties which had been anticipated. The withdrawing such sums from the ordinary channels of trade, and placing them by rigid enactment in sections of the country, and into a custody where they could not enter with facility into the operations of commerce, had a powerful tendency to derange the rates of exchange between the different sections of the United States, and to lessen the supply of currency at those great points where the public money had been mostly accumulated. The transfers from the banks holding a larger amount than they were authorized by the law, and the necessary preparations for paying over the first instalment to the States, in January, 1837, created an intense demand for money, both at New York and New Orleans, during the autumn of 1836. The high credit which the merchants of this country enjoyed in England, and liberal prices which our cotton and other staples bore in that market, induced many of them, no doubt, to resort to the expedient of drawing on their correspondents in that country as a means of temporary relief. Many of these bills returned under protest for non-payment, in the spring of last year, and greatly increased the pressure occasioned by the direct operation of the deposite law.

Much has been said and written upon the order issued by the Treasury Department, in July, 1836, requiring a literal obedience to the law which provides that all purchases of public lands, shall be paid for in cash,—for the purpose of repressing improvident speculations, by prohibiting as far as possible the transmutation of the public domain into credits in the banks, through the profuse accommodations which they had evidently given to the purchasers; this order was unquestionably salutary in its influence both upon the banks and the general state of the currency. Its effect was, however, enormously overrated. As the specie paid into the bank by the receivers, might be instantly loaned to new purchasers, the amount actually required to carry on the operation was small, compared with the aggregate of the purchases of public lands after it took effect. Had the Treasury Department been then empowered, not only to require the payments for public lands to be made in the lawful currency, but to have compelled the banks in which it was legally deposited, to keep the identical specie which belonged to the United States until it should be required for the public service, instead of loaning it out for profit to new purchasers, such an arrangement would, no doubt, have afforded an effectual check to the headlong course both of the banks and individual speculators. Under the practice which prevailed, however, every new deposite but served as the basis of new accommodation, without the necessity of any considerable accession to the amount of specie in those States where public lands were on sale, after a sufficient sum had been obtained to put the system into operation, which never exceeded the comparatively insignificant amount of two millions of dollars. The Treasury order, accordingly, did not produce so great a demand for specie as has been generally believed. The distrust of the banks in the management of each other, gave rise to the greater part of the increased calls upon them. Both these circumstances together do not appear to have caused any considerable importation of bullion from England after the Treasury order reached that country. The returns of the Bank of England show that it was the exportation to Amsterdam, Paris and Hamburgh, as well as the United States, which alarmed the Bank of England a considerable time before that order arrived there, and occasioned the adoption of those restrictive measures upon her circulation, which resulted as they were designed, and as we have explained, in bringing the exchanges in her favor, through a ruinous reduction of prices.

Upon the payment of the first instalment deposited with the States, in January, 1837, the embarrassments of the banks, and their mutual want of confidence, visibly increased. The deposite law required upwards of thirty-seven millions of dollars to be paid by the banks to the States, within the term of nine months. The payment of the first quarter part of this sum, rendered such severe

curtailments necessary, especially in New York, where a large proportion of the surplus had been deposited, that the banks in other cities deemed it proper to provide for their own security. Early in February specie to the amount of about two millions of dollars was drawn from the banks of New York by those of Philadelphia—a great part of which went to the Bank of the United States. Currency soon became so scarce in March, that the ordinary rate of interest in Wall street, was from three to four per cent. per month. It was stated at the time, upon high authority, that upon sudden emergencies, even five per cent. per month was paid upon the security of good stocks.

A similar pressure existed at the same time at the commercial emporium at the other extremity of the United States. Early in March, some of the largest cotton houses at New Orleans were compelled to suspend payments, which immediately produced suspensions in New York, and in other commercial cities for vast amounts. The course of transactions pursued by many of the most respectable and wealthy commercial establishments in the south western States, had rendered it impossible for them to sustain themselves under the continual curtailments which the banks had been compelled to adopt under the deposite law. The abundance of currency in 1835 and 1836, which the operations of the Bank of the United States had produced with the co-operation of the local banks, had rendered cotton planting profitable beyond all former example. The credit of those engaged in this cultivation became almost unlimited. The profits of those engaged in the exportation of cotton to Europe were also enormous. Several merchants, for the double purpose of securing and increasing these profits, had adopted a general practice of making large advances to established planters, as well as to new adventurers in the business. Many instances occurred, where individuals destitute of actual capital received accommodations from the banks, through these merchants, to a sufficient amount to enable them to purchase and stock large plantations, at high prices, solely upon the pledge of anticipated crops. This improvident system, wholly based upon an undue expansion of the the paper currency, had nearly exploded, under the curtailments required by the deposite law, before the information of the fall of prices in England reached this country. When this news came, both the banks, and the individuals dependent upon them, were involved in the deepest embarrassment.

The speculations in eastern and western lands, and in city lots, which were entered into in other sections of the United States, rested upon a more slender foundation of secure profit, than even those which took place in the south-western States. When it became authentically known that the price of cotton had suddenly and greatly declined in England, and that the leading American houses



in that country, were in a state of great distress, from the difficulty of meeting their acceptances, the exportation of specie became inevitable. From unwillingness to shake public confidence in the banks, specie was at first drawn from them, for the purpose of remittance, in small sums, by persons employed for that purpose. It soon, however, became obvious that this course would be pursued by many merchants, who possessed the means and were determined to sustain their credit at all hazards. To avoid being deprived of their metallic resources, the banks of New York determined to refuse the payment of their obligations in specie. This example was followed by most of the banks throughout the United States, and immediately banished all coin from circulation. It became a commodity worth in the market from ten to twelve per cent. above the debased currency in general use. The suspension of specie payments by the banks in New York, had, indeed, been anticipated by some of the banks in the South-west.

This measure was obviously a measure of relief to the banks and their debtors, at the sole expense of the public at large. This breach of their obligations to the community was justified at the time by the necessity of preventing the exportation of specie. The public generally submitted to the losses and manifold inconveniences of a currency avowedly depreciated for the accommodation of the banks and their debtors, upon the ground that a temporary suspension,—until by the exportation of our staple productions, our merchants could re-establish their credit abroad and bring down the rates of foreign exchanges,—would enable the banks to resume their duties to the community. No one then undertook to defend the suspension by suggesting that its continuance would enable the banks to realize the great profits derived from their previous operations by giving their debtors an enlarged period for the re-payment of their accommodations. Though foreign exchanges have been for several months in our favor and no specie can be exported to Europe but at a considerable loss, the banks which effectually control the actual currency of the country have as yet manifested, with a few honorable exceptions, no very serious indications of immediate resumption. The motives which influence their managers—whether political or pecuniary—remain open, in the absence of all satisfactory explanation, to such inferences as the public who are the actual sufferers may choose to draw. The payment of obligations entered into when currency was profusely plentiful, at any time after it shall have been greatly diminished in quantity and consequently increased in value, must occasion great distress. It is an evil incident to the system of practical currency which has been so extensively adopted both in this country and in England. Its unjust operation in this respect calls loudly for reform. The young and enterprising who were a short time since exerting themselves to acquire a competency for future enjoyment,

as well as the old and careful who had endeavored to preserve the hard earnings of former times, for the solace and comfort of those near and dear to them, are alike overwhelmed by the sudden changes which take place—not indeed in the standard of legal value—but in the supply of actual currency.

Unhappily we are not without bitter experience on this subject. Within the period to which we have referred, a state of things occurred in our own country from a system of management principally among our own banks, corresponding in its essential features with that which we have endeavored to describe, and produced results nearly as disastrous as those under which we are now suffering. The Bank of the United States was chartered by Congress in 1816, and went into operation on the first of January, 1817. During that year the average price of cotton was 26½ cents per lb. The great amount of currency issued by the new bank, added to that previously in circulation, diffused a general spirit of enterprise and apparent prosperity throughout the country. The plentifulness of money produced of course a general rise of prices. In 1818 the average price of cotton was 34 cents per lb. The great liberality with which accommodations had been given by the new bank, and the general commercial confidence which its operations inspired, had, as on all other occasions, induced other banks to follow its example. Large investments were made in the southern and south-western States for the purpose of extending the cultivation of cotton. Speculations of all kinds were in a most thriving condition, until the Bank of the United States found itself upon the eve of stopping payment. To avert this calamity it was not only compelled to curtail its accommodations to a great amount, but to call upon all the local banks from which balances were due either to itself or its branches to make immediate payment. Orders were also given to each of the branches to receive on deposit, or in payment, no notes of the Bank of the United States excepting such as were made payable on their face at such branch; and the bank at Philadelphia refused to receive any notes made payable at the branches. The collectors and receivers of the public money were informed that no currency would be received from them except specie and notes of the Bank of the United States.

The consequence of this sudden change of policy which occurred in the latter part of 1818, was a terrific revulsion throughout the United States. The markets for cotton abroad, not being affected by our domestic calamities in any considerable degree, fell in price less suddenly than most other commodities. In 1819 it fell only ten cents per pound, while flour and most of our other staples declined in a much greater proportion. This change in the value of currency, which could neither be foreseen nor guarded against by the public at large, ruined thousands in every part of the United States. The

exportation of cotton in 1820 being nearly double that of the preceding year, the markets were overstocked, and prices declined, in England. In this country the average price of cotton fell to 17 cents per lb.—just one half of the rates of two years before. The exportation of 1821 was less than that of 1820 but at still declining prices. The cotton planters underwent a further depression, the average prices being in 1823 only from 10 to 12 cents per pound, until their prospects were brightened for a brief period in 1824 and 1825 by the advance of prices in England which resulted in the state of things so well known, in financial history, as the PANIC which occurred at the close of the latter year.

The preliminary measures by which this celebrated era was brought about, were precisely similar to those we have already had occasion to describe above. Perhaps the relative expansion of the English currency was somewhat larger in 1824 and 1825 than in 1835 and 1836. However this may be, it is certain that the number of individuals who embarked in improvident speculations in England were more numerous at the former period, and the disastrous consequences of suddenly increasing the value of money by narrowing the circulation from the general failure of the banks in that country, were more extensively felt. The Bank of England itself, according to the evidence given by several of its directors before a committee of the House of Commons in 1832, escaped the destruction of its credit on that occasion by mere accident. A most remarkable similarity in the general progress and results of those speculations occurred in this country, but moreover, the Bank of the United States, according to the statement of Mr. Biddle, was saved from the suspension of specie payments in November 1825, not exactly by an accident, as was the Bank of England in December of the same year, but by the president of the bank going in person from Philadelphia to New York, and prevailing upon an individual who had determined to take from it an amount of specie which would have caused its stoppage, to accept instead of coin, a draft upon New Orleans, whither he proposed to carry it. In consequence of these speculations the average price of cotton rose in this country to fifteen cents per lb. in 1824, and to twenty-one cents in 1825. In 1826 it fell to the average price of eleven cents per lb., and in 1827 to nine cents and a half. After the details we have given, and under the experience which we all have more or less felt of the consequences of such a revulsion, we may be spared from enlarging upon the overthrow of the hopes and fortunes of individuals by this repetition of the melancholy scenes of 1818, 1819 and 1820.

The disasters of the year 1828, though deeply felt in the cotton growing States, did not produce so much immediate distress, or such wide spread destruction of property among them, as among the manufacturers of the northern and middle States. It therefore belongs

more especially to our future account of the manufacture of cotton in the United States. This revulsion, in common with all others which have exposed the security of property to such severe shocks, was wholly caused by the gradual expansion and sudden contraction of the circulating medium. It does not appear to be necessary to pursue this narrative of the fluctuations of value which have from time to time so materially changed the burthen of fulfilling contracts among all classes of society, with a peculiarly pernicious influence upon the cotton interest, since events so recent may be presumed to be within the memory of all our readers.

Our object has been chiefly to illustrate, in connection with the financial point of our subject, the causes of the astonishing and pernicious fluctuations in price which cotton has undergone at different periods in the history of its culture in this country. The principal cause, has, undeniably, been derived from the action of the two great banking institutions which have existed in the two countries, our own and England; upon the paper money currency of commerce and which have possessed, and on various occasions most fatally exercised, the power of regulating prices and commerce according to their own views, with a control as irresistible as it has been irresponsible. How deeply the whole vast cotton growing interest of the country is concerned, in a peculiar degree, in the reformation of a system of currency and commerce, based on the excess and abuse of the great natural principle of credit, it is not necessary for us to urge. The developements of every day attest more and more clearly, that correct ideas on this subject are now extensively prevalent throughout the south and south west, as even to promise to absorb all the minor party animosities by which it has heretofore been distracted. Every day is spreading wider and wider the understanding of the principal cause of the comparative depression in which the south has been sunk, notwithstanding the possession of so rich a mine of prosperity and wealth in its cotton culture. After the experience added by the recent convulsion of our credit currency to that of former periods, alluded to above, it will scarcely be willing again to submit to the continuance of a system of perpetual artificial fluctuations in value so utterly subversive of its essential interests, without at least the application of every practicable reform tending to remedy the evil, by steadying the currency and diminishing the irresponsible control of private corporations on which it has been heretofore entirely dependent.

These general remarks on the paper currency have grown necessarily out of the subject of the cotton culture in this country. It is true, indeed, that they have a similar bearing upon all our other productive interests, though from the paramount magnitude of this, the great basis of our foreign commerce, they are now emphatically applicable to it, while it illustrates the more strongly the fatal operation of the evil principle referred to.