

In His Own Words: Abraham Lincoln on Banking

“Through thirty three years of public life, [Lincoln] would demonstrate a deep commitment to federally controlled banking” – Gabor S. Boritt, Lincoln and the Economics of the American Dream (1989).

1. Speech Concerning the State Bank, January 11, 1837. In this, his first published speech, Lincoln argued from the floor of the Illinois House of Representatives against a motion to “investigate” the State Bank of Illinois as a prelude to killing it – much as President Andrew Jackson had killed the second Bank of the United States (BUS), another joint public-private venture. In his speech, Lincoln defended both institutions, expressing his core conviction that strong banks and a reliable, flexible currency, preferably under Federal organization and supervision, were essential to economic opportunity.

“I make the assertion boldly, and without fear of contradiction, that no man . . . has ever found any fault with the Bank. It has doubled the prices of the products of their farms, and filled their pockets with a sound circulating medium, and they are all well pleased with its operations.”

Source: Collected Works of Abraham Lincoln (CWAL), volume 1, pages 61 – 69. The CWAL is on-line at <http://quod.lib.umich.edu/l/lincoln/>

2. Speech on the Sub-Treasury, Dec. 26, 1839. This lengthy speech, the only speech of Lincoln’s to survive from the period, was one he probably delivered in dozens of variations while campaigning for William Henry Harrison in his successful 1840 bid for the White House. It compared the second Bank of the United States to the hard money-only “sub-treasury” system with which Jackson’s followers had replaced it – producing, according to Lincoln, vastly inferior results. The speech, which was widely reprinted, thrust Lincoln (and the banking question) into the national spotlight.

“The [National] Bank was permitted to, and did actually loan [public revenues] out to individuals, and hence the large amount of money annually collected for revenue purposes, which by any other plan would have been idle a great portion of time, was kept almost constantly in circulation. Any person . . . will reflect, that money is only valuable while in circulation, [and] any device which will keep the government revenues, in constant circulation, instead of being locked up in idleness, is no inconsiderable advantage.

“By [contrast, under] the Sub-Treasury, the revenue is to be collected, and kept in iron boxes until the government wants it for disbursement, thus robbing the people of the use of it, while the government does not itself need it, and while the money is performing no nobler office than that of rusting in iron boxes. The natural effect of this change of policy, everyone will see, is to *reduce* the quantity of money in circulation . . . [resulting in] distress, ruin, bankruptcy, and beggary.

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“We do not pretend, that a National Bank can establish and maintain a sound and uniform state of currency in the country, in *spite* of the National Government, but we do say, that it has established and maintained such a currency, and can do it again, by the *aid* of that Government, and we further say that no duty is more imperative on that Government, than the duty it owes the people, of furnishing them a sound and uniform currency.”

Source: CWAL, volume 1, pages 160 – 179.

3. Address to the People of Illinois, March 4, 1843

While Lincoln’s Whigs had won the White House in 1840, they went down to defeat in Illinois, owing in part to the lingering effects of the economic downturn in 1837. Seeking to regroup, the party leadership called on Lincoln to formulate a statement of principles easily understood by the public. One of those resolutions concerned banking.

“The third resolution declares the necessity and propriety of a National Bank. . . . The first National Bank was established chiefly by the same men who formed the constitution, at a time when that instrument was but two years old, receiving the sanction, of the immortal [President] Washington. [T]he second [national bank] received the sanction of [President] Madison, [holder of] the proud title of “Father of the Constitution”; and subsequently the sanction of the Supreme Court, the most enlightened judicial tribunal in the world.

“Upon the question of the expediency, we only ask you to examine the history of the times, during the existence of the two Banks, and compare those times with the miserable present.”

Source: CWAL, volume 1, pages 309 – 318.

As a wartime president, Lincoln focused on his role as commander-in-chief, leaving most non-military decisions to the discretion of Congress. On the handful of domestic issues that really mattered to him, however, Lincoln provided determined leadership. A safe and sound national banking system and a reliable national currency were among those issues, as he said in a message to Congress from 1862.

“ . . . it is peculiarly the duty of the national government to secure to the people a sound circulating medium . . . furnish[ing] to the people a currency as safe as their own government.”

Source: CWAL, volume 5, pages 282- 83.

For Lincoln, as he told a confidant, the creation of a national banking system was a “special interest” – special enough for him to bend every effort to persuade Congress to pass the founding legislation prepared by Treasury Secretary Salmon P. Chase. The

President thus took great satisfaction in signing into law the National Currency Act, which created the national banking system and the Office of the Comptroller of the Currency as its supervisor. Although promoted partly as a wartime measure (the new national banks were required to purchase government bonds as security for the bank notes they issued), Lincoln, in his message to Congress of December 1864, left no doubt that his intention was to create a system that would serve the country long into the future.

The national banking system is proving to be acceptable to capitalists and to the people That the government and the people will derive great benefit from this change in the banking systems of the country can hardly be questioned. The national system will create a reliable and permanent influence in support of the national credit, and protect the people against losses in the use of paper money.

Source: CWAL, volume 8, pages 143 – 44.

