

they neglected to take into account the extraordinary cost of war, choosing instead to galvanize emotions with moving rhetorical flourishes.²

The second generation of American leadership was determined to re-argue components of Hamiltonian finance, and, as a result, when faced with the crucial decisions of the moment, they revisited the controversies of the founding generation. In 1811, congressional leaders continued to struggle with an exact meaning of the American Revolution and wanted to establish more Constitution. Congressmen engaged each other in discussions of tyrants and republican sensibilities, implied and explicit powers, commerce and

Secretary of Treasury

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exhibited throughout the nation, they essentially rejected the idea of formalized governmental financial structures controlling capital and the money supply. Gallatin and the concept of financial policy conceived by the executive branch at the national level provoked a great deal of fear and negative emotion in the halls of Congress.

In economic terms, commerce steadily increased and the national debt declined throughout 1811. Despite this seeming success, the year proved to be a challenging turning point. A fundamental issue facing Congress during the winter 1811 session was the re-chartering of the Bank of the United States. Gallatin, who had begun his defense of the Bank while Jeff secretary of t

declared the Bank to be in violation of the Constitution. Then, Burwell returned to the topic on January 16, directly plainly
slighting the Treasury S Burwell did not believe that mere convenience
for the national government in the event of crisis was sufficient enough reason to
recharter. He felt that the

xistence. He also articulated an intense dislike for
the artificial use of credit, connecting the creation of a moneyed aristocracy and the
corruption of public virtue to that phenomenon.¹⁰

Burwell reflected many Jeffersonian themes, representing a decided
voice in the Democratic-Republican Party. He focused attention on many fear-inducing
issues regarding the future of the country and referenced Madison's 1791 congressional
remarks.

was a special touch, for which he was reprimanded. Part of his comments explored a
funding strategy in the event of national emergency and in the absence of the national
bank. Without the Bank of the United States, his solution to financial crisis involved a

¹⁰ Edwin J. Perkins, *American Public Finance and Financial Services 1700-1815*, (Columbus: Ohio State University Press, 1994), 235-265. Robert E. Wright and David J. Cohen, *Financial Founding Fathers: the Men who Made America Rich*, (Chicago: University of Chicago Press, 2006), 30. Wright and Cohen offer a brief description of the central banking functions fulfilled by the Bank of the United States. Alexand 245.69 120o 562.79.55i5

reliance

Giles concluded his address to Congress

national bank; he effectively questioned of what use the national bank had been in resolving the problems of foreign relations.

it been able to induce Great Britain to relax in her hostility against us in the smallest degree? Has it prevented or repealed the Orders in Council? Has it saved from impressment one

questioned the national power to charter companies at all. Clay did not agree with the
-year operation

emotional appeal, but rather, a matter-of-fact and

rom the \$10 million it was

appropriated in 1791 to \$30 million at the time of its re-

Gallatin made the case that the Bank of the United States facilitated various transactions because of the convenience it offered. Seeming to undercut his position in favor of bank renewal, Gallatin indicated that preparations had already been made to use the services of state banks if the Bank of the United States was not re-chartered, and that in his best judgment, business would be conducted with less convenience and less safety,

themes of public welfare, stability, expediency, and convenience were not enough to alter
th

sovereignty. At the end, the President unequivocally stated _____ is
communication without expressing my deep sense of the crisis in which you are

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That same month, a _____
_____ at the beginning of the session. On November 25, the Secretary of
Treasury offered Congress a sense of the actual expenditures of 1811 and the
D
four separate categories: army, arsenal, navy, and Indian. Whereas in 1811, the
government spent \$4,407,725 on military, naval, and Indian expenditures, Gallatin
budgeted for an increase of \$5, 915,000 in 1812. This amount would be far too little, but
it represented a significant increase seven months from a declaration of war. Gallatin
again noted that the public debt had been significantly reduced, representing an
opportunity for the nation in time of war. The strategy for financing war as expressed
within this report was a reliance on loans not foreign, but domestic. Gallatin concluded
by affirming that the United States would pay off any loan amount relatively quickly
when the nation returned to a state of peacetime prosperity.²⁹

Immediately following these two executive reports, the Committee on Foreign
Relations of the House of Representatives presented its views of the crisis in a document

²⁸ *Writings of Madison*, Vol. 8,
from <http://oll.libertyfund.org/title/1939>

Accessed _____ cabinet perseveres not only in
withholding a remedy for other wrongs, so long and so loudly calling for it, but in the execution, brought
home to the threshold of our territory, of measures which under existing circumstances have the character
as well as t

²⁹ *American State Papers*, 3, Finance,

Porter asserted that the committee recommended war, indicating that one issue alone
ought to go to war over the Orders-in-Council. Regarding wartime
funding and the feasibility of war, Porter identified components of a strategy. He
recognized the impossibility of competing with the powerful British navy, but believed
the United States could effectively harass and harm British trade to include the W. Indies.
He discussed the destruction of British commerce and fisheries as well as the importance
of Canada. A central component of the Republican war strategy was to
deprive Britain of
her territories to the North. The capture of Canada would insure a short war and make
additional financial arrangements would be
unnecessary.³¹

Following Porter, Felix Grundy from Tennessee, examined the choices available
to the American people: war, embargo, or submission. War was the approach yet to be
acknowledge the reality of financial obligations, what the war would cost, and was
concerned with the burden that war would place on Republican governing sensibilities.³²

In the mix of personalities and political calculations, John Randolph stood as a
singularly strong voice of dissent. He irritated the optimists, goading them into long and
heated responses, because he fundamentally questioned the wisdom of going to war, was
concerned with the expense, and challenged the Republican credentials of those

³¹ *Annals of Congress*, House of Representatives, 12th Congress, 1st Session, 414-417.

³² *Ibid*, 423.

advocated that position. Describing the conflict as a war of conquest, Randolph did not hesitate to castigate war supporters.³³

Overwhelmingly, bellicose congressional rhetoric propelled the United States towards war and provided the underlying philosophy for the future of American financial policy. In particular, representatives in the House including Robert Wright of Maryland, John C. Calhoun of South Carolina, and Kentuckians Henry Clay and Joseph Desha pushed for war. Wright, speaking in terms of liberty, sought to galvanize emotions by mentioning the holy fire burning in American bosoms that inspired the patriots of the Revolution. To support the war was to support the cause of liberty. He also believed that the United States had to choose either war or submission.³⁴

A young John C. Calhoun character asserted that the coming war was justified as a last resort to defend American honor. Calhoun specifically addressed the issue of wartime funding, confessing his ignorance of effect, asked how one could possibly put a dollar figure to the value of national independence in light of repeated and substantial British violations of American commercial interests. America had benefitted from an expanding economy, said Calhoun, and he felt certain that the productive capacity of the country could easily absorb the cost of war. Moreover, he stated that Americans would

Calhoun associated undue concern with financial matters to avarice, cowardice, and other less respectable human motivations. Calhoun wartime finance involved the preeminence of

³³ *Annals of Congress*, House of Representatives, 12th Congress, 1st Session, 441-447.

³⁴ *Ibid.*, 467.

protecting the national honor and the increased economic strength that would result from a successful prosecution of this war.³⁵

Similarly, Representative Desha
s
of American abundance. Why should congressmen concern themselves with how to
abounding in wealth, and, I trust, the people patriotic, possessing a full share of national
? Citizens cannot
With
these remarks, Desha also captured the essence of the thought process that would become
wartime financial policy.³⁶

In the Senate, William Giles contributed to an attitude which undermined the
the ability of the
executive branch to re-

military. Giles ended 1811 as an advocate of larger forces, wanting to conduct the war in such a way as to impress the British with American strength.³⁷

Henry Clay affirmed the need to create a regular army of sufficient numbers to fight for national honor. On December 31, 1811, he pushed his colleagues to legislate an army that

t the bulk of speech examining the need for war

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The decisive year of 1811 was beset with uncertainty, disagreement, but also an optimistic sense of American identity promulgated by increasingly vocal congressional leaders. Believing that America was destined to win, the strategy guiding financial policy encompassed fighting a short war, capturing Canada and Canadian resources, and destroying British commerce. No central bank would be necessary to provide the loans required by the United States government. The war feast in addition to the resolution of commercial and trade issues, would result in extraordinary peacetime prosperity. In this scenario, funding would not be problematic and any incurred debts could be easily paid. This hopeful and expectant plan emerged from a strange amalgam of republican ideals, a revised understanding of constitutional principles, and an inadequate appreciation for the financial machinery that makes war possible.

³⁷ *Annals of Congress*, Senate, 12th Congress, 1st Session, 47-52.

³⁸ *Ibid.*, House of Representatives, 599.

Congress made the funding decisions, but Secretary of Treasury Albert Gallatin had the responsibility of connecting policy to reality. By mid-war, Gallatin realized that funding the war was an impossible task. It would only be through the experience of war financial vulnerabilities were exposed. Near bankruptcy in 1813 would motivate Congress to reevaluate its positions related to financial policies and structures. As evidence of his complete reversal in mindset, Madison asked for the establishment of a National Bank in his final address to Congress. Calhoun and Clay and other proponents of war, but opponents of the national bank, supported lead. In short, congressional leaders had a fundamentally different appreciation for matters of finance in the years immediately following the War of 1812. The strange financial reasoning that surfaced in 1811 based on an overstated sense of American destiny, failed, and the near failure of American war prosecution allowed leaders to see the connection between funding ideals and governing realities. Ultimately, the War of 1812 would become the catalyst for new policies that linked American ideals with more workable solutions.³⁹

³⁹ *The Gallatin Papers, Madison Papers, and Annals of Congress* each detail the constant tension betwB31