

"America is Destined to Win!  
Congressional Debates in 1811 and  
the Strange Financial Reasoning behind the War of 1812"

For Congress, 1811 was a year of decision. In its third session, the Eleventh Congress of the United States met from December 3, 1810 to March 3, 1811. During that time, legislators discussed the European situation and commercial policy, threats to American trade and sovereignty, and the expediency of re-chartering the national bank. Within these debates, Congress delved into the constitutional arguments of the 1790s, expressed ambivalence about the potential for hostilities, and some members voiced concerns that they would not be able to identify the greater threat to America, France or England. <sup>1</sup>

A new assembly, the Twelfth Congress, convened for its first session from November 4, 1811 to March 9, 1812. By November, a semblance of foreign policy consensus had developed; England was depicted as the American's primary security concern, and members of Congress were more openly speaking of war. A fundamental shift in thought pertaining to the state of relations with Great Britain had occurred in the intervening time between the last session of the Eleventh Congress and the first session of the Twelfth Congress. Even at this crucial point, however, it was apparent that bravado was to be valued more than planning in relation to financial matters. Throughout the year, as decision makers contemplated the probability of war,

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<sup>1</sup> *Annals of Congress*, House of Representatives, 11<sup>th</sup> Congress, 3<sup>rd</sup> Session, 866-867 and 1003-1004. The comments of William Milnor, Federalist from Pennsylvania, identify U.S. grievances with both England and France in equal terms. See also the comments of Thomas Gold, Federalist from New York, 1063-1065. Early in the discussion (pages 866 and 867), John Eppes and John Randolph, both Democratic-Republicans of Virginia, argued for equal treatment of England and France. Eppes: "The arrangement of France stands exactly on the same footing as Great Britain." Randolph stated "Let us have tabula rasa," a blank slate for both countries.

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

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 “correct” interpretations of the Constitution. Congressmen engaged each other in discussions of tyrants and republican sensibilities, implied and explicit powers, commerce and trade, and the merits or evil of paper currency. This was a group of men for whom the ideals of the American republic did not necessarily coalesce with the practical considerations necessary to make it work. Making matters more interesting, Congress was dominated by one party, the Democratic-Republicans, which was “threatening to unravel utterly.”<sup>3</sup>

In his capacity as the fourth president of the United States, James Madison did little to combat Democratic-Republican political fragmentation or overtly exert influence on the legislative branch; his silence left Congress alone to engage in political and rhetorical spectacle. The President had many reasons to keep quiet beyond the insurmountable political difficulties caused by internal divisions within his own party, to include his own public record in Congress from the 1790s and the incompetence of virtually all of his cabinet members. In this political mix,

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<sup>2</sup> *Annals of Congress*, Senate, 11<sup>th</sup> Congress, 3<sup>rd</sup> Session, 219. Within the context of discussions related to the Bank of the United States, John Pope, Democratic-Republican of Kentucky pointedly identified the state of congressional debate: “The principle involved in the discussion about to be given, is in my view of more magnitude than any [other]...It is no less than whether we should surrender to the State governments the power of collecting our revenue...We are called upon to return to that state of imbecility...We are not only, sir, to ruin many innocent and unoffending individuals, but to derange the national finance. And for what is all this to be done?...We are gravely told that we, the Representatives of the People, must sacrifice the People to save the Constitution of the people, whose happiness and welfare it was intended to serve...”

<sup>3</sup> Ralph Ketchum, *James Madison: A Biography* (Charlottesville: The University Press of Virginia, 1990), 481. See also Richard Buel, *America on the Brink: How the Political Struggle over the War of 1812 Almost Destroyed the Young Republic* (New York: Palgrave MacMillan, 2005). Buel explores the role of the Federalist Party in creating destructive political tension.

Secretary of Treasury Albert Gallatin was Madison's chief lieutenant and one trusted advisor. Gallatin was responsible for representing the Administration's financial position and policy recommendations to Congress.<sup>4</sup>

At the start of the third session of the Eleventh Congress and on the cusp of the pivotal year of 1811, the President and Gallatin issued reports for congressional review. Madison's December 1810 address to Congress enumerated his foreign policy concerns, referring to the "embarrassments" that the United States had experienced at the hands of both Britain and France. More specifically, Madison referred to the work of the Eleventh Congress in its second session and the passage of "An Act Concerning the Commercial Intercourse between the United States and Great Britain and France" (Macon's Bill #2) in May 1810. The Act had forbidden the presence of British or French vessels in American harbors, while simultaneously opening trade and attempting to defend the American right to neutrality. Further, Non-Importation would be declared against whichever country, Great Britain or France, did not cease to interfere with the activities of a neutral nation. Madison informed Congress that, by December 1810, France had understood the implications and acted accordingly, revoking its Berlin and Milan decrees, while Britain had not responded. Then, Madison alluded to the need to give attention to American defenses, but made no blatant mention of war.<sup>5</sup>

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<sup>4</sup> Ketchum, 482. See also Raymond Walters, *Albert Gallatin: Jeffersonian Financier and Diplomat*, (New York: MacMillan Publishing, 1957), 223. "If Gallatin's talents as a financier made him invaluable to President Jefferson, his capacities for statesmanship made him nigh indispensable to President Madison...Gallatin set fiscal policy and wrote financial paragraphs in the annual Presidential messages to Congress...In cabinet meetings, he was heard with respect on all matters because his long experience in statesmanship, his intellect, and his integrity of character made his tower over his associates."

<sup>5</sup> *Statutes at Large*, 11<sup>th</sup> Congress, "Commercial Intercourse with Great Britain and France" May 1, 1810, 605. *Writings of James Madison*, Vol. 8, Gaillard Hunt, ed. December 5, 1810 "Second Annual Message" Accessed from <http://oll.libertyfund.org/title/1939>

The accompanying report, Albert Gallatin's December 1810 presentation of the "State of Finances," was one of his least urgent messages. In it, Gallatin calculated that military expenditures had totaled around \$4.2 million in 1810; he budgeted approximately the same amount for 1811. Almost dispassionately, Gallatin mentioned the possibility of the non-renewal of the Bank of the United States, arguing that Congress should be prepared for the necessity of borrowing \$1 million to cover 1811 expenses and remarking that "it appears no other provisions are necessary" beyond a specified foreign duty. The 1811 estimates are noteworthy only because of the absolutely ordinary sense of the accounting. Like Madison, Gallatin made no mention of war.<sup>6</sup>

It is important to note that the real energy and preparation for war had occurred in 1807 and 1808. In July 1807, after the *Chesapeake-Leopard* incident, Jefferson had hurriedly summoned his cabinet. Gallatin appears to have fully expected that Congress would fairly immediately vote to declare war on Great Britain, and his reports to Congress from that time period were energized and expectant. According to Gallatin's 1807 report, the government enjoyed a \$3 million surplus, reflecting the Republican goals of frugality and simplicity which had prioritized paying down the national debt. He wanted Congress to contemplate using the surplus for "security and defense" and discussed the "extraordinary" expenses of war. The 1808 report reiterated the likelihood of war and continued to offer an optimistic view of financial preparation, indicating that the Bank of the United States would facilitate the necessary loans. Gallatin asserted that the Bank of the United States had access to great capital and credit; he saw no need for

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<sup>6</sup> *American State Papers*, 3, Finance, 2: 439-449. Mediterranean Duties.

the imposition of taxes. But by 1809, Treasury had moved on. “On the subject of war, nothing will be added to the two preceding reports,” and at that point, he suggested the appropriateness of budgeting for a peacetime establishment. Consequently, it is no surprise that in his report of December 1810, preparing Congress for the expenses of 1811, Gallatin made no further mention of war.<sup>7</sup>

It also must be said that Gallatin’s funding strategy, whether in 1807 or 1811, was predicated on the existence of the Bank of the United States. His distinctly unconcerned approach when considering the financial demands of war stemmed from his belief that, in time of emergency, he could rely on a national lender. When he served as secretary of treasury under Thomas Jefferson, their entire goal had been the elimination of public debt. Because he had largely accomplished the Jeffersonian vision of debt reduction, he believed the country would have the means necessary to fund an American position in response to the European situation. Available capital and credit would make for relatively easy finance and a generous basis for loans, and, in the final analysis, Gallatin justified the accumulation of debt that war brings with the idea that a return to the prosperity of the peacetime establishment would enable a relatively quick payoff process.<sup>8</sup>

Unfortunately for executive-legislative branch relations and the future of wartime funding efforts, certain very vocal members of Congress neither accepted Gallatin’s leadership, nor his financial expertise. While American congressional leadership seemed to understand and were given opportunities to learn about the entrepreneurial spirit

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<sup>7</sup> *American State Papers*, 3, Finance, 2: 1807 Report, 246-255; 1808 Report, 307-315.

<sup>8</sup> *Ibid.*, 1808 Report, 309. “It may, therefore, be confidently expected, that a revenue derived solely from duties on importations, though necessary impaired by war, will always be amply sufficient, during long intervals of peace, not only to defray current expenses, but also to reimburse the debt contracted during the few periods of war.”

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 Jefferson's secretary of treasury, indicated in a January 1811 report devoted to this topic that Treasury would be "inconvenienced" without the Bank. He did not, however, convey the potential for economic calamity with the prospect of its demise. He seemed to understand that many leaders in Congress and members of the executive branch remained unconvinced of its necessity after twenty years of operation.<sup>9</sup>

Incorporated in 1791 with a twenty-year charter, the national bank needed a congressional vote of confidence in 1811 in order to continue its existence. Congressional arguments in early 1811 regarding the future of the Bank of the United States reveal a divided understanding of the mechanisms of finance at the national level. The issue first emerged on January 4 as William A. Burwell and Burwell Bassett, both of Virginia, threw down the gauntlet for their colleagues. First, Burwell and Bassett

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<sup>9</sup> *Writings of Albert Gallatin*, vol. 1, ed. Henry Adams (Philadelphia: J.B. Lipincott, 1879). Albert Gallatin to Thomas Jefferson, December 13, 1803 and Albert Gallatin to James Madison, March 1811. Accessed from <http://oll.libertyfund.org/title/1953> As early as 1803, Gallatin began defending the Bank of the United States against Republican concerns—long before the re-chartering debate. After the turmoil of January and February 1811, Gallatin submitted his resignation. The letter documents all of the personal and political animosity directed at Gallatin and the Administration. See also Ketchum, 481-483.

declared the Bank to be in violation of the Constitution. Then, Burwell returned to the topic on January 16, directly opposing Gallatin's reasoning for the Bank and plainly slighting the Treasury Secretary's work. 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 national government's "dependence" on the Bank for loans proved "incontestably that it was created to augment the power of the General Government" and asserted that states and individuals were deprived of rights and prosperity as the result of the Bank's existence. 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.<sup>10</sup>

Burwell's stance 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. Using the President's own words to argue against the Administration's position 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

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<sup>10</sup> 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. Alexander Hamilton, first Secretary of Treasury, believed it to be "an absolutely indispensable engine in the management of Finances."

reliance on “the wealth and capital of the citizens,” not loans from banks. At any rate, state banks would suffice as loan providers.<sup>11</sup>

Burwell’s colleague, John Porter of Pennsylvania, supplemented the Virginian’s case, outlining the national bank debate in terms of federal and state authority. His emphatic statement, “no tyrant ever made a law without assigning public good as the motive,” helped to underscore his central contention that, in America, “the people are the sovereigns.” According to Porter, the Bank endangered no less than the authority of the states and the freedom of the people. Liberty was at stake.<sup>12</sup>

Another voice of opposition, Congressman Joseph Desha, Democratic-Republican of Kentucky, viewed the bank “as being directly at war . . . with the Constitution” and specifically referred to his own problem with the entire financial system. Desha did not consider himself particularly knowledgeable of banking operations, but said he knew enough to understand the speculative nature of the entire system.<sup>13</sup>

Jonathan Fisk of New York, Democratic-Republican, offered a contrasting point of view. Fisk wanted to impress his colleagues with the idea that commerce was an inextricable part of the American economy, regardless of individual interests. He offered evidence of “both history and experience,” taking the position that throughout the world, national banking entities had promoted commercial interests through their operations, and that credit and stability were important. Further, Fisk remarked “times are dangerous for national experiments,” recognizing the extent to which the Bank’s absence could

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<sup>11</sup> *Annals of Congress*, House of Representatives, 11<sup>th</sup> Congress, 3<sup>rd</sup> Session, 489 and 585.

<sup>12</sup> *Ibid.*, 627.

<sup>13</sup> *Ibid.*, 657.

negatively impact the country's financial capacity. Despite his promotion of the national bank as one of its strongest supporters, Fisk indicated that he had questions, and felt sure that the Bank was unconstitutional.<sup>14</sup>

The Bank debate is informative; details that members of Congress gave as prevailing reasons for their opposition to the concept of a national bank provide insight into the philosophical basis of wartime financial policy. Their concerns included foreign ownership of capital, the danger of foreign influence, and the inherent power of money. Opposition themes also focused on bank governance and the twenty-four bank directors who acted as a “moneyed aristocracy,” controlling the supply of capital and determining who could receive the bank's benefits. It cannot be surprising that on January 24, 1811, the House of Representatives voted to indefinitely postpone the re-chartering of the Bank of the United States.<sup>15</sup>

In the Senate, William H. Crawford of Georgia was the Bank's leading advocate, and the Administration's surrogate. Crawford articulated many reasons to support the existence of the national bank from a constitutional perspective. He used the example of congressional approval for the construction of lighthouses. Congress had given itself the power to establish lighthouses under the commerce clause. Lighthouses assisted with the collection of revenues (duties), creating a more expedient process. Crawford begged the question—if a national bank is not constitutional, then why were lighthouses not equally offensive? He argued that both entities promoted public welfare.

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<sup>14</sup> *Annals of Congress*, House of Representatives, 11<sup>th</sup> Congress, 3<sup>rd</sup> Session, 600-616. “Commerce is essential to our interests.”

<sup>15</sup> *Ibid*, 826. It was a 65 to 64 vote, in favor of indefinite postponement.

Interestingly, Crawford had given much thought to the banking issue as the chair of a five person committee evaluating prospects for bank renewal. His committee received petitions from various entities calling for bank renewal, but even this staunch advocate could see that momentum was moving in the opposite direction. Crawford did not communicate either the committee's findings or prolong his case for the bank. Crawford's biographer, Chase Mooney, pointed out that even as the senator submitted a bill (February 5, 1811) that would have renewed the bank's charter for another twenty years, he purposefully neglected to engage a discussion on behalf of the bank or acknowledge his committee's work.<sup>16</sup>

Opposite Crawford in the Senate, William B. Giles of Virginia was a political opponent of Madison's administration and was spirited in his opposition to the idea of the national bank. He took exception to Crawford's example of congressional support for lighthouses, carefully identifying the dissimilarity of the powers of lighthouses and the national bank. Giles also undertook to educate his listeners on the subject of economic prosperity. While the "true causes of national wealth" were difficult for any man to exhaustively list, he believed that America's principled political institutions were foundational to prosperity, for they enabled individual freedom to act and provide property rights. Resulting from his assessment of the causes of national wealth, he did not wish to see the Bank re-chartered, but instead supported the use of more community-minded state banks. These banks would be more accountable to the people.

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<sup>16</sup> *Annals of Congress*, Senate, 11<sup>th</sup> Congress, 3<sup>rd</sup> Session, 139-150. Chase C. Mooney, *William H. Crawford* (Lexington: The University Press of Kentucky, 1974), 20. Richard Brent of Virginia supported Crawford's position.

Giles concluded his address to Congress with an exploration of the “necessity” of the national bank; he effectively questioned of what use the national bank had been in resolving the problems of foreign relations.

“Has 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 American seaman? Did it prevent the attack upon the Chesapeake?”

Through these rhetorical questions, he made a strong argument that the bank was not truly necessary.<sup>17</sup>

Giles was quite a capable communicator, but Henry Clay of Kentucky delivered, perhaps, the strongest speech detailing opposition to the bank in February 1811. The address is filled with memorable phrases. He characterized the original constitutional justification for the Bank as a “vagrant power...having wandered through the Constitution in the quest of some congenial spot...” and spent time articulating his constitutional difficulties with the initiative. His larger concern, though, seemed to involve the extraordinary influence of a national moneyed institution: “The power of a nation is said to consist in the sword and the purse...By whom is this immense power wielded?” He pointedly exclaimed: “wealth is power, and under whatsoever form it exists its proprietor...will have a proportionate influence.”<sup>18</sup>

Clay’s biographer, Robert Remini, has indicated that his decision to reject the bank bill was made for “personal and political reasons” well before the debate transpired.<sup>19</sup> Invoking each of the aforementioned reasons, Clay attacked the directors of the bank and asked what the very nature of this government should be. Not only did Clay indicate that the United States government lacked the power to create a bank, he

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<sup>17</sup> *Annals of Congress*, Senate, 11<sup>th</sup> Congress, 3<sup>rd</sup> Session, 175-207.

<sup>18</sup> *Ibid.*, 209-211.

<sup>19</sup> *Ibid.*, 209-218. Robert V. Remini, *Henry Clay: Statesman for the Union* (New York: W.W. Norton and Co., 1991), 69.

questioned the national power to charter companies at all. Clay did not agree with the argument that the precedent of the bank's original charter and twenty-year operation should determine its future course. Addressing those men who articulated that premise, Clay asked incredulously "...do they forget that we are not in Westminster Hall?" In the tradition of the best conspiracy theorists, Clay fretted that foreign intrigue had been the downfall of many a free government and noted the impact of foreign ownership of bank capital. Clay became very specific in his approach as well, asking Congress to consider what national problem the Bank of the United States had actually helped to solve. The Bank, according to Clay simply fulfilled the functions of paying and receiving. Like Giles, he posed questions. Had the national bank alleviated the problems of impressment, American-British relations, or the *Chesapeake* disaster? With that thought, Clay concluded his witty, at times sarcastic, and lengthy oration.<sup>20</sup>

On February 20, the Senate took a final vote on the measure to strike out the establishment clause in the first section of the bill renewing the bank's charter. The vote was seventeen who answered to affirm non-renewal to seventeen who voted against the measure. Vice President George Clinton cast the deciding vote opposing the continuance of the bank. By the end of February of 1811, Congress had made a decision that would singularly affect the country's ability to fund and wage of the war of 1812.<sup>21</sup>

To apprise Congress of the Bank's operations and to help legislators better appreciate the need for the Bank of the United States, Gallatin had submitted a report to Congress cogently listing reasons for the re-charter of the bank in March of 1809.

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<sup>20</sup> Remini, *Henry Clay*, 217.

<sup>21</sup> *Annals of Congress*, Senate, 11<sup>th</sup> Congress, 3<sup>rd</sup> Session, 347.

Gallatin's 1809 submission was not an emotional appeal, but rather, a matter-of-fact and short report documenting the bank's present condition and operations. Gallatin did, however, request an expansion of the bank's capital from the \$10 million it was appropriated in 1791 to \$30 million at the time of its re-charter. From that optimistic standpoint, it does not appear that the Secretary of Treasury expected the charter to expire without positive congressional action.<sup>22</sup>

By August of 1810, Madison was writing to Gallatin and referencing arrangements made for the "winding up of its [the Bank of the United States'] affairs"<sup>23</sup> On January 5, 1811 Gallatin noted in a letter to Madison that John Jacob Astor would release funds for the government's use if the bank was not re-chartered.<sup>24</sup> When Gallatin sent his important report to Congress on January 30, 1811, in the midst of the great debate, he began with a reference to his 1809 report, commenting that nothing had changed in his view. He went further in 1811, describing an "established" banking system and framing the question of the national bank in terms of convenience. Even as he submitted the 1811 Bank report, he realized that the institution had little support in Congress. (Democratic-) Republicans were determined to settle the debate of the 1790s in their own way.<sup>25</sup>

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<sup>22</sup> *American State Papers*, 3, Finance, 2: 352. "Bank of the United States" March 9, 1809 Important Bank functions that Gallatin listed include the safe keeping of the public moneys, transmission of public moneys, collection of the revenue, and capacity for loans.

<sup>23</sup> *Writings of Gallatin*, vol. 1, ed. Adams . James Madison to Albert Gallatin, August 14, 1810. Accessed from <http://oll.libertyfund.org/title/1953>

<sup>24</sup> *Ibid.*, Albert Gallatin to James Madison, January 5, 1811.

<sup>25</sup> *American State Papers*, 3, Finance, 2: 480-481. "The banking system is now firmly established...and extends to every part of the United States...The question is...whether the Bank of the United States be most convenient..." for the purposes of responding to the needs of the federal government and the public.

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, but “no insuperable difficulty.” While calm and reasoned in tone, Gallatin’s argument fell short of pleading the absolute necessity of the institution, and in fact, he asserted that re-chartering was the best option because it would require the least amount of change within the system. At best, his persuasive efforts were inadequate; at worst, he had given up. In a letter dated March 1811, Gallatin had clearly heard enough as he submitted his resignation to the president:

...New subdivisions and personal factions, equally hostile to yourself and to the general welfare, daily acquire additional strength. Measures of vital importance have been and are defeated; every operation, even of the most simple and ordinary nature, is prevented or impeded; the embarrassments of government, great as from foreign causes they already are, are unnecessarily increased... Such state of things cannot last; a radical and speedy remedy has become absolutely necessary. .. I clearly perceive that my continuing a member of the present Administration is no longer of any public utility, invigorates the opposition against yourself, and must necessarily be attended with an increased loss of reputation to myself... I beg leave to tender you my resignation...

Gallatin’s resignation letter ably conveys the incredible political difficulties and pressures he had encountered during Madison’s presidency. Political infighting had obviously become too much.<sup>26</sup>

Regarding the question of the national bank of the United States, concerns related to constitutionality, federal power at the expense of the states, and the combination of financial and government interests resulted in its demise. Distrust of Gallatin and the Administration, foreigners, and federal power contributed to this result. The contrasting

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<sup>26</sup> *Writings of Gallatin*, vol. 1, ed. Adams, Madison to Gallatin, March 1811. Accessed from <http://oll.libertyfund.org/title/1953>

themes of public welfare, stability, expediency, and convenience were not enough to alter the outcome of congressional voting. As a result, from 1811 until 1816, there would be no central organization bringing order to the multi-faceted financial needs of the United States. In time of peace, the absence of a central bank would be a challenge, but in time of war, it would be an almost impossible weakness to overcome.<sup>27</sup>

The Eleventh Congress finished its term in March with some sense of ambiguity in the midst of discussions concerning commercial intercourse and the efficacy of trade restrictions. War was not yet a foregone conclusion. The Twelfth Congress, however, convened on November 4 with a firmer understanding of war's probability. President Madison's message of November 5 greeted Congress with strong language suggesting the necessity of action. By the fall of 1811, the President was ready to communicate that he was satisfied with neither England nor France. He conveyed quite clearly that the situation was dire. Madison directed attention to "the conduct of British ships of war hovering on our coasts" and noted that the French made no attempt to provide reparations for their unjust treatment of American ships. Madison continued his address by acknowledging to Congress that he had already initiated preparatory measures and requesting their funding support in relation to the frontier, maritime defense, gunboats, ships of war, manufacture of cannon and small arms, and munitions. While Madison did discuss both British and French violations, he emphasized the "hostile inflexibility" of British leadership, indicating that Great Britain was the greater enemy of American

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<sup>27</sup> Edward S. Kaplan, *The Bank of the United States and the American Economy*, (Westport, CT: Greenwood Press, 1999), 37-46. Perkins, 325. Robert E. Wright, *The Wealth of Nations Rediscovered: Integration and Expansion in American Financial Markets, 1780-1850*, (Cambridge University Press, 2002), 75-79.

sovereignty. At the end, the President unequivocally stated “I cannot close this communication without expressing my deep sense of the crisis in which you are assembled.”<sup>28</sup>

That same month, as was the precedent, Gallatin provided a “Report on the State of the Finances” 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 Department’s estimates for 1812. For the first time, military expenses were divided into 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.<sup>29</sup>

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

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<sup>28</sup> *Writings of Madison*, Vol. 8, Gaillard Hunt, ed. November 5, 1811 “Third Annual Message” Accessed from <http://oll.libertyfund.org/title/1939>. “. . . we have seen that the British 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 the effect of war on our lawful commerce.”

<sup>29</sup> *American State Papers*, 3, Finance, 2: 495. November 25, 1811 “State of Finances”

entitled “Report of a Committee on the systematic aggressions of Great Britain and France on the commerce of the United States, and the measures necessary to resist them.” The Foreign Relations Committee Report, combined with the analysis provided by Madison and Gallatin, proved to be a significant pivot point, moving the direction of congressional discussions.

Peter B. Porter, Democratic-Republican from NY, represented the views of the committee, which in no uncertain terms, had listed numerous violations of American sovereignty and provided six recommendations. “It is more than five years since England and France, in violation of those most sacred principles...of civilized nations, commenced this unprecedented system, seizing property of citizens...” The committee characterized Britain’s actions as particularly egregious, stating that the English “capture every vessel not bound to her ports, enslave our seamen, and persist...” despite American warnings. The issue laid before Congress by the Committee in the fall of 1811 involved what should be done about British thuggery; “submit or resist” was the common refrain. The Committee recommended extensive and hasty military preparations in order to forcefully resist. Porter succeeded in setting the tone for the first session. From this point on, decision-makers advocating war would advance an optimistic view of American capability, the basis of wartime financial strategy.<sup>30</sup>

Porter both presented the report and initiated discussion several days later on December 6. It was his belief and that of the Committee that “all hopes of accommodating...differences with Great Britain by negotiation must be abandoned.”

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<sup>30</sup> *American State Papers*, 1, Foreign Relations, 3: 537. November 29, 1811 “Great Britain”

Porter asserted that the committee recommended war, indicating that one issue alone justified action: “We 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 plan was to “deprive Britain of her territories to the North.” The capture of Canada would insure a short war and make available a “war feast.” Beyond that, additional financial arrangements would be unnecessary.<sup>31</sup>

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 tried, and he stated that “war [would] have its advantages.” Grundy, however, did 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.<sup>32</sup>

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

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

<sup>32</sup> *Ibid*, 423.

advocated that position. Describing the conflict as a “war of conquest,” Randolph did not hesitate to castigate war supporters.<sup>33</sup>

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.<sup>34</sup>

A young John C. Calhoun characterized Great Britain as a “menacing bully” and 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 “this calculating policy” and, for 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 “cheerfully” pay taxes in support of the war effort. Calhoun associated undue concern with financial matters to avarice, cowardice, and other less respectable human motivations. Calhoun’s concept of wartime finance involved the preeminence of

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

<sup>34</sup> *Ibid.*, 467.

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

Similarly, Representative Desha's public comments reflected Calhoun's themes of American abundance. Why should congressmen concern themselves with how to finance the war? How could "...a country so extensive as America, so populous, abounding in wealth, and, I trust, the people patriotic, possessing a full share of national pride...not be willing to be at the expense of supporting their rights? Citizens cannot estimate in pounds, shillings, and pence, the value of national honor and rights." With these remarks, Desha also captured the essence of the thought process that would become wartime financial policy.<sup>36</sup>

In the Senate, William Giles contributed to an attitude which undermined the possibility of individual legislators' support for Madison's policies and the ability of the executive branch to re-think financial policy during the war. Debating a bill related to the preparation of military force, Giles unabashedly attacked Gallatin, decrying what the Treasury Secretary had constantly referred to as his fundamental and long-term success, the reduction of the national debt. What difference had it made, he asked his colleagues? Further, Giles referred to the "decrepit state of the Treasury," putting responsibility for the country's lack of financial preparation squarely on Gallatin's shoulders, leveling charges of corruption and the "crooked" handling of the nation's finances. Regardless of financial condition, he felt that the country needed to adequately prepare and equip the

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<sup>35</sup> *Annals of Congress*, House of Representatives, 12<sup>th</sup> Congress, 1<sup>st</sup> Session, 478-479.

<sup>36</sup> *Ibid*, 488.

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.<sup>37</sup>

As Congress continued to consider issues related to “Additional Military Force,” 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 would be able to effectively wage war against Britain and noted that “it is wise to err on the side of the largest force.” Clay spent the bulk of speech examining the need for war—“What are we to gain by war? ... What are we not to gain by peace? Commerce, character, a nation’s best treasure—honor!”<sup>38</sup>

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.

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

<sup>38</sup> *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 that the nation's 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 Madison's 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.<sup>39</sup>

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<sup>39</sup> *The Gallatin Papers, Madison Papers, and Annals of Congress* each detail the constant tension between the executive and legislative branches of government. In many ways, financial policy could not be effectively made within this environment of ideological distrust. Additionally, Gallatin was absolutely preoccupied with military defeat, rather than financial policy. See also chapter 15 of Perkins' financial history of early America and Murray N. Rothbard, *A History of Money and Banking in the United States* (Auburn, AL: Ludwig von Mises Institute, 2002), 72-83. Rothbard examines the financial mess left by the banking system after the War of 1812. Stating that the War of 1812 "had momentous consequences for the monetary system", he identifies the issues that national leadership had failed to address.