



What Congress Did to Andrew Jackson's Surplus

by James B. Sibbison

IN A TIME of great prosperity, the federal government was fretting over the budget: the national debt was paid in full and a surplus was accumulating. The fiercely debated question was what to do with the surplus. Viewed from our debt-haunted era, the question has an agreeable sound. But it was a perplexing domestic issue when it was finally confronted in 1836.

It was Andrew Jackson's last year in the White House. From the time of his inauguration, Jackson had watched revenues from the tariff and public land sales exceed government expenses. He had warned: "The disposition of the surplus will present a subject for

the serious deliberation of Congress."

Now the long debate was over. Congress handed Jackson a bill specifying that the surplus in the treasury as of Jan. 1, 1837, excluding five million dollars, be divided among the 26 states then in the

Union. Jackson was uneasy about general federal aid to the states, as he thought it might be unconstitutional. Congress, however, had anticipated

The Congress of 1836 called it a "temporary deposit" when it began the long succession of federalized handouts to the States—but it proved to be "a commencement of calamities."

this objection by calling the distribution a "temporary deposit," repayable by the states; actually the money was a gift. With reluctance Jackson signed the bill, but the president's agreement to the state-aid program was a disap-

pointment to his top lieutenant in the Senate, Thomas Hart Benton of Missouri. Benton had fought hard to have the surplus spent on national defense and loyal as he was to Jackson, he felt that the president had signed the bill for political reasons. It was an election year, and Jackson's fellow Democrat, Martin Van Buren, was running to succeed him. With the Whigs strongly backing the state-aid bill, it did not seem wise for Jackson to oppose this multi-million dollar distribution.

Benton wrote: "It was understood that some of Mr. Van Buren's friends favored the president's approval—and recommended him to sign it—induced by the supposed effect which its rejection might have on the Democratic party in the election."

Van Buren won the election and the following year, 1837, the government started paying 37 million dollars, in four installments, to the states. Benton noted that the payments marked a "commencement of calamities" for the Democrats resulting in their defeat in the 1840 presidential election. A few months after the start of these payments, the gay prosperity turned to jittery business panic. Quickly, Van Buren called a special session of Congress to consider "great and weighty matter." Were the surplus payments to the states practical in the face of a nearly empty treasury?

The decision soon was reached to cancel the final installment of nine million dollars and to end the surplus payments at 28 million dollars, rather than the 37 million dollars that were originally intended to go to the states. The surplus was dwindling rapidly. And instead of having money to give away, the government was starting to borrow. At the start of the year 1838 there was a deficit in the treasury.

THE Whig and Democratic newspapers attributed the panic directly to the distribution of the surplus. They reasoned that sudden withdrawals of large sums of cash from commercial centers jarred the nation's financial balance wheel. However this explanation was considered too pat by Edward G. Bourne, a student of the period. Bourne found the management of the surplus "sufficient in itself to produce a severe strain, but not adequate to produce the crash that finally came."

Deep thinking about financial repercussions was not evident in the state legislatures. The states were participating in a 28 million dollar windfall and their concern centered on how to spend it.

Maine took the cavalier approach. Just about all of Maine's \$955,000 was simply distributed evenly among the citizenry, or a little more than \$2 per person. That probably struck an eight-

year-old boy in Massachusetts as fair. Someone signing the name "Worcester" wrote the Boston Courier that the child was "nearly out of pocket money" and was counting on the distribution to pay for sugar plums. Massachusetts, however, spread the funds out for local improvements.

OTHER STATES put their money into projects such as canals and

highways. Federal aid to education —on which New York spent its four million dollars—was especially popular. Did the states spend the money wisely? Historian John Jay Knox thought many of them did. But William Graham Sumner, a biographer of Jackson, wrote: "In one way or another these funds were squandered, or worse than squandered, since they served corruption and abuse."

The United States has a larger national debt than all other nations of the world combined—yet we continue to pay the debts of other nations! Published in the New York Daily News, and reprinted in the Congressional Record of August 13, 1957 (at the request of Senator George Malone), was the following laboriously worked out table showing the debts of the important nations of the world as translated into American dollars:

United States	\$280,800,000,000
Australia	2,930,000,000
Belgium-Luxembourg	6,378,000,000
Brazil	1,037,000,000
Burma	140,000,000
Canada	14,546,000,000
Chile	74,000,000
Columbia	281,000,000
Denmark	1,306,000,000
France	16,229,000,000
Germany	5,024,000,000
Greece	295,000,000
India	6,408,000,000
Israel	506,000,000
Italy	7,233,000,000
Japan	2,601,000,000
Mexico	300,000,000
Netherlands	5,423,000,000
Norway	1,726,000,000
Pakistan	681,000,000
Philippines	452,000,000
Portugal	486,000,000
Sweden	2,803,000,000
Thailand	353,000,000
Turkey	1,158,000,000
United Kingdom	74,200,000,000
Venezuela	10,000,000

IN THE MERCURY'S OPINION

By Russell Maguire

WITH this issue THE AMERICAN MERCURY celebrates its 34th year of devotion to what some writers call "the American Scene." Since the Mercury's birth, in 1924, our national scenery has been torn down by aliens and replaced so completely that only our senior citizens, today, have any memory of how we used to live and believe.

Many dishonest international schemes and warped ideologies have nearly destroyed our Republic. We should look back into our inherited American history before we get pushed or shoved beyond the point-of-no-return into a kind of life, and a kind of belief, totally foreign to us. To escape that warped life and military statism our God-fearing, courageous ancestors came here from Europe.

Soon men and women will be returning to Washington as our Senators and Representatives. They must stop, look and listen. Let us retrace our steps to the American way of life. Congress itself is guilty of many sinful acts of commission and omission.

Many of us have fallen into the trap of the State Socialist Planners

and Internationalists who have undermined the foundations of our Constitutional Government. The conspirators want us to look only at the captured White House or at the *unelected* Cabinet Secretary, or at the Directors of bureaucratic commissions or authorities they spread over Washington as our tyrants. Let us not be deceived, or turned aside from logic: It is still The Congress, voted into office by the sovereign people, that has the basic Constitutional responsibility for our liabilities as well as our assets. They remain in office only by our next vote and, meanwhile, they possess the real Constitutional responsibility for our national predicament, and for our international defeats.

It is only our Congress which has the power to confirm, or reject, candidates for a President's Cabinet or for the Federal judgeships. Congress must also pass on all those whom a President nominates; on the appointments of our military officers and on the officials and Ambassadors a President wants to send into our States or into other nations.