

Thomas Jefferson on Politics & Government

Money & Banking

Banking institutions, paper money, and paper speculation are capable of undermining the nation's stability and could be a danger in time of war. The Constitution does not empower the Congress to establish a National Bank. Rather than trust the nation's currency to private hands, the circulating medium should be restored to the nation itself to whom it belongs.

"Specie is the most perfect medium because it will preserve its own level; because, having intrinsic and universal value, it can never die in our hands, and it is the surest resource of reliance in time of war." --Thomas Jefferson to John Wayles Eppes, 1813. ME 13:430

"Paper is poverty,... it is only the ghost of money, and not money itself." --Thomas Jefferson to Edward Carrington, 1788. ME 7:36

"Experience has proved to us that a dollar of silver disappears for every dollar of paper emitted." --Thomas Jefferson to James Monroe, 1791. ME 8:208

"It is a [disputed] question, whether the circulation of paper, rather than of specie, is a good or an evil... I believe it to be one of those cases where mercantile clamor will bear down reason, until it is corrected by ruin." --Thomas Jefferson to John W. Eppes, 1813. ME 13:409

Specie as a National Resource

"In such a nation [as ours], there is one and one only resource for loans, sufficient to carry them through the expense of a war; and that will always be sufficient, and in the power of an honest government, punctual in the preservation of its faith. The fund I mean, is *the mass of circulating coin*. Everyone knows, that although not literally, it is nearly true, that every paper dollar emitted banishes a silver one from the circulation. A nation, therefore, making its purchases and payments with bills fitted for circulation, thrusts an equal sum of coin out of circulation. This is equivalent to borrowing that sum, and yet the vendor receiving payment in a medium as effectual as coin for his purchases or payments, has no claim to interest. And so the nation may continue to issue its bills as far as its wants require, and the limits of the circulation will admit... But this, the only resource which the government could command with certainty, the States have unfortunately fooled away, nay corruptly alienated to swindlers and shavers, under the cover of private banks." --Thomas Jefferson to John W. Eppes, 1813. ME 13:274

"One of three great measures necessary to insure us permanent prosperity... should insure resources of money by the suppression of all paper circulation during peace, and

licensing that of the nation alone during war. The metallic medium of which we should be possessed at the commencement of a war, would be a sufficient fund for all the loans we should need through its continuance; and if the national bills issued be bottomed (as is indispensable) on pledges of specific taxes for their redemption within certain and moderate epochs, and be of proper denominations for circulation, no interest on them would be necessary or just, because they would answer to everyone the purposes of the metallic money withdrawn and replaced by them." --Thomas Jefferson to William H. Crawford, 1816. ME 15:30

"It would be best that our medium should be so proportioned to our produce, as to be on a par with that of the countries with which we trade, and whose medium is in a sound state." --Thomas Jefferson to John W. Eppes, 1813. ME 13:430

Dangers of Paper Money

"That paper money has some advantages is admitted. But that its abuses also are inevitable and, by breaking up the measure of value, makes a lottery of all private property, cannot be denied. --Thomas Jefferson to Josephus B. Stuart, 1817. ME 15:113

"The trifling economy of paper, as a cheaper medium, or its convenience for transmission, weighs nothing in opposition to the advantages of the precious metals... it is liable to be abused, has been, is, and forever will be abused, in every country in which it is permitted." --Thomas Jefferson to John W. Eppes, 1813. ME 13:430

"Scenes are now to take place as will open the eyes of credulity and of insanity itself, to the dangers of a paper medium abandoned to the discretion of avarice and of swindlers." --Thomas Jefferson to Thomas Cooper, 1814. ME 14:189

"The States should be applied to, to transfer the right of issuing circulating paper to Congress exclusively, *in perpetuum*." --Thomas Jefferson to John W. Eppes, 1813. ME 13:276

"The evils of this deluge of paper money are not to be removed until our citizens are generally and radically instructed in their cause and consequences, and silence by their authority the interested clamors and sophistry of speculating, shaving, and banking institutions. Till then, we must be content to return *quoad hoc* to the savage state, to recur to barter in the exchange of our property for want of a stable common measure of value, that now in use being less fixed than the beads and wampum of the Indian, and to deliver up our citizens, their property and their labor, passive victims to the swindling tricks of bankers and mountebankers." --Thomas Jefferson to John Adams, 1819. ME 15:185

"Private fortunes, in the present state of our circulation, are at the mercy of those self-created money lenders, and are prostrated by the floods of nominal money with which their avarice deluges us." --Thomas Jefferson to John W. Eppes, 1813. ME 13:276

"It is a cruel thought, that, when we feel ourselves standing on the firmest ground in every respect, the cursed arts of our secret enemies, combining with other causes, should effect, by depreciating our money, what the open arms of a powerful enemy could not."
--Thomas Jefferson to Richard Henry Lee, 1779. ME 4:298, Papers 2:298

"I now deny [the Federal Government's] power of making paper money or anything else a legal tender." --Thomas Jefferson to John Taylor, 1798. ME 10:65

Paper Speculation

"A spirit... of gambling in our public paper has seized on too many of our citizens, and we fear it will check our commerce, arts, manufactures, and agriculture, unless stopped."
--Thomas Jefferson to William Carmichael, 1791. ME 8:230

"Our public credit is good, but the abundance of paper has produced a spirit of gambling in the funds, which has laid up our ships at the wharves as too slow instruments of profit, and has even disarmed the hand of the tailor of his needle and thimble. They say the evil will cure itself. I wish it may; but I have rarely seen a gamester cured, even by the disasters of his vocation." --Thomas Jefferson to Gouverneur Morris, 1791. ME 8:241

"All the capital employed in paper speculation is barren and useless, producing, like that on a gaming table, no accession to itself, and is withdrawn from commerce and agriculture where it would have produced addition to the common mass... It nourishes in our citizens habits of vice and idleness instead of industry and morality... It has furnished effectual means of corrupting such a portion of the legislature as turns the balance between the honest voters whichever way it is directed." --Thomas Jefferson to George Washington, 1792. ME 8:344

"We are now taught to believe that legerdemain tricks upon paper can produce as solid wealth as hard labor in the earth. It is vain for common sense to urge that *nothing* can produce but *nothing*; that it is an idle dream to believe in a philosopher's stone which is to turn everything into gold, and to redeem man from the original sentence of his Maker, 'in the sweat of his brow shall he eat his bread.'" --Thomas Jefferson to Charles Yancey, 1816. ME 14:381

The Importance of Personal Economy

"I own it to be my opinion, that good will arise from the destruction of our credit. I see nothing else which can restrain our disposition to luxury, and to the change of those manners which alone can preserve republican government. As it is impossible to prevent credit, the best way would be to cure its ill effects by giving an instantaneous recovery to the creditor. This would be reducing purchases on credit to purchases for ready money. A man would then see a prison painted on everything he wished, but had not ready money to pay for." --Thomas Jefferson to Archibald Stuart, 1786. ME 5:259

"We should try whether the prodigal might not be restrained from taking on credit the gewgaw held out to him in one hand, by seeing the keys of a prison in the other."
--Thomas Jefferson to Thomas Pleasants, 1786. ME 5:325, Papers 9:472

"The maxim of buying nothing without the money in our pockets to pay for it would make of our country one of the happiest on earth." --Thomas Jefferson to Alexander Donald, 1787. ME 6:192

"Every discouragement should be thrown in the way of men who undertake to trade without capital." --Thomas Jefferson to Nathaniel Tracy, 1785. Papers 8:399

"Would a missionary appear, who would make frugality the basis of his religious system, and go through the land, preaching it up as the only road to salvation, I would join his school, though not generally disposed to seek my religion out of the dictates of my own reason and feelings of my own heart." --Thomas Jefferson to John Page, 1786. ME 5:305

"I look back to the time of the war as a time of happiness and enjoyment, when amidst the privation of many things not essential to happiness, we could not run in debt, because nobody would trust us; when we practised by necessity the maxim of buying nothing but what we had money in our pockets to pay for; a maxim which, of all others, lays the broadest foundation for happiness. I see no remedy to our evils, but an open course of law. Harsh as it may seem, it would relieve the very patients who dread it, by stopping the course of their extravagance, before it renders their affairs entirely desperate."
--Thomas Jefferson to Fulwar Skipwith, 1787. ME 6:188

"It is a miserable arithmetic which makes any single privation whatever so painful as a total privation of everything which must necessarily follow the living so far beyond our income." --Thomas Jefferson to William Hay, 1787. ME 6:223

"I know of no remedy against indolence and extravagance, but a free course of justice. Everything else is merely palliative... Desperate of finding relief from a free course of justice, I look forward to the abolition of all credit, as the only other remedy which can take place." --Thomas Jefferson to Alexander Donald, 1787. ME 6:192

Banking Institutions

"That we are overdone with banking institutions which have banished the precious metals and substituted a more fluctuating and unsafe medium, that these have withdrawn capital from useful improvements and employments to nourish idleness, that the wars of the world have swollen our commerce beyond the wholesome limits of exchanging our own productions for our own wants, and that, for the emolument of a small proportion of our society who prefer these demoralizing pursuits to labors useful to the whole, the peace of the whole is endangered and all our present difficulties produced, are evils more easily to be deplored than remedied." --Thomas Jefferson to Abbe Salimankis, 1810. ME 12:379

"The system of banking [I] have... ever reprobated. I contemplate it as a blot left in all our Constitutions, which, if not covered, will end in their destruction, which is already hit by the gamblers in corruption, and is sweeping away in its progress the fortunes and morals of our citizens." --Thomas Jefferson to John Taylor, 1816. ME 15:18

"The banks... have the regulation of the safety-valves of our fortunes, and... condense and explode them at their will." --Thomas Jefferson to John Adams, 1819. ME 15:224

"The States should be urged to concede to the General Government, with a saving of chartered rights, the exclusive power of establishing banks of discount for paper."
--Thomas Jefferson to John W. Eppes, 1813. ME 13:431

"I sincerely believe... that banking establishments are more dangerous than standing armies, and that the principle of spending money to be paid by posterity under the name of funding is but swindling futurity on a large scale." --Thomas Jefferson to John Taylor, 1816. ME 15:23

A National Bank

"The incorporation of a bank and the powers assumed [by legislation doing so] have not, in my opinion, been delegated to the United States by the Constitution. They are not among the powers specially enumerated." --Thomas Jefferson: Opinion on Bank, 1791. ME 3:146

"It has always been denied by the republican party in this country, that the Constitution had given the power of incorporation to Congress. On the establishment of the Bank of the United States, this was the great ground on which that establishment was combated; and the party prevailing supported it only on the argument of its being an incident to the power given them for raising money." --Thomas Jefferson to Dr. Maese, 1809. ME 12:231

"The idea of creating a national bank I do not concur in, because it seems now decided that Congress has not that power (although I sincerely wish they had it exclusively), and because I think there is already a vast redundancy rather than a scarcity of paper medium." --Thomas Jefferson to Thomas Law, 1813. FE 9:433

"[The] Bank of the United States... is one of the most deadly hostility existing, against the principles and form of our Constitution... An institution like this, penetrating by its branches every part of the Union, acting by command and in phalanx, may, in a critical moment, upset the government. I deem no government safe which is under the vassalage of any self-constituted authorities, or any other authority than that of the nation, or its regular functionaries. What an obstruction could not this bank of the United States, with all its branch banks, be in time of war! It might dictate to us the peace we should accept, or withdraw its aids. Ought we then to give further growth to an institution so powerful, so hostile?" --Thomas Jefferson to Albert Gallatin, 1803. ME 10:437

Meeting the Banking Problem

"The monopoly of a single bank is certainly an evil. The multiplication of them was intended to cure it; but it multiplied an influence of the same character with the first, and completed the supplanting the precious metals by a paper circulation. Between such parties the less we meddle the better." --Thomas Jefferson to Albert Gallatin, 1802. ME 10:323

"In order to be able to meet a general combination of the banks against us in a critical emergency, could we not make a beginning towards an independent use of our own money, towards holding our own bank in all the deposits where it is received, and letting the treasurer give his draft or note for payment at any particular place, which, in a well-conducted government, ought to have as much credit as any private draft or bank note or bill, and would give us the same facilities which we derive from the banks?" --Thomas Jefferson to Albert Gallatin, 1803. ME 10:439

"If treasury bills are emitted on a tax appropriated for their redemption in fifteen years, and (to insure preference in the first moments of competition) bearing an interest of six per cent, there is no one who would not take them in preference to the bank paper now afloat, on a principle of patriotism as well as interest; and they would be withdrawn from circulation into private hoards to a considerable amount. Their credit once established, others might be emitted, bottomed also on a tax, but not bearing interest; and if ever their credit faltered, open public loans, on which these bills alone should be received as specie. These, operating as a sinking fund, would reduce the quantity in circulation, so as to maintain that in an equilibrium with specie. It is not easy to estimate the obstacles which, in the beginning, we should encounter in ousting the banks from their possession of the circulation; but a steady and judicious alternation of emissions and loans would reduce them in time." --Thomas Jefferson to John W. Eppes, 1813. ME 13:275

"Bank paper must be suppressed, and the circulating medium must be restored to the nation to whom it belongs. It is the only fund on which they can rely for loans; it is the only resource which can never fail them, and it is an abundant one for every necessary purpose. Treasury bills, bottomed on taxes, bearing or not bearing interest, as may be found necessary, thrown into circulation will take the place of so much gold and silver, which last, when crowded, will find an efflux into other countries, and thus keep the quantum of medium at its salutary level. Let banks continue if they please, but let them discount for cash alone or for treasury notes." --Thomas Jefferson to John W. Eppes, 1813. ME 13:361

"Put down the banks, and if this country could not be carried through the longest war against her most powerful enemy without ever knowing the want of a dollar, without dependence on the traitorous classes of her citizens, without bearing hard on the resources of the people, or loading the public with an indefinite burden of debt, I know nothing of my countrymen. Not by any novel project, not by an charlatanerie, but by ordinary and well-experienced means; by the total prohibition of all private paper at all times, by reasonable taxes in war aided by the necessary emissions of public paper of

circulating size, this bottomed on special taxes, redeemable annually as this special tax comes in, and finally within a moderate period." --Thomas Jefferson to Albert Gallatin, 1815. ME 14:356

"Our people... will give you all the necessaries of war they produce, if, instead of the bankrupt trash they now are obliged to receive for want of any other, you will give them a paper promise funded on a specific pledge, and of a size for common circulation."
--Thomas Jefferson to James Monroe, 1815. ME 14:228

"Instead of funding issues of paper on the hypothecation of specific redeeming taxes (the only method of anticipating, in a time of war, the resources of times of peace, tested by the experience of nations), we are trusting to tricks of jugglers on the cards, to the illusions of banking schemes for the resources of the war, and for the cure of colic to inflations of more wind." --Thomas Jefferson to M. Correa de Serra, 1814. ME 14:224

"It is literally true that the toleration of banks of paper discount costs the United States one-half their war taxes; or, in other words, doubles the expenses of every war. Now think but for a moment, what a change of condition that would be, which should save half our war expenses, require but half the taxes, and enthral us in debt but half the time."
--Thomas Jefferson to John W. Eppes, 1813. ME 13:364

"The State legislatures should be immediately urged to relinquish the right of establishing banks of discount. Most of them will comply, on patriotic principles, under the convictions of the moment; and the non-complying may be crowded into concurrence by legitimate devices." --Thomas Jefferson to Thomas Cooper, 1814. ME 14:190

The Issuance of Treasury Notes

"Necessity, as well as patriotism and confidence, will make us all eager to receive treasury notes, if founded on specific taxes. Congress may borrow of the public, and without interest, all the money they may want, to the amount of a competent circulation, by merely issuing their own promissory notes, of proper denominations for the larger purposes of circulation, but not for the small. Leave that door open for the entrance of metallic money." --Thomas Jefferson to Thomas Cooper, 1814. ME 14:189

"Treasury notes of small as well as high denomination, bottomed on a tax which would redeem them in ten years, would place at our disposal the whole circulating medium of the United States... The public... ought never more to permit its being filched from them by private speculators and disorganizers of the circulation." --Thomas Jefferson to William H. Crawford, 1815. ME 14:242

"There can be no safer deposit on earth than the Treasury of the United States." --Thomas Jefferson to Lafayette, 1825. ME 19:281

"The government of the United States have no idea of paying their debt in a depreciated medium, and... in the final liquidation of the payments which shall have been made, due

regard will be had to an equitable allowance for the circumstance of depreciation."
--Thomas Jefferson to Jean Baptiste de Ternant, 1791. ME 8:247

Commercial Banking

"The art and mystery of banks... is established on the principle that '*private* debts are a public blessing.' That the evidences of those private debts, called bank notes, become active capital, and aliment the whole commerce, manufactures, and agriculture of the United States. Here are a set of people, for instance, who have bestowed on us the great blessing of running in our debt about two hundred millions of dollars, without our knowing who they are, where they are, or what property they have to pay this debt when called on; nay, who have made us so sensible of the blessings of letting them run in our debt, that we have exempted them by law from the repayment of these debts beyond a give proportion (generally estimated at one-third). And to fill up the measure of blessing, instead of paying, they receive an interest on what they owe from those to whom they owe; for all the notes, or evidences of what they owe, which we see in circulation, have been lent to somebody on an interest which is levied again on us through the medium of commerce. And they are so ready still to deal out their liberalities to us, that they are now willing to let themselves run in our debt ninety millions more, on our paying them the same premium of six or eight per cent interest, and on the same legal exemption from the repayment of more than thirty millions of the debt, when it shall be called for." --Thomas Jefferson to John W. Eppes, 1813. ME 13:420

"The bank mania... is raising up a moneyed aristocracy in our country which has already set the government at defiance, and although forced at length to yield a little on this first essay of their strength, their principles are unyielded and unyielding. These have taken deep root in the hearts of that class from which our legislators are drawn, and the sop to Cerberus from fable has become history. Their principles lay hold of the good, their pelf of the bad, and thus those whom the Constitution had placed as guards to its portals, are sophisticated or suborned from their duties." --Thomas Jefferson to Josephus B. Stuart, 1817. ME 15:112

"Put down all banks, admit none but a *metallic circulation* that will take its proper level with the like circulation in other countries, and then our manufacturers may work in fair competition with those of other countries, and the import duties which the government may lay for the purposes of revenue will so far place them above equal competition."
--Thomas Jefferson to Charles Pinckney, 1820. ME 15:280

"But it will be asked, are we to have no banks? Are merchants and others to be deprived of the resource of short accommodations, found so convenient? I answer, let us have banks; but let them be such as are alone to be found in any country on earth, except Great Britain. There is not a bank of discount on the continent of Europe (at least there was not one when I was there) which offers anything but cash in exchange for discounted bills."
--Thomas Jefferson to John W. Eppes, 1813. ME 13:277

"No one has a natural right to the trade of a money lender, but he who has the money to lend. Let those then among us who have a moneyed capital and who prefer employing it in loans rather than otherwise, set up banks and give cash or national bills for the notes they discount. Perhaps, to encourage them, a larger interest than is legal in the other cases might be allowed them, on the condition of their lending for short periods only."

--Thomas Jefferson to John W. Eppes, 1813. ME 13:277

"If the debt which the banking companies owe be a blessing to anybody, it is to themselves alone, who are realizing a solid interest of eight or ten per cent on it. As to the public, these companies have banished all our gold and silver medium, which, before their institution, we had without interest, which never could have perished in our hands, and would have been our salvation now in the hour of war; instead of which they have given us two hundred million of froth and bubble, on which we are to pay them heavy interest, until it shall vanish into air... We are warranted, then, in affirming that this parody on the principle of 'a public debt being a public blessing,' and its mutation into the blessing of private instead of public debts, is as ridiculous as the original principle itself. In both cases, the truth is, that capital may be produced by industry, and accumulated by economy; but jugglers only will propose to create it by legerdemain tricks with paper."

--Thomas Jefferson to John W. Eppes, 1813. ME 13:423

"Everything predicted by the enemies of banks, in the beginning, is now coming to pass. We are to be ruined now by the deluge of bank paper. It is cruel that such revolutions in private fortunes should be at the mercy of avaricious adventurers, who, instead of employing their capital, if any they have, in manufactures, commerce, and other useful pursuits, make it an instrument to burden all the interchanges of property with their swindling profits, profits which are the price of no useful industry of theirs." --Thomas Jefferson to Thomas Cooper, 1814. ME 14:61

"Certainly no nation ever before abandoned to the avarice and jugglings of private individuals to regulate according to their own interests, the quantum of circulating medium for the nation -- to inflate, by deluges of paper, the nominal prices of property, and then to buy up that property at 1s. in the pound, having first withdrawn the floating medium which might endanger a competition in purchase. Yet this is what has been done, and will be done, unless stayed by the protecting hand of the legislature. The evil has been produced by the error of their sanction of this ruinous machinery of banks; and justice, wisdom, duty, all require that they should interpose and arrest it before the schemes of plunder and spoilation desolate the country." --Thomas Jefferson to William C. Rives, 1819. ME 15:232

"It is said that our paper is as good as silver, because we may have silver for it at the bank where it issues. This is not true. One, two, or three persons might have it; but a general application would soon exhaust their vaults, and leave a ruinous proportion of their paper in its intrinsic worthless form." --Thomas Jefferson to John W. Eppes, 1813. ME 13:426

"To the existence of banks of *discount* for *cash*... there can be no objection, because there can be no danger of abuse, and they are a convenience both to merchants and individuals.

I think they should even be encouraged, by allowing them a larger than legal interest on short discounts, and tapering thence, in proportion as the term of discount is lengthened, down to legal interest on those of a year or more. Even banks of *deposit*, where cash should be lodged, and a paper acknowledgment taken out as its representative, entitled to a return of the cash on demand, would be convenient for remittances, travelling persons, etc. But, liable as its cash would be to be pilfered and robbed, and its paper to be fraudulently re-issued, or issued without deposit, it would require skilful and strict regulation." --Thomas Jefferson to John W. Eppes, 1813. ME 13:431

"I am an enemy to all banks discounting bills or notes for anything but coin." --Thomas Jefferson to Thomas Cooper, 1814. ME 14:61

Regulating Banking Institutions

"The principle of rotation... in the body of [bank] directors... breaks in upon the *esprit de corps* so apt to prevail in permanent bodies; it gives a chance for the public eye penetrating into the sanctuary of those proceedings and practices, which the avarice of the directors may introduce for their personal emolument, and which the resentments of excluded directors, or the honesty of those duly admitted, might betray to the public; and it gives an opportunity at the end of the year, or at other periods, of correcting a choice, which on trial, proves to have been unfortunate." --Thomas Jefferson to Albert Gallatin, 1803. ME 10:437

ME, FE = Memorial Edition, Ford Edition.