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Proprietor, J. W. H. BROWN.  
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These securities may be in themselves, they cannot be converted into gold and silver at the moment of pressure, as our experience teaches, in sufficient time to prevent bank suspensions and the depreciation of bank notes. In England, which is to a considerable extent a paper money country, though veiled behind our own in this respect, it was deemed advisable, anterior to the Act of Parliament of 1844, which wisely separated the issue of notes from the banking department, for the Bank of England always to keep on hand gold and silver equal to one-third of its combined circulation and deposits. If this proportion was no more than sufficient to secure the convertibility of its notes, with the whole of Great Britain, and to some extent the continent of Europe, as a field for its circulation; rendering it almost impossible that a sudden and unimagineable fall in the value of the paper should occur, and that the same proportion would certainly be insufficient under our banking system.

Each of our fourteen hundred banks has but a limited circumference for its circulation, and in the course of a very few days the depositors and note holders might demand from a bank a sufficient amount in specie to compel it to suspend, even though it had coin in its vaults equal to one-third of its immediate liabilities. And yet I am not aware, with the exception of the banks of Louisiana, that any State bank throughout the Union has been required by its charter to keep in any other proportion of gold and silver compared with the amount of its combined circulation and deposits. What has been the consequence? In a recent report made by the Treasury Department on the condition of the banks throughout the different States, according to returns dated nearest to January, 1857, the aggregate amount of actual specie in their vaults is \$68,349,836, of their circulation \$214,778,822, and of their deposits \$230,351,252. This it appears that these banks in the aggregate have considerable less than one dollar in seven of gold and silver compared with their circulation and deposits. It was palpable, therefore, that the very first pressure must drive them to suspension, and deprive the people of a convertible currency with all its disastrous consequences. It is truly wonderful that they should have so long continued to preserve their credit, when a demand for the payment of one-seventh of their immediate liabilities would have driven them into insolvency. And this standing that four hundred millions of gold from California have flowed in upon us within the last four years, and that the still continues to flow. Indeed, such has been the extravagance of bank credits that the banks now hold a considerable amount of specie.

But a Bank of the United States would not, if it could, restrain the issues and losses of State banks, because its duty as a regulator of the currency must often be in direct conflict with the immediate interest of its stockholders. If we expect one agent to restrain another or control another, its interests must, at least in some degree, be antagonistic. But the directors of a bank of the United States would feel the same interest and the same inclination with the directors of the State banks to expand the currency, to accommodate their favorites and friends with loans, and to declare large dividends. Such has been our experience in regard to the last bank.

After all, we must mainly rely upon the patriotism and wisdom of the States for the protection and redress of the evil. If they will afford us a real specie basis for our paper circulation, by increasing the denomination of bank notes, first to twenty, and afterwards to fifty dollars; if they will require that the banks shall at all times keep on hand at least one dollar of gold and silver for every three dollars of their circulation and deposits; and if they will provide by a self-executing enactment, which nothing can arrest, that the moment they suspend they shall go into liquidation, I believe that such a bank of a permanent character, and which would be for the benefit of the future, is possible.

It is true, however, that the United States does not possess the power of a national bankruptcy law, applications insolvency throughout the country, in the case of banks, and of individuals, and of corporations, and of the various forms of business, is one of the most important defects of our present system. In 1857 it is not equal to one dollar in seven and a half of their circulation and deposits.

From this statement it is easy to account for our financial history for the last forty years. It has been a history of extravagant expansions in the business of the country, followed by ruinous contractions. At successive intervals the bubble of most enterprising men have been leaping to their ruin by the excessive bank loans mere paper credit, exciting them to extravagant importations of foreign goods, and speculations, and ruinous and demoralizing stock gambling. When the crisis arrives, as it inevitably must, the banks can extend a relief to the people. In a vain struggle to redeem their liabilities in specie they are compelled to withdraw their loans and the savings; and at last, in the hour of distress, when their assistance is most needed, they find their debtors together sink into insolvency.

It is in this paper system of extravagant expansion, raising the denomination of every article far beyond its real value, when compared with the cost of similar articles in countries where circulation is well regulated, which has prevented our competing in our own markets with foreign manufacturers, has produced extravagant importations, has had the effect of driving out of our domestic manufacturing the present revenue tariff. But for this branch of our manufactures composed of raw materials, the production of our country—such as cotton, iron, and woollen fabrics—would not only have acquired almost exclusive possession of the home market, but would have created for themselves a foreign market throughout the world.

Deplorable, however, as may yet be our present financial condition, we are yet looking to a better future, and we are yet looking to a better future. We are yet looking to a better future, and we are yet looking to a better future. We are yet looking to a better future, and we are yet looking to a better future.

honored policy, and to stipulate with a foreign government never to occupy or acquire territory in the Central American portion of our own continent, the consideration for this sacrifice was that Great Britain should, in this respect at least, be placed in the same position with ourselves. What we have no right to doubt the sincerity of the British government in their construction of the treaty, it is at the same time our deliberate conviction that this construction is in opposition both to its letter and its spirit.

Under the late Administration negotiations were instituted between the two governments for the purpose, if possible, of removing these difficulties, and a treaty having this honorable object in view was signed at London on the 17th of October, 1856, and was submitted by the President to the Senate on the following 10th of December. Whether this treaty, either in its original or amended form would have accomplished the object intended without giving birth to new and embarrassing complications between the two governments, may perhaps be well questioned. Certain it is, however, that it rendered much less objectionable by the different amendments made to it by the Senate. The treaty, as amended, was ratified by me on the 12th March, 1857, and was transmitted to London for ratification by the British Government. That Government expressed its willingness to concur in all the amendments made by the Senate, with the single exception of the clause relating to British and the stipulation in the Bay of Honduras.

the existing treaty favorable to American commerce. He left the United States for the purpose of his destination in July 1857 in the war steamer *Minnesota*. Special Ministers to China have since been appointed by the Governments of Great Britain and France.

With France our ancient relations of friendship will continue to exist. The French Government have in many recent instances, which need not be enumerated, evinced a spirit of good will and kindness towards our country which I heartily reciprocate. It is, notwithstanding, much to be regretted that two nations whose productions are of such a character as to invite the most extensive exchanges and freest commercial intercourse, should continue to enforce ancient and obsolete restrictions of trade against each other. Our commercial treaty with France in this respect as an exception from our treaties with all other commercial nations. It is also to be regretted that this treaty, which is in many respects so liberal and honorable to both parties, should be so deficient in some of its provisions. The Isthmus of Central America, including that of Panama, is the great highway between the Atlantic and Pacific, and which a large portion of the commerce of the world is destined to pass. The United States are more deeply interested than any other nation in preserving the freedom and security of all the communications across this isthmus. It is our duty, therefore, to take care that they shall not be interrupted either by invasion from our own country or by wars between the independent States of Central America. Under our treaty with New Granada of 12th December, 1846, we are bound to guarantee the neutrality of the Isthmus of Panama, through which the Panama railroad passes, as well as the right of sovereignty and property which New Granada has and possesses over the said Territory. This obligation is founded upon equivalents granted by the treaty to the Government and people of the United States.