

R E A S O N S

FOR THE

INEXPEDIENCY OF CHARTERING

A

NATIONAL BANK.

DEDICATED TO THE PRESIDENT OF THE UNITED STATES.

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REASONS, & c.

THE history of our country for the past ten years presents the most striking vicissitudes that ever perhaps befell within so short a space any commercial nation. It has travelled through all the degrees of fortune and misfortune, and may be said to have touched on either hand the extremest point. We do not intend to dwell on the effects thus produced. It is not necessary to paint a picture with which all among us are familiar; but we may remark in passing, that neither the civil wars in England, which in the seventeenth century lacerated the bosom of that country for upwards of thirty years, nor the sanguinary revolution which uprooted the foundations of society in France some fifty years ago, nor our own war of Independence, which scourged the land for more than twenty years, produced so general and violent a change in the circumstances of individuals, or overwhelmed the land with such universal bankruptcy, as we have witnessed in our own country and in our own day. In another point of view, too, our pre-eminence is remarkable. The mass of crime that has been engendered and matured among us—not among the wretched and ignorant, but among the rich and reputable, in situations of trust and honor, occupying the higher stations and exercising the widest influence in society—is not to be equalled in the history of any civil community with which we are acquainted.

Now, when we come to inquire into the causes of this moral ruin, the hideous effects of which surround us on

every side, we are forcibly struck with the fact that it cannot be attributed to any revolution in the State, nor to foreign oppression—there has been neither civil nor outward war; nor to convulsions in general commerce; nor to a bad condition of things in any other country with which we are closely linked in trade. The outward atmosphere has been all calm and peaceful, while within our borders a disorder has been raging, consuming the vitals of trade and property, poisoning the morals and peace of society, and leaving in its train a scene of pain and exhaustion, capital wrecked and scattered, and the nation oppressed by a weight of foreign odium and reproach. such, we presume to say, as no commercial country ever before presented without the sad reality of some horrible convulsion,—such as adorn the mournful pages of history. Where, then, are we to find an adequate cause for such wide-spread disaster? The ready answer is at hand: our financial difficulties have produced the evil. Did financial difficulties ever rise so in dignity before! Blessed country, whose financial difficulties can inflict upon it pains equal to what other nations have experienced only as a bitter judgment on the atrocious crimes of revolutions, or as the accompaniment of some great calamity that has reft them at once of liberty and existence!

Still pursuing the inquiry, if we ask for an explanation of these financial difficulties, we find that the only reasoning answer we are to receive has been already given. Beyond this all is doubt, confusion, and ignorance. Financial theories have been taken into the keeping of political parties. They are bandied about by demagogues in the thick and Bœotian atmosphere of political meetings, and questions that demand the highest degree of calmness, candour, and patience, astute and clear-sighted powers of reason, for their proper investigation, are presented as a sort of test oath to all the reckless men in the country, to prove their eligibility to

office. Better men too, those at least who do not gain their daily bread by daily wrong, who do not live upon office, nor expect to do so, lower their heads beneath the muddy waters of party, unheeding where the stream may carry them, without ears to hear or eyes to see for themselves. Hence it is that public sentiment among us, instead of being virtuous and enlightened, marked by good sense and honesty, a check and intelligent guide to the public servant, has become a poor, blundering, blinded, inconstant creature, unrespected and unfeared, whom every politician in the country may aspire to shift, confound, and defraud—even to manufacture, as his own unprincipled designs may require. Hence it is, that the country is covered by a weak and besotted legislation: laws of temporary expediency, of positive iniquity, of certain injury to the happiness and welfare of society; a tangled net of paltry, unprincipled devices, which bid fair to reverse the example of a people rising in their strength to overthrow a government, by showing how a government may overthrow and destroy a people.

If there is any one blessing more than another, that needs to be invoked for our country at the present time, it is that men may learn to reflect—to form calm considerate judgments on public affairs, and to give these judgments utterance. There is about our countrymen a subserviency, not to kings or potentates, but to the rule of a majority, that does not grace, but disgraces the front of a freeman. We are so little habituated to the exercise of our reason upon matters of public concernment, that the faculty itself becomes dried up and withered; and in place of it, we are apt to foster passions and prejudices, which in truth form the very worst substitute; for even these passions and prejudices are not of free and natural growth, but artificially excited and planted at the will of party leaders. This spiritless lack of intellectual vigor is a deformity in individual character, but, in a country blessed by free institutions, of fatal detriment

to its safety and good government. Strange as it **may** seem, the people of this free country are the truckling slaves of unseen influences, but not the less imperative because unseen, that haunt them at every turn. To **these** they surrender self-respect, self-judgment, and other **personal** rights, that in less favored lands are wont to be prized above life itself; and this cringing deportment, be it **re-**marked, too, is in painful contrast with the free and upright bearing of the unfortunate subjects of governments, whose institutions and condition we are disposed to visit with **our** scorn or hatred.

These remarks are but preliminary to our main object. The question of a National bank is likely soon to be stirred in Congress, and it is this question we now propose to **dis-**cuss, with all possible brevity. We do not claim that **our** opinions are infallible, but we respectfully urge upon **our** readers to put away trite and childish common-places, and to examine this important subject with something of the candid air of men, the reasoning part of whose nature is **not** quite buried beneath sordid passions and fears. The **good** of our country must be, as it ought, our governing principle. Patriotism is a capacious as well as noble feeling; it includes in itself policy, expediency, and our own individual interests,—we cannot cherish it without profit and honor, and we are not permitted treacherously to evade it, without punishment of the perfidy, instant and direct as the lightning from Heaven.

§ In the present age the currency of all commercial countries is composed of gold and silver coins, or of a mixture of these with paper. This paper is but the representative of the precious metals, for it exists exclusively in promises to pay them; it cannot serve the purposes of money out of the country where issued; it has no external

currency ; whereas gold and silver, in the shape of coin or bullion, are current in the general market of the world as well as within the borders of each country respectively,—and hence these metals form the general currency everywhere of value, of the same value, and that value constant. Now this general currency, enormous in amount when gathered into one sum, is divided among different countries in a certain proportion to their population, their wealth, and their trade, and this division depends on natural laws, which it requires much effort to disturb, but none to enforce. The share of each country, thus ascertained, is precisely the amount of money requisite to exchange the products of its several parts, to transact its business, and to serve the common purposes of life, whatever that may be. It is variable, because the population, the wealth, and trade of the country, may in the course of years increase or diminish, but the proportion by which it is governed is not so. Now to apply this principle, let us take a single instance—our own country for example. We have a mixed currency, depreciated at times by excessive issues ; but we will select a period when it is not depreciated, and under this condition competent observers have estimated the amount of specie in circulation at eighty or a hundred millions, to a hundred millions of paper, making in round numbers an actual currency of two hundred million dollars. Proceed we, then, to strike out of existence this hundred millions of paper,—instantly, the channels of circulation it filled are equally occupied by gold and silver, and this without the aid of laws or effort of any kind. It comes we cannot tell from where, but it comes as surely as that the sun will rise tomorrow. A case in point from a neighboring State—in 1828, the Legislature of Pennsylvania enacted a law prohibiting the issue of bank notes of a less denomination than five dollars. A prominent member of the Senate opposed its passage in a speech, from which the following sentence is an extract : “ Pass

this law, sir, and there would not be specie enough in all the world to supply your want." What shall we say of this enlightened legislator, but that he was wrong. The result proved it, for in six months after the law was passed, small notes entirely disappeared from circulation, and were replaced by silver change, without money pressure or derangement of business of any kind. The change was so tranquil as to be unfelt.

Reverse this principle, and we discover a still more important one on the back of it: it is that if you put in circulation paper, where specie circulated before, you immediately drive the latter out of the country—in other words, though paper and specie may circulate together, provided there be room for both, yet in proportion to the issues of the one the other will disappear, and if the amount of these issues of the requisite denominations is sufficient to fill the channels of the currency, the other will totally disappear. There is not a section of our country that does not afford repeated proofs of the truth of this.

Now, from these data, we establish two points, very useful in all reasoning, on our present subject: 1. We know the amount of specie that will inevitably flow into the country and permanently remain in its service, provided we remove the paper barrier that keeps it out: the full amount that the population, the business, the habits of the country require, whatever that may be: and 2. We know the amount of specie we lose, if we prefer to have a currency partly or wholly of paper. These points properly directed must fatally transfix the notion, that without paper, the country would not have sufficient money current for its trade, its business, and the wants of life. At this moment, in the State of New York, the currency is not depreciated: and if every bank note were destroyed, it would indubitably remain the same in amount though changed in its nature.

§ Pass we now to the consideration of what this country has been over and over again familiar with,—a depreciated currency. The amount of money circulating in any country, *i. e.* the currency of any country, bears a fixed proportion to the sum of its population, its wealth, and its trade. The currency of Great Britain is larger than our own, and the latter exceeds the currency of other countries possessing a smaller aggregate of population, wealth, and trade. The currency of Great Britain is larger now than it was in 1815, at the end of the war, and the currency of this country has very much increased since the peace of 1783; in both countries, occasioned by the growth of their population, wealth and trade, respectively. In using the term *money*, we have single reference to the precious metals, to that which is universally current, and not to *paper*, which is called money and serves its purposes only in the country where issued, but outside of that country is no longer current. In the precious metals, then, the currency of every country must be measured, for in these only it exists. If in the case of any particular country, paper has been substituted instead, we must then estimate what quantity of the precious metals it displaces, and that amount is the true, just and indisputable measure of, and in fact is *the* currency, of that country. Hence, we arrive at the impregnable position, that the currency of any country can grow only with the growth of the sum of its population, wealth and trade. Should the sovereign power—the experiment has been tried—coin many millions of money, and continue this for years, the currency would not be increased thereby one iota: the excess of coin would constantly leave the country, or if the physical means of departure were wanting, equally pass out of circulation and lie idle at home. But what is true of money properly so called, is not so of its paper simulator. It is impossible to force more coin into circulation, than the precise amount that measures and makes the currency of the country; but

issues of paper, provided they have value or are so reputed, may be made to circulate to twice, to treble, to quadruple the amount of the currency, or, in fact, to an extent unlimited by the law that applies to coin. Now, bearing steadily in mind *what* the currency is, and *by* what it is measured, when we find it thus overlaid by issues of paper, we recognize at once the fact that it is depreciated, and depreciated in proportion to the excess of these superfluous issues; and the glaring evidence of this is ever present in the rise of prices at home, though unfortunately the prices of our produce and manufactures in foreign markets remain unaffected by the change.

Again, there is no doubt that the currency of a country forms part of its capital, but this is true only of currency such as we have described it. The excess of paper issues is not capital, nor does it represent it, nor even point to it; it plays many important parts certainly in staying its growth, and even destroying a country's wealth, but it cannot increase that wealth a single shilling. On this point the opinion of all countries and all men is unanimous, for a depreciated currency, when distinctly held up to view, is universally dreaded as a curse.

Some persons however, though conscious of the disadvantages of paper issues, which indeed all admit, yet fancy they find a particular benefit in them, which this country can ill afford to surrender. Without paper, say they, the manufactures and trade of the country would still be in the infant state of colonial times. If this were so, it would stand out a remarkable fact, inexplicable by any of the known principles of human nature, by any of the recognized means of public prosperity, by any of the common elements that go to make up national wealth. Hence, intelligent and cautious minds would receive it at the outset with suspicion, and as the processes of reason, competent to develop the truth on all other subjects, are powerless to account for this, they

would naturally turn round for *proof*; but the only evidence that can be adduced is the fact, that since the period of our national independence, and even before that time, paper issues have existed among us, and that the growth of our trade and manufactures, whatever that may have been, has taken place under the influence and in the close embrace of this system. True, but this evidence may be used on the other side too; it is as easy to say that paper issues have retarded, as to insist that they have favored, the growth of trade and manufactures, with this difference, however, that the former assertion coincides with the result our reason teaches us to expect, while the latter is irreconcilable with it. Again, if this virtue did really reside in paper issues, would we not expect to find the growth of trade and manufactures, within the same time, greater in a country where they form a larger part of the currency, than in one where they constitute less. In England, paper issues form a far less portion of the currency than they do with us, and this is as true of any period within the last sixty years as it is at the present moment, and yet any person who should affirm that the growth of our trade and manufactures, great as it has been, exceeds or even approaches the vast increase of trade and manufactures in that country within sixty years, affirms what is not consonant with the truth; and yet even in England, there are many sound thinkers and able statesmen to contend that this increase has been retarded and stunted by the existence of paper.

No reasons then can be shown, why paper issues should favor the growth of trade and manufactures, and no *proof* that they have ever done so; in reason and in proof, however, of their opposite tendency, the arguments and the evidences are numerous and irresistible; of these we shall select but one, that may serve our purpose as well as a thousand.

We must bear in mind that individual capital makes up

the sum of national capital or national wealth, and that consequently never a bankruptcy happens in trade without loss of capital to the country. If the bankrupt's assets suffice to pay his debts, his own capital has been entirely lost; if not, then, in addition, he has diminished the capital of other people. Associated or chartered companies, formed for constructing canals or railroads, or for other purposes, no matter what, stand in the same category; if their capital has been expended upon objects that will not return a net interest, more or less of it has been lost in proportion as those returns are great or small. States that have borrowed money in Europe, for internal improvements, that, when made, do not pay interest upon their cost, have also diminished the capital of the country; the money so borrowed, remains an outstanding debt, or it is paid: it can only be paid by a resort to taxation, which is directly a forage upon the capital of individuals, and in either case it is subtracted from the amount of the nation's wealth.

In this way, during the reverses of 1837, and again of '39-40, an immense amount of capital was lost to the country. No one can doubt, no one denies, that the proximate cause of these was the paper issues, which, just prior to the period first named, had reached an amount exceeding by more than fifty millions their amount at the present day, and by a still larger amount the measure of the country's currency, and again, between the first and last named period, after dwindling down to a comparatively small compass, had again overflowed—a single institution in the space of six months having put out forty millions. But examples of this, and always attended with the same effects, the least to be regretted of which is the heavy loss of capital, have been frequent in our country. Few of us have not lived long enough to have witnessed it not once, or twice, or thrice only, but many, very many times; and there are few persons, if any, whose individual losses thereby occasioned,

have not made them realize in their own persons, a portion of the loss of capital which the whole country has sustained. These examples, too, stretch over the whole of our history since we have been an independent nation; within a year after the first charter of a National bank in 1795, paper issues visited the land with wide-spread disaster, which has been the type of subsequent and oft-repeated instances of similar ruin and distress. Now, unless heavy and oft-recurring losses of capital are supposed to favor the growth of trade and manufactures, this effect cannot be predicated of paper issues, our experience of which—and no country ever had such ample and familiar acquaintance with them—is invariably attended by injury and loss. No: the growth of this country in wealth and greatness has resulted, not from paper issues, but in despite of them. The fresh and vigorous energies of a youthful nation, the enduring virtues of our Saxon ancestors—blood, bone and muscle,—have enabled us to contend against them, and clearly to understand what we might have been, had no such impediment existed in our path.

§ Banks and banking, properly so termed, describe a business very different from the issuing of paper intended to pass as money. Their appropriate employment is the receiving other people's money on deposit for safe keeping, lending other people's money or their own on security or on credit, and finding a profit in the equation of exchanges on distant places. Such is the occupation of the numerous banks that are found in all large cities in Europe, and in all other countries where European manners and commerce have penetrated. Banks of discount and deposit had thus existed for many centuries, but the charter of the Bank of England was the first notable instance of a bank of *issue*. This deliberate grant of the sovereign right of making the money of the realm, set a fashion that has ruled in England

from that time and subsequently passed to this country. In the former, however, ever rigidly hampered by narrow bounds, it has produced less—in this, unlimited and licentious to an extreme, it has worked greater ills. The object of the Legislature in passing this charter was connected with the temporary convenience of the Government, but had no relation to any expected benefit to the public. The taxes and customs in former reigns had supplied its wants; but gradually becoming insufficient for the purpose, recourse was had to loans; but these were sometimes effected with difficulty, and always with delay; and now, for the first time, the plan was suggested of inducing the public, by the temptation of an extraordinary privilege, to subscribe a capital that might answer as a standing reservoir to supply the necessities of State. The evils of paper issues were not entirely unforeseen; but no one supposed that there could be advantage in them; and all the convenience to the Government thus purchased, had reference simply to the facility of borrowing large sums. The object was attained, and in the course of not many years, the whole of the large capital of the bank became invested in loans to the Government, and so remains to the present day. At the time of the formation of the Federal Constitution, these evils, then recognised in England, the recent fate of Law's bank in a neighboring country, and the still fresher traces of the Continental issues in our own, induced its framers, while they announced an exclusive power in the Supreme Government to coin the money of the country, which of itself barred the right of any State to issue paper substitutes, to insert for greater safety a prohibition, which, had it been duly obeyed, would have saved us from copying a bad example only to display its inherent vices to a yet unexampled extent.

We have thus far confined ourselves to a short-hand statement of familiar principles, universally assented to by all who have given attention to the subject. We have all

had experience of the practical evils of paper issues ; and **though** all of us have not equally applied these principles to **the** state of things before us, yet we have only to do so to **see** the cause of the country's past and present misfortunes **stripped** of every thing like mystery. We now come to the **discussion** of our more immediate subject.

§ At this moment there exist in the United States nearly **one** thousand banks, chartered by the laws of twenty-nine **States** and Territories, and only controlled by the **Legislatures** from which they have received their charters **respectively**. With the exception of New York and New England, **these** banks are practically released from payment of their **debts** ; and hence, in most parts of the country, the currency **is** depreciated, and would be much more so, had not New York and New England continued to maintain cash **payments**. No plan has yet been suggested by which **uniformity**, or even an approach to it, can be attained in the **laws** by which these numerous institutions are chartered, or **in** the principles which regulate their business and mode of **operation**. Indeed, under present circumstances, the wit of **man** cannot devise any such plan. It is easy to lay down **the** rules which should govern the business of any individual **bank** ; but when we desire to enforce these rules upon a **thousand** banks, with a National bank above them, whose **power** is without responsibility and supreme, we find the **task** impossible. Many among us are disposed to dwell on **the** few and simple principles which should rule in the **direction** of every bank disposed to act faithfully by its stockholders and the public, and others discriminate as justly what **they** call the abuses of the system, each party forgetting the **while** that the difficulty of the case lies not in searching out **principles** obvious to every understanding, or in discovering **abuses** which glare upon every eye, but that the present de-

mand upon their wisdom is for some practical, permanent, and unfailing mode of enforcing these principles and preventing these abuses.

Will the charter of a National bank answer these ends? The power of a national institution over State banks is simply that of the stronger over the weaker, but it involves no principles which can be set to watch, to guide, or restrain the business or the abuses of these weaker agents. It is a creature of precisely the same constitution with themselves, acting in the same sphere, with like propensities, subject to like temptations, and harboring the same inherent vices it is called to control in them. If the directors of a State bank sometimes swerve from their duty, so do the managers of a National bank,—if the one sometimes abuse their trust to private ends, so do the other,—if the former are sometimes shamelessly dishonest, so are the latter,—with this difference, however, that the power and the opportunities of evil are much the greatest in the bank of controlling capital, even if it does not give to these minor institutions the ability to expand their issues injuriously—such, however, is the fact.

We have witnessed in the course of some fifty years, the existence of three national institutions, each one of which has run precisely the same course of alternate expansions and contractions, dissipating the fortunes and happiness of thousands, disordering trade and wasting the capital of the country, each one of which has been marked at some period of its career by confessed mismanagement, by palpable fraud and dishonesty, by the indignation and opprobrium of all honest men. While the process of expansion is going on, every one is easy and comfortable, and some are sure to exclaim, Was ever country blessed with such a perfect currency! But in two or three, or five years, the periodical revulsion comes, and this perfect currency vanishes. To call the currency of a country with sixteen millions of inhabi-

tants, *perfect*, which depends on the will of a knot of silly and wicked men, or who may be both, or of one man who does not or may not possess ordinary good sense, or ordinary integrity, evinces great lack of wit: and yet ever since the passing of the act of Congress, in 1793, adopting the Bank of North America as a national institution, this country may be said never to have had a currency of any other description. A well managed bank never does harm. True; but if our trust and our safety are to repose upon good management, State banks are equally susceptible of good management with a bank chartered by Congress; and if they were universally and for all time well managed, the argument for the necessity of a national institution is without object—but while the contrary of this is the evil to be cured, to invoke the form of a National bank, more liable to mismanagement, more difficult of good management, and powerful to produce ills in these very State banks, which would not be found without it, would seem to be like reasoning in a circle: it brings us back to the point whence we started.

The folly of entrusting the currency, an interest more vital perhaps than any other in the frame-work of society, to the characters of *men*, has been often evinced in this country, but never perhaps *more* strikingly displayed than in the recent developments at Philadelphia. For some years these men have exercised supreme control over trade and business; their measures have worked great ills to individuals, and inflicted great evil on the country at large; and yet so completely were their operations hidden by the screen of a national charter, that, for some portion of this period, they were lauded by a large and respectable party in the country as its wisest and purest friends. The curtain now falls, and reveals in these very individuals a profligacy of principle and conduct that may have been equalled, but never has been surpassed, in the annals of fraud and speculation.

§ Another chief argument for the chartering a National bank, is that it may serve as a regulator of the exchanges. This regulation of the exchanges is a phrase taught us by the same master genius, who has maintained in theory and practice the necessity of millions of bank issues, to help the crops to market, and again diminishing the circulation to an equal amount, to correct the tendency to overtrading, and the hundred other absurdities and criminal disturbances of trade and industry, which it has been his pleasure over and over again to inflict upon us. The phrase is obscure in meaning; but the best meaning that can be affixed to it involves a manifest and injurious fallacy. The desired end probably is, that the merchant in the Atlantic cities who sells a bill of goods to a purchaser residing in a different State or distant part of the country, may receive a remittance which shall be at par at the place of sale. In other words, that he may be protected from loss by a difference of exchange or difference of value between a depreciated currency and a sound one. Let us remark, that the seller is affected by the *fluctuation*, and not at all by the *permanent rate*. A change occurring subsequent to the sale may involve him in loss, but circumstances existing at the time, and continuing unchanged to the moment when the goods are paid for, enables him to avoid injury by shaping the contract accordingly. The evil of disastrous fluctuation belongs exclusively to a monopoly of the business of exchange by a National bank: under the operation of the natural laws of trade it never can be found, as surely as it always has and always will be felt under the influence of a national institution, the whole art and mystery of whose dealing is to expand their issues when about to sell, and to contract them when disposed to buy.

The theory of exchange, though much mystified by the arts of evil teachers, is easily comprehended. Each coun-

try, or district of country, buys just as it sells; the price obtained for its products, is the fund with which it purchases from others; these products being sent abroad, and the proceeds used to purchase what may be necessary or desirable at home. It is usually said that no country has the ability to purchase more than it sells, and truly said, for though a country may for a short season overtrade, yet this is instantly followed by the embarrassment of debt without means to pay and the necessary crippling of future purchases until the balance be restored. The products of the country, natural or manufactured, are usually forwarded by one class of merchants, and the purchase of foreign articles for use or consumption forms the business of another. Thus suppose an exporter has shipped a cargo to England and sold it there, his object is to receive his money out of the hands of his English correspondent. An importer appears who wishes to place his funds in England, to purchase goods there: instead of fetching money across the ocean and sending money back again, the one sells to the other a bill on his correspondent, and this effectually answers the object of both—this is simply exchange.

Now, it is apparent, that as a country buys with the proceeds of what it sells, there will be just as much exchange to sell as there is any want to buy; and thus in every country, exchange on any other country with which it trades, unless there be overtrading, will be constantly at or very nearly at par. If there is overtrading, it amounts to this, that the country has purchased abroad more than it has funds abroad to pay for, and of course there will be an increased demand for bills to remit, and this extra demand will raise the price. But this is a positive advantage, for it serves to indicate the evil that otherwise might not be so readily discovered: it is a sure guide for the daily operations of business, which the merchant cannot well do without; and so soon as the excess of importations so injurious to the whole class of sellers no

longer exists, the price resumes its accustomed level, and the merchant may safely import again. For some time back, exchange in the city of New York, on England, has been at par, and unless artificial disturbance should be again introduced, it will probably never for any length of time rise much above the cost of importing money.

Domestic exchange is precisely similar to foreign; the same principles apply to it: it is governed by the same natural laws. Take for instance, New Orleans. This city is the commercial centre of the South-Western States; it receives the sugars and cotton from the country, and ships them to New York and Liverpool for sale, and with the proceeds purchases goods, which it fetches home and distributes to the surrounding country. From the circumstance that its shipments are principally composed of agricultural products, bills are less scarce at the seasons of the year when the crops come to market than at others; but besides this, and without overtrading, can any one adduce an intelligible reason why exchange on Liverpool and New York, in New Orleans, should ever much exceed, if at all, the cost of transporting money to those places respectively. None can be adduced; and our actual experience would always have conformed to this, were it not that we have lived in the grasp of an artificial system that distorts and displaces the natural laws of trade, as it does for the most part the natural obligations of justice. So with every city and neighborhood in the country, no matter where they trade or where they buy, exchange depends on causes equable and beneficial as the laws that move the tides, accompanying and preserving a condition of things, which, instead of being a misfortune or impediment to any pursuit, is the only state in which trade thrives, the country prospers, and the industry of individuals secures its merited reward.

The premium of exchange, which, when left to the control of natural causes, is constant and small in amount, and which in no instance in this country, even at the most distant point from the centre of trade, would ever exceed two or two and one half per cent., is of no disadvantage to any body. The merchant purchasing abroad charges it in the price of his goods, and the consumer receives it in the increased value of his funds produced by the sale of crops and manufactures abroad. This is not generally thought to be so, by people in business, but it is nevertheless true. It is not admitted, because our theory has always been prompted by the artificial effects of artificial causes, and not by the state of things that must inevitably ensue so soon as these causes are removed. The cost of exchange among us has ordinarily been affected by the existence of a depreciated currency in one place or another, or by the fact that there has been but a single dealer in the article throughout the country, whose enormous capital has enabled him not only permanently to drive away all private competition, but from the power possessed by him to increase and diminish the ability to buy, to make the market according to his own exigencies. Thus we assert the broad proposition, that the interests of people in trade require no *regulation of the exchanges*; the phrase itself is a palpable absurdity, akin to that of *regulating the currency*, and of *restoring confidence*, which the artful folly of one man has for years been indoctrinating the country into the belief, are essential blessings exclusively within the power of a National bank to dispense, whereas the truth will sooner or later be established, that the vicious system which he has so long guided, never can secure a permanently good currency, and never can inspire stable and reasonable confidence.

But suppose it were within the power or will of a National bank permanently to sink exchange below the natural rate. This would not be of the least advantage to trade, or to

persons engaged in it; on the contrary, it would produce an unnatural state of things, involving inconveniences and dangers. But this is what no National bank has ever done, because to do so would be not only to throw away profit, but to incur actual loss; on the contrary, cupidity and the temptation resting in exclusive possession of the business, have invariably led to raising the rate as far as possible. There are, we think, few merchants or others familiar with trade, who will be disposed to deny that their experience confirms this. In England, Scotland and Ireland, in France and elsewhere on the continent, in all other countries save our own, domestic exchanges are left to individual bankers and private competition—so should they be here.

But it is said that the notes of a National bank enable a man to travel from one end of the country to the other, and always find the money he carries with him at par. This is, in a degree, an imaginary advantage: it is at best but a trifling one, and not at all worthy to be put in contrast with the acknowledged and enormous evils in other respects of the system that is said to produce it. It would be a cheap sacrifice to surrender this as the price of exemption from expansions and contractions of paper issues, disorders of trade, and periodical and quickly succeeding periods of loss and disaster to the capital and industry of the country. But it is certain that this advantage, small as it is, would be equally present in the natural, permanent, and healthy condition to which trade and business would soon attain, if left to themselves. Let us turn for an example to the States of Europe, where no such machinery covers with its pernicious scaffolding twenty-six distinct sovereignties, and we find that at one or more banking-houses in London you may purchase bills of exchange, payable at all the principal places on the continent, in such sums as are desired, in the currency of each place, and without commission. They give you a general order, endorsed with your own signature, on their one hun-

dred and fifty correspondents, and you fill up the blanks on presenting them. Here is the effect of free trade and open competition in the business of dealing in exchange; and this effect we are sure to find permanently planted and flourishing in this country, if we do not continue bent upon the object of *regulating the exchanges* through the medium of a National bank.

§ Another argument is found in the common observation that the agency of a National bank is essential to the General Government in collecting and transferring its funds. This belief is grounded in error. It springs from the actual condition of the country, which has oftentimes existed before, when its different portions have a depreciated currency and different degrees of depreciation—a condition clearly to be traced to the existence of a National bank only, and which we shall hereafter show, by sound and obvious reasons, never would be found without one. Thus the bank creates the state of things whereby the funds of the Government are lost or wasted, and then avers that its services are essential to prevent these losses. Such reasoning surely ought not to have much force.

The revenue of this Government consists exclusively of customs and receipts from the sale of the public lands. The customs are paid in the commercial cities, and in exact proportion to the trade of these cities respectively. Suppose, for a moment, that exchange is left free of artificial disturbance and disorder, that the money of the country is permitted to flow under the influence of natural laws, and as the wants of trade require, the Government would then find that its funds were collected precisely at the points where they are most valuable and most wanted. Its disbursements in distant parts of the country, or in parts where no customs are paid, would be made by drafts on the commercial cities. These drafts would always be more valuable to the creditor

than an equal payment in coin: or if the sums to be paid were small, the disbursing officer would himself draw under authority of the Treasury, and pay contractors, laborers, and others in coin, or in the notes of specie-paying banks, or whatever else may form the approved money at the point in question. All salaries would be paid in the same mode, and this payment would be positively gainful to all persons having money to receive of the Government.

Thus the funds of the Government would be found at Boston, New York, Philadelphia, Baltimore, Charleston, New Orleans, &c. Every part of the country bears a relation to one or other of these places as to its commercial centre. There would be no possibility of a call for bills on any one of these points too great for the amount of Government funds there, because the trade of each place, and consequently the customs paid there, depend on the extent of the commercial district that surrounds it. But in case the Government should be engaged in improving harbors, erecting fortifications, or in any other works involving extraordinary expenditures, then we find that these commercial centres point to one great centre, to which they bear the same relation that each district of country from which they receive and to which they sell, does to them respectively. New York is that great centre: all parts of the country have use for funds there: never does it happen in any part of the country that private, much less Government bills on that city, are obliged to be sold at a discount. A public creditor residing to the east of Boston might be very well content to receive a Government bill on that city, but a like bill on New York would equally pay his debt, if it did no more.

To enforce this view, which indeed every one with a little reflection may work out of his own experience, let us suppose, instead of the Government, the case of an individual. Imagine a person with a very large capital, owning factories in New England, working coal mines in Pennsylvania,

growing wheat in Ohio, planting cotton in Alabama, and the sugar-cane in Louisiana, and that all the ready money with which he carries on these diverse employments of capital is deposited in the different Atlantic cities, or all of it in New York, would he find that the necessity of drawing his money from New York, as wanted at so many different points, is to occasion him loss or inconvenience? Certainly not. But, if all his funds were deposited at Lowell, or at Pottsville, or at Cincinnati, or at his plantation in Alabama, or at his sugar estate in Louisiana, the case would be different; and in disbursing it at one or more distant points, he would then incur loss. Just so is it with the Government: there are no other places of deposit for its funds than the Atlantic cities that would not involve loss and inconvenience; and these cities are the very places where these funds necessarily accumulate.

With regard to sales of the public lands, the specie circular, which excited angry debate some few years since, has also fostered misapprehension, for passion and prejudice on either side of a question are not favorable to clear views. The simple truth of the matter is, without touching at all the question of the necessity or expediency of this executive act at the time, that the Government has a clear right to require payment for these lands in whatever kind of funds it may please to select. Practically, and for a long course of years, the notes of specie-paying banks have been taken in payment of Government dues, but neither the constitution nor the former legislation of the country contained any direct warrant for this; and we must therefore confess, that there was some ground apparent for this assumption of right on the part of the executive, to require purchasers at these sales to pay what alone is recognized by law and the constitution, and what alone is—money. The objection made to this, that it was requiring a different kind of pay-

ment from different classes of public debtors, is utterly unfounded in reason. The persons who attend these sales with the view of purchasing, are in no sense of the word debtors to the public. The terms of sale are shaped, as in the case of any other sale, as the interests or wishes of the owner may require ; they do not form an *ex post facto* regulation, but are announced beforehand ; the company assembled are not public debtors, but persons disposed to buy if it is for their interest to do so ; and to say that these terms may not be as they are, without infringing the rights of these individuals, is simply a notable misunderstanding of the very nature of right.

With regard to these sales, then, under a natural condition of trade and business, a blessing which this country has seldom, if ever experienced, but which is sure to be brought about, if our legislators will only leave us free and undisturbed a few years longer, it would be for the interest of the Government to require payment for lands in New York funds, or of some other of the Atlantic cities ; and in this way, the receipts from the public lands, like the receipts from the customs, would be found at the very place where the convenience of future use and disbursement requires that they should be. Such a requirement would not interfere in the least with the convenience of purchasers. Immigrants, who always form by far the larger portion of these purchasers, land on the sea-board ; of course, the money they bring with them is there in the first instance, and this money cannot be transported to the West without expense and risk ; to these, therefore, such a requirement would be directly suitable—and to purchasers residing in the West, Atlantic funds could always be obtained for a small premium, while the cost and risk of tendering specie would involve much greater expense. Thus, in 1833, 1834, and 1835, prior to the operation of the specie circular, it is a fact well known, that the purchases of public lands were principally paid for

in Boston, New York and Philadelphia funds ; and it was a mode voluntarily chosen by purchasers, because convenient to them.

The transfer of the public funds under the circumstances alluded to, would be easy, simple, and regular. Imbecility, it is true, must no longer preside over the Treasury. Punctuality, and a reasonable degree of skill, so essential to the good credit of everybody, would be wanted in the Department ; but then the times would be steady, and these requisites proportionably cheap. The intervention of a National bank interrupts the operation of natural causes, displaces the laws that govern the flow and reflux of money, violently raises and depresses its circulation, and renders every pursuit uncertain and unsafe, save that of speculation in the currency. It directly produces this state of things ; and then, and then only, can it claim that it is a necessary agent in the transfer of Government funds.

§ As to the mode of collection and keeping of the public moneys, we are aware that great diversities of opinion exist. We are not willing ourselves to subscribe to either extreme. We remark, however, that this Government exists in a country with a mixed currency ; and this will probably always be the case. At any rate, it is clear that the General Government, even if so disposed, lacks the actual power to change it. The question is, as to the *best* mode, under the actual circumstances of a mixed currency ; and we need not look far to see that the plan of receiving only gold and silver, and depositing this in Government vaults, is impracticable, or so far impracticable, that the interests of the revenue would suffer infinitely more than they would gain by it. Now, if we observe that individuals have deposited their money in banks for ten, twenty, thirty, forty, or more years together, without loss, it cannot be but that the Government may, with equal discrimination and equal caution, do the

like ; and this plan, though never tried except in the presence of a National bank, or, at least, in very crisis of the disorders and confusion it had bequeathed as its legacy to the country, will, we presume to think, be found the true one. It is no objection to it, that the Government will then have to do with bank notes. From the earliest date, it always has received the notes of specie-paying banks, and to this moment continues to receive them ; and there is no reason why it should not. In Great Britain, in France, and perhaps elsewhere, though we are not informed as to other countries, the Government uses the same liberty and discrimination in receiving bankers' notes that individuals do. Its agents are responsible in their bonds, but, with this security, they may and do receive whatever notes they deem entitled to credit. In the absence of a National bank, and in the absence of its peculiar evils, the stability of State institutions will be infinitely increased. In confirmation of this, we point to the banks of this city. Where can the instance be found, of greater strength and good conduct under difficulties and disaster, than have been exhibited by these institutions since 1838. Their suspension in 1837 was directly caused by the Bank of the United States ; but, at a period further removed from the existence of a national charter, and more completely freed from its entangling tyranny, we see another and much more violent attempt to break them fail of success.

Let us recollect that it will only be in the large commercial cities, where the banks are of the highest credit, that the Government will have large sums to deposit. It may now and then, perhaps, find it convenient to remit twenty or thirty thousand dollars to a country bank, to meet the payments of some disbursing officer ; but even this, under a stable condition of affairs, it will be enabled to do with safety. Now, it is certain, that in Boston, New York, there will always be found more or fewer banks with whom the Gov-

ernment may safely trust its deposits. There is no difference, in point of security, between holding the notes of a bank and having credit on its books as a depositor. The Government always has been, and always will be, a heavy holder of bank notes; and at this moment, should all the banks in this city prove bankrupt, it would certainly incur a very large loss. But, if the risk is too great, divide it among many banks: place specie, or the notes of one bank, as a special deposit with another: or, in short, make whatever conditions or rules may be expedient, it is not to be doubted that banks of sufficient credit would always be found to accept the trust and perform it faithfully.

The State bank deposit system, adopted in 1835, failed of success; but it is to be remarked, that even then the Government did not lose a dollar of its deposits in Boston or New York, nor yet in Philadelphia. The plain reasons of its failure were to be found in the condition of the country, apparently prosperous, but, in point of truth, a most disastrous condition,—in the fact, that institutions in each city were selected on the single ground of party favoritism,—that all business and all men were either in the delirium of expansion or in the misery of a contraction of bank issues,—that the Government chose to make sudden and large demands for specie; but these evils do not now exist, and in the continued absence of a National institution, we are confident in saying, would never again occur.

The stability of individual banks in the commercial cities, is for the most part not so indifferent as the general odium incurred by the system at large might lead us to think. Within the limited circle of our own acquaintance, there are two that for more than forty years, and one other that for fifty years, have continued in credit, and still command the confidence of the community; and probably others may be able to recall many like instances. In these cities, too, there

are thousands of merchants and others, who, for a life-time, have deposited their money in banks without loss; but, then, they dealt only with banks really worthy of confidence; and we cite this merely to show that such institutions do exist. State banks, when existing separately, and dislocated from each other, are like so many individual bankers; they are rivals in business, and not joint conspirators; they lend each other neither strength nor bad example for evil. Each one is obliged to depend on its own good character and conduct, upon its own skill and prudence. Combination among them for general effect—to expand their issues, for instance—is in the nature of things impossible; and though the experiment has never been fairly tried, it need only be so to prove how much in the lapse of a very short time the character and repute of these institutions would improve, until the voice of complaint against them would be nearly hushed. These injurious expansions of bank issues, which a National bank finds it so easy to inflict, and always has inflicted on the country, would never be found, where she is wanting. In that case, should a bank in the city of New York extend her issues improperly, she is suddenly checked by the return of her notes from her next-door neighbor. And so of every other city and district in the country. But when a National bank expands, no one, or two, or twenty, nothing short of the combined and simultaneous effort of nine hundred and ninety-nine banks can effectually check her. Instead of this, however, these banks welcome the license her example alone can give them, and swell the evil. A general suspension of cash payments would also be an impossible occurrence. As well might you expect to see a thousand merchants of the highest standing in the different cities, resolve on a certain day to gazette themselves bankrupts. The instances of the New York and New England banks in 1839, and of the latter in 1814, at both of which periods no National bank existed, evince the strength with which State banks, in such case,

are enabled to resist difficulty. The general suspension in 1837, was plainly the fruit of seeds sown by a National bank, but when in two years after, we repeat, that same bank, then without a national charter, but with precisely the same enormous capital, again attempted to play the game of general bankruptcy, she unexpectedly met a virtue in the banks of a large portion of the country, too strong for her solicitations and commands. If a capital of thirty-six millions was powerless to break the banks of New York and New England, in 1839, where shall we find hereafter a State bank competent to the task?

But when these same State banks are knit together in one body, with a National bank for a head-piece, they form, in fact, a single institution—a mother bank with a thousand branches. All individual conduct or individual accountability is lost; each one does, and may, discard the prudence and skill so essential under different circumstances, for these are then useless requisites. The safety of each depends not on itself, but on the success of the system of which it forms an insignificant part; and its misfortunes or difficulties, too, are not its own, but the embarrassments of that system. The controlling head raises or depresses the rate of exchange, so as to confound all calculation and all the signs by which traders and bankers are to govern themselves: it leads and forces expansion; it commands contraction; it issues the order for a general suspension of cash payments; and this, like every other of its injunctions, is, and must be, instantly obeyed.

After all, however, we must recollect that the revenue of the State forms but an infinitesimal portion of a nation's wealth,—that the convenience of the Government, in keeping and disbursing its funds, is a matter of least concern to the interests of the people, and cannot affect at all the public prosperity. Suppose this Government should annually lose twenty or thirty per cent. of its income, who would feel

it? It has for many years raised vast sums beyond its wants, to which this twenty or thirty per cent. is but as a drop to the ocean, by duties imposed on imports on the single principle of protection, yet neither the trade of the country, nor its capital, nor its prosperity, has been in the slightest degree injured. Better sink in the ocean the whole revenue of the Government for twenty years to come, than subject the country to an equal loss of capital with that it suffered in 1837. This revenue may be guarded and disbursed to the last dollar, and yet the wealth of the country and its prosperity in equal degree may be daily diminishing by millions. How little reason, then, is there to incur the risk of this latter consequence to attain so trifling an end! The plan of chartering a National bank as the agent of the Government for these purposes, does directly and inevitably involve this consequence. It has over and over again produced it.

These are the arguments put forward by those who advocate the charter of a bank. We have sought to treat them fairly; we hope to have done so: but we also hope the reader will see with us their entire fallacy. If, in spite of this, Congress should pass a charter, it needs little perspicacity to foresee the result. We have only to point to our experience. What has always happened, is sure to occur again. Various plans may be, and have been, concocted by ingenious persons, which show remarkably well upon paper, some of these, however, sketch a system of wheels that never could be made to turn: but they all come to this, that the charter of any National bank, however carefully schemed, with the right of paper issues, is liable to objections, which at once bring to mind the many periods of disaster and difficulty which the country has survived, with loss of business, capital, and fame. In the present condition of the country, it would be some years before a National bank could get into successful operation. In the States

whose banks are now suspended, it would come in any shape but that of relief; it would pay no debts, nor remove present difficulties; by violent and stringent measures it must force these banks to liquidation or resumption; and in so doing, necessarily create much more distress than the community has yet suffered. But it is a matter of nice calculation, whether the operation of a National bank, or the easier influence of public sentiment and other causes, without a bank, would sooner secure this desirable end. But suppose this object accomplished, then commences the flow of events that lead but to disastrous ends just as surely as water finds its own level.

But the country does not desire a currency that will last good but five or eight years: it does not wish again the prosperity the bank gave us in 1834, '35, and '36: it is not for its interest to return to the times of 1816, 1818, 1820, 1825, 1830, 1832, 1834, 1837, 1839-40: it only asks to be let alone. And depend upon it, in that case, its growth in wealth in the next twenty years will far exceed its increase in any equal period in its past history.

Our plan then, if we may humbly suggest one, is to do nothing. Above all, do not charter a bank; and we predict that, before another Presidential election comes round, there will not be fifty persons found to deny that this was the only wise and true course. Public opinion will then be allowed its just weight; it will be purified and strengthened; it will bring to bear a restraining power upon each bank, which cannot be while these banks are sheltered and overshadowed by a national institution, which exacts from them the single virtues of silence and obedience. In a short time it will show itself in legislative bodies: charters will be repealed or modified, and restricted, if it may be, and no new ones granted. The just principles that are made to govern banks in other countries—those that distinguish the Scotch and English banks from our own,—will gradually introduce

themselves here. The bankrupt banks will speedily disappear from view. Those that remain will be stronger than ever in credit, and the whole number, now too large for the public want, be permanently diminished. The popular voice, legislative action, or the interests of the community, will surely and speedily raise the currency to par where it is now depreciated. The State banks, improved in character and responsibility, will deal in exchanges like so many individuals, and sell at rates more favorable than the country has ever before known,—by the mode of competition, and not by a monopoly. They will also, or such as shall be properly selected among them, safely keep and transfer the public funds, and this with perfect convenience to the Government, and without injury of any kind to the public: in short, all the benefits that can be desired by the Government or individuals will be enjoyed, while the country will be spared the general evils of the banking system as we have known them. And this state of things, when once established, will bring blessings to trade, to business of every kind, to the public wealth and the national prosperity and happiness never yet felt, and, above all, it will be permanent and lasting, subject to no change, no revulsions, no internal disasters—a state that there will no longer exist a power anywhere to overthrow.

New York, May 1st, 1841.

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