

R E P O R T
OF THE
“UNION COMMITTEE”

APPOINTED BY THE MEETING OF
THE SIGNERS OF THE MEMORIAL TO CONGRESS,

HELD
ON THE 11th DAY OF FEBRUARY, 1834,
AT THE MERCHANTS' EXCHANGE, IN THE CITY
OF NEW-YORK.

NEW-YORK.
HARPER & BROTHERS, 82 CLIFF STREET

1834.

REPORT, &c.

THE "Union Committee" appointed by the meeting of merchants and others (signers of the memorial to Congress) held on the 11th day of February, 1834, at the Merchants' Exchange of New-York, submit the following report: in which as the only means in their power of inducing a reconsideration of the subject by the State Legislature, the Committee have imbodied their views respecting the removal of the public deposits and a National Bank.

The Committee, anxious in the first instance to ascertain the situation of the State Banks and of the Branch Bank in this city, and the probable amount to which their accommodations might be extended, applied to them for that purpose. The Banks have, almost universally, cheerfully complied with that request, although some delay has necessarily taken place; and the statement annexed to this report which exhibits their situation on the 1st of October, 1833, and the 1st of February 1834, respectively, shows that, so far from any curtailment having taken place, the accommodations given by the Banks have, during that period, been increased more than five millions, and, on the 1st of February amounted to almost forty millions of dollars.

On the 1st of October last the loans and discounts	
of the three Banks, which have since been	
selected to collect the revenue of the United	
States, amounted to	\$9,189,593
Those of the other 16 Banks, then in operation to	18,953,183
And those of the Branch of the United States	6,180,833
	\$34,323,609
On the 1st of February last those of the three	
selected Banks amounted to	\$13,769,552
Those of the 17 other city Banks then in operation to	19,494,195
And those of the Branch Bank to	6,458,540
	\$39,722,287

It was evident from that statement, that the City Banks had extended their loans and discounts to the utmost extent consistent with their safety. The liabilities of the eighteen Banks of which we have complete returns, including the aggregate amount of their circulation and public and private deposits, and deducting that of their own notes and checks drawn upon them, in the possession of the several Banks, and not returned and exchanged till the ensuing morning, amounted on the 1st of February last, exclusively of the balances due to Banks out of the city, to 15,500,000: and the aggregate amount of the specie in their vaults to 1,652,000 dollars. This proportion is known from experience to be sufficient in ordinary times, and will prove so now, so long as the amount of public deposits shall not be materially diminished; and especially at a time when there is not and cannot be any foreign demand for specie: but this amount of specie could not be sensibly lessened without endangering the safety of the Banks.

Even if willing to encounter the risk of still further lessening the ratio of specie to liabilities payable on demand, it is not in the power of the Banks to do it at pleasure; since the ability to extend their discounts beyond the amount of their capital depends entirely on that of their circulation and deposits, and these are regulated by the wants of the community, and not by the operations of the Banks. Should they, by a simultaneous effort, increase at this time their discounts by two millions of dollars, they must to the same extent issue an additional amount of bank notes, or open additional credits on their books (commonly called deposits) in favour of those whose notes they might discount: and by far the greater part of this excess of issues, or book credits, beyond the amount wanted to effect the payments of the city, would be almost instantaneously returned upon them, either by transfers of the surplus amount to other cities, or in some other way.

In the present state of public excitement and apprehension, the slightest incidents may produce fatal effects. An unfounded alarm as to the situation of the country Banks, has shown the necessity imposed on those of the city to husband their resources. In that instance, we are gratified to find that the measures of relief which were immediately adopted have been attended with complete success: and that the Banks of the interior by a salutary though painful curtailment of their issues, and by judicious measures for the redemption of their notes, enjoy now the same confidence as heretofore.

The preceding observations are strictly applicable to all the City Banks which rely exclusively on their own resources. The late great increase in the amount of loans and discounts belongs almost entirely to the three Banks selected to collect the public revenue, and is due partly to the increase of about one million of dollars in the amount of public deposits in this city, since the first of August last; but principally to the fact that the selected Banks have increased their discounts almost to the whole extent of the public moneys in their hands. Whether they will be able to continue their accommodations to the same amount depends on a contingency, which it is not yet in their power to ascertain, viz., whether their receipts derived from the United States revenue, which may be collected during the ensuing months at New-York, will be equal to the amount of the Treasury drafts for the public service during the same period.

The city of New-York has had no reason to complain of the curtailments made here in its discounts by the Bank of the United States. Notwithstanding a decrease of more than four millions of dollars in the amount of the public and private deposits in the New-York Branch since the first of August last, the loans and discounts here do not vary essentially from the amount allowed, either on the first of August or the first of October, 1833. But it was presumed that the same reasons which had induced the Bank to strengthen this important place, had lost nothing of their force; and it was the opinion of the Committee that the capital of two millions and a half, originally assigned to the Branch of this city, which is but one-fourteenth part of the whole capital of the Bank, was much less than is now due to the principal centre of the commerce and moneyed transactions of the country. Strong representations were therefore made for the purpose of obtaining from the Bank positive assurances, that no diminution at least of their discounts, or in the purchase of bills of exchange, should take place in this city, and that the forbearance in calling for balances due by the city banks, should be continued to the same extent as heretofore, during the two ensuing months.

A disposition to comply with this request was early manifested: but an intervening incident induced the Bank to postpone a definitive answer, which was not received till yesterday. It will be seen by this, that the Bank of the United States accedes to the course proposed by the Committee of Correspondence, "that no diminution up to the first of May next, be made in the present amount of loans and discounts

in the city and state of New-York, and, if practicable, that an increase be made in the line of domestic bills of exchange, discounted at the office in that city, and that the Bank will not call for the payment of such balances as may become due to it by the City Banks up to the first of May next," it being understood that, in case the Bank of the United States should become indebted to the City Banks, a similar forbearance on their part is to be observed. The arrangement to be subject to be changed by the Bank, in case of further hostile action of the Executive, or any unforeseen event.

Upon the whole, the Committee entertain a confident hope that the accommodations now given by the banks will not be lessened during the ensuing months; but cannot hold out the expectation of any material increase. The only mode by which some relief can be obtained from that source, without increasing the liabilities of the Banks payable on demand, which suggests itself, is some uniform plan for an increase of special deposits, bearing a moderate rate of interest, and not to be withdrawn before stated periods according to agreement.

The object of this measure must not be misunderstood. It cannot bring into action any considerable portion of inactive moneyed *capital*, since there is hardly any which is not at this time actively employed, either directly, or indirectly, as ordinary Bank deposits. Its only effect would be to substitute, for the private *credit* which from want of confidence is now withdrawn, *bank credit* in the shape of certificates of deposite, which the holders might negotiate. Post-notes would be more convenient, but seem to be forbidden by law. That plan has been successfully adopted in Massachusetts, and several foreign countries. The City Banks are the only proper judges of its practicability, safety, and utility, here, and at this time; and they have accordingly been requested to take it into consideration.

In other respects the Committee could recommend to them nothing more than to take also into consideration the propriety of the following measures:

An agreement between the several Banks, founded upon equitable principles, not to demand from each other, for the present, payment in specie of the balances which may respectively become due to any of them; unless such balance should exceed a certain sum in proportion to their respective capitals.

A uniform and efficient plan for the redemption of country notes in this city, together with such means as may be

devised for the purpose of facilitating, at this time, the country remittances.

An application to our representatives in Congress, urging the necessity of passing immediately the bills now before that body, for making the silver coins of Mexico and the states of South America a legal tender, and for raising the value of the gold coins to their market price ; suggesting, in reference to the last subject, that, for the sake of uniformity, and of avoiding delay, the same rule should be adopted as in the estimation of duties on foreign importations.

An application to Congress for a moderate and permanent appropriation, which may enable the mint to pay in American coins, without delay or expense, for the gold and silver bullion, or uncurrent foreign coins which may be brought to that establishment.

Since it was obvious that the pressure on the money market in this city was not due to any curtailments in the usual accommodations by the Banks, but to an increased demand for money, or, to speak more correctly, for credit ; the attention of the Committee was called to an investigation of the causes to which this state of things must be ascribed.

The causes which have been suggested as more specially affecting this city, are the effects of the Tariff, and of the purchase of foreign stocks on its capital. Public opinion assigns the removal of the Deposites, and the curtailment by the Bank of the United States, as the general and immediate causes of the present crisis throughout the whole country.

1. It was found impracticable during the last session of Congress to arrange the existing differences on the subject of the Tariff by an act that should embrace all the details pertaining to that intricate subject. In order to remove a pressing and imminent danger, it became necessary to discard all the details, and resort to a compromise embracing only general principles. It could not but be expected that defects might be discovered and consequences ensue, not perceived or contemplated at the time when the act was passed. It is believed that the great importance to one party, and the great sacrifice required from the other, by the conversion of duties payable at a distant day into cash, or short duties, were not estimated at their full value. That sacrifice falls most heavily on that city in which more than one-half of the

revenue is collected. The duties did not, under the old system, become payable till about the time when the importer was paid by the consumer. At present, the New-York importers not only collect as heretofore, but in fact advance to government one-half of the whole amount of duties on importations, which is ultimately paid by the consumer.

Without entering into a critical analysis of the subject, it is sufficient to observe, that an additional amount of capital, equal to that of the duties, is now required, in order to carry on the same quantity of business in articles on which the duties are now payable in cash, or at much shorter periods than formerly.

The Committee are unanimous in the opinion, that the principles of the Tariff compromise ought to be strictly respected, and no modifications proposed but such as are consistent with its true intent and spirit. A Warehousing System, founded on the principle, that the time at which the duties shall be paid shall be computed from the time when the merchandise is withdrawn by the importer from the warehouse, and not from the date of importation, the Committee believe to be entirely of that character, similar to that adopted in every other commercial country, and absolutely necessary for the protection of commerce. As a bill having that object in view is now before Congress, a sub-committee has been appointed, for the purpose of collecting all the information connected with the subject, and of corresponding with the representatives of this city in that body.

2. New-York has become the principal centre of all the moneyed transactions of the United States. Large amounts of stocks, principally from the south-west, have been purchased here, with a view, in a great degree, to their sale in the English markets. This has not of late answered the expectations of the contractors. They may indeed have been enabled to borrow abroad to a considerable extent on the credit of those stocks; but it cannot be doubted that a large amount remains on hand, and has absorbed a corresponding portion of the capital or credit of this city. For this there is no remedy. But a still greater evil has grown out of the speculations on some of those and several other stocks foreign to the city. Ceasing to be legitimate investments of money, frequent and large sales, on time, of stocks not held by the seller, and where the principal generally remains unknown, have degenerated into pure stock-jobbing; a most pernicious species of gambling; the cause of artificial and sudden falls in the price of

stocks, ruinous to innocent individuals, and generally to those engaged in it ; and which has tended at this crisis to increase the want of confidence. The Committee has thought it its duty to pass a resolution, earnestly recommending to the Board of Brokers to discontinue the practice, and has requested the co-operation of the Banks to carry that measure into effect.

In approaching the subject of the removal of the public deposits, the first observation that occurs is, that the measure, considered only in its connexion with the fiscal arrangements, the currency, commerce, and public or private credit of the country, was at least wholly unnecessary and uncalled for. Abstaining from the discussion of any question, either concerning the rights of the Bank, or at issue between the Administration and that institution, or relating to the respective powers of the executive, legislative, and judicial departments of Government, it is only as they are of a commercial and fiscal nature that the Committee intends to examine the reasons assigned by the Secretary of the Treasury for the removal.

The first reason was, that, judging from the past, it was highly probable that "the public deposits would always amount to several millions of dollars ; and that it would evidently produce serious inconvenience if such a large sum were left in possession of the Bank until the last moment of its existence, and then be suddenly withdrawn, when its immense circulation would be returning upon it to be redeemed, and its private depositors removing their funds into other institutions." It may be observed, in the first place, that no inconvenience was felt in March, 1811, when the charter of the former Bank of the U. States expired, from the fact, that as late as the 1st January of that year the public monies in that institution exceeded six millions, and on the day of the termination of the charter amounted to two and a half millions of dollars. But the Secretary of the Treasury, in his annual report on the finances, estimates "the balance that would be left in the treasury (that is to say, the whole amount of the public deposits) on the 31st Dec., 1834, at less than three millions of dollars ; and that the receipts of 1835 will be less than those of 1834." The Secretary could not, on the 28th Sept., when he removed the public deposits, have been aware that such would be the result of his further investigations, and that since the public deposits would naturally and gradually be lessened between the 1st of October, 1833, and the 31st

B

Dec., 1834, from near ten millions to less than three millions of dollars, and would probably be liable to a still greater reduction during the year 1835, it was quite unnecessary to order an immediate removal, in order to avoid the danger of their magnitude in the spring of the year 1836. This single fact, thus officially announced,—the natural and gradual reduction of the public deposits, in the course of the present year, to less than three millions of dollars,—refutes all the arguments, of every description, urged in justification of that measure.

The second reason assigned is, however, of a more complex nature. The secretary is of opinion, that the superior credit of the notes of the Bank of the United States is occasioned altogether by the provision in the charter to receive them in all payments to the United States; that they will be subject to an immediate depreciation at the expiration of the charter, and ought to be previously and gradually withdrawn; and that the same engagement in favour of the notes of any State Bank would give them equal credit, and render them equally convenient. And he considered the immediate removal of public deposits necessary for the double purpose of preventing the inconvenience of the sudden withdrawing of the whole circulation of the Bank of the United States, when its charter shall expire, and of preparing in time the substitution of an equally sound and uniform currency to be furnished by the State Banks.

The Committee is of opinion that the superior credit enjoyed by the notes of the Bank of the United States is due principally to the general confidence in its management and solidity; that they have occasionally, in the interior districts of country, a greater value than the notes of specie paying local banks, not for local payments, but as remittances to the sea-ports; and that the principal effect of their being received everywhere in payment of all debts due to the United States has been to enable the Bank to increase the amount of its notes in circulation. Those notes alone may, at the expiration of the charter, experience a depreciation, which being payable at distant places in the interior, may at that time be found in the sea-ports, unless the Bank, as is probable, should find it their interest to pay them wherever presented.

But the obvious mode to lessen the gross amount of these notes would be a repeal by Congress of the provision which makes them receivable in payment of debts due to the United States. The removal of the public deposits, by compelling the Bank to curtail its discounts, and only on that account, has an immediate effect on the amount of its private deposits, but

cannot alone have the slightest on the circulation of its notes. We find, accordingly, that while the individual deposits of the Bank have been lessened between the 1st of August, 1833, and the 1st of February, 1834, by a sum of near three millions and a half dollars, the nett circulation, as appears by the following table, has remained the same.

	Loans and Discounts	Public Deposits	Individual Deposits	Nett Circulation
1833, 1 Aug.	\$64,160,000	\$7,600,000	\$10,152,000	\$18,890,000
Sep.	62,653,000	9,186,000	9,457,000	18,413,000
Oct.	60,094,000	9,869,000	8,009,000	19,128,000
Nov.	57,210,000	8,232,000	7,285,000	18,518,000
Dec.	54,453,000	5,162,000	6,827,000	18,651,000
1834, Jan.	54,911,000	4,230,000	6,735,000	19,202,000
Feb.	54,843,000	3,126,000	6,715,000	19,260,000

No effect whatever has been produced by the withdrawing, between the 1st of October and the 1st of February, public deposits to the amount of \$6,743,000. If the removal can in no way lessen the circulation, it was certainly unnecessary to resort to that measure for that purpose. But it is worthy of notice, that at the very time, when the curtailments by the Bank were alleged as a cause for the immediate removal of the public deposits, the attempt should have been made to justify that act, on the ground that it was necessary for the purpose of lessening the Bank circulation, and thereby compelling it to lessen still more the amount of its discounts.

The Committee will not discuss here either the propriety or the practicability of the substitution, for a national, of an Executive Bank, formed by the association of State Banks, selected for that purpose by the Treasury. But, if, as the secretary asserts, the privilege of being received in payment of all debts due to the United States is sufficient to render the notes of State Banks equally convenient, and entitled to the same credit as those of the Bank of the United States, there was certainly no necessity for intermediate preparation. It was quite unnecessary to remove, for that purpose, the public deposits, which at all events must, within a year, according to the Treasury estimates, have been reduced gradually and without effort to a very moderate amount. The State Bank notes are always abundant and ready: and an act investing them with the privilege of being received everywhere in payment of debts due to the United States, and passed the month before the charter expired, would, if the opinion of the Secretary of the Treasury is correct, at once bring them into circulation, and effect the contemplated substitution. But if pre-

paration were requisite, the removal of the deposits was still unnecessary. There is nothing to prevent, and the proper and obvious mode of effecting the object is, an early Act of Congress to the same effect. It is not quite certain that the Executive is not of opinion that this may be done by his sole authority, and without any legislative sanction. An anxious wish and design to concentrate all the powers of government in that department, and to subject the public purse, the currency, and the commerce of the country to the will of one man, is apparent through all the arguments and acts of the administration in relation to that subject.

The curtailment of its discounts by the Bank of the U. States, during the months of August and September, 1833, appears to have been alleged in justification only of the *immediate* removal of the Deposites. Those curtailments were evidently made in anticipation of the proposed removal, and would have ceased, of course, had the plan been abandoned. But it is necessary to observe, that the pressure, which the secretary states to have become so intense before the first of October in the principal commercial cities, and the presumed curtailments by the State Banks, had no existence in the city of New-York. It appears by returns of the Bank commissioners that the loans and discounts of the fourteen city Banks, under the safety fund, amounted on the 1st January, 1833, to 20,742,000; and on the 1st April ensuing to 21,180,000 dollars. On the 1st of October of the same year, they amounted to 21,766,000 dollars: and the increase of capital in operation between the 1st of January and the 1st of October was only two hundred thousand dollars; this being the amount added to that of the Butchers' and Drivers' Bank. He was equally mistaken when he supposed that the balances due by the City Banks to the Branch in the city, would, on the first of October, amount to 1,500,000 dollars; and that it was apprehended that the immediate payment of that balance would be insisted on by the Branch. The balances due on that day to the Branch by the city Banks amounted to less than \$602,000: and the apprehension of an immediate demand for payment proved entirely groundless.

It must be kept in view that in all that precedes, the Committee has assumed the position asserted by the secretary, that the Bank would not be rechartered. It is in that view of the subject, and on that supposition, that the reasons assigned for the propriety or necessity of a removal of the public deposits, prior to the expiration of the charter, appear wholly insufficient.

It has indeed been suggested, that there was an intimate connexion between the immediate removal of the deposits and the non-renewal of the charter; and that to suffer them to remain in the Bank implied an obligation of rechartering that institution. This assertion is purely gratuitous and altogether disproved by positive facts.

At this moment the State of Virginia expresses its opinion that the Bank is unconstitutional and ought not therefore to be rechartered, and reprovcs at the same time, in the most explicit terms, the previous removal of the public deposits.

A President avowedly hostile to the whole of our banking system, and particularly so to the former Bank of the United States, and whose term of office expired only two years prior to the termination of its charter, never intimated a desire that the public monies should be withdrawn from it, although there was not at that time any law directing that the public monies should be placed in that institution.

Those deposits remained in that Bank to the last moment of its existence. This circumstance did not prevent the refusal by Congress to renew the charter, and was not alluded to, by any of those who were in favour of a continuance, as a reason why the Bank should be rechartered.

The Committee can see nothing in that assertion, but an attempt to divert public attention from the true question at issue, and the admission that the removal of the deposits cannot be defended on its own merits.

A curtailment of its discounts by the Bank of the United States was a necessary consequence of the withdrawing of the Public Deposites. The author of this measure is responsible for all the effects that may have flowed from the curtailments. It is idle to say that they have been greater than was expected, or made at a different time, or in a different manner from what had been anticipated. If it was impossible for the Executive, or for any human being, to foresee what the Bank, under those circumstances, might be compelled or inclined to do, and the effects which its acts might have on the currency and commerce of the country, that was a sufficient reason for not adopting with precipitation a measure in itself wholly unnecessary. But we are quite satisfied that the result which has taken place was not, and could not have been anticipated by the Executive. And we believe, that although general apprehensions were entertained of the effect which might be produced by that change in the relations between government and the Bank, no one foresaw the extent of the evils which have ensued. In the act we only blame the bold-

ness of having unnecessarily tampered with the paper currency and credit of the country. This important view of the subject seems indeed to have entirely escaped the notice of the Executive. Among the inquiries which preceded the removal, we see none that might have elicited the opinions of practical men on the probable effects of that measure on commerce and on the community at large. The inquiry was confined to the laudable, but secondary object of ascertaining what conditions might be imposed on the State Banks selected for collecting the revenue. But, if there is an excuse for want of foresight, no apology can be found for obstinately persevering in an erroneous course, after the error had been discovered, and the fatal effects of the measure had become undeniable.

The gross amount of curtailments made by the Bank has not in the whole much exceeded the decrease in its public and private deposits. There are fluctuations depending on the season of the year and the course of trade. The fairest mode of computation is a comparison of similar periods of the year. The preceding tabular statement shows that the decrease in the discounts amounted during the year to - - - - \$ 7,010,000,

and the decrease in its public and private deposits to - - - - \$ 6,822,000.

If the comparison is instituted between the 1st of August, 1833, when the discounts of the Bank had reached the highest point and it began to curtail, and the 1st of February, 1834, the result will be

Discounts on 1st August, 1833, - - -	\$ 64,160,000,
on 1st February, 1834, - - -	\$ 54,843,000.
	<hr/>
Decrease, - - -	\$ 9,317,000.
Pub. and indiv. deposits on 1st Aug., 1833, -	\$ 17,752,000,
1st Feb., 1834, -	\$ 9,781,000
	<hr/>
Decrease, -	\$ 7,971,000.

But the curtailments of the Bank commenced in August, and continued till the 1st of December, when its discounts had reached the lowest point; while the revenue did not

begin to be collected by the State Banks before the 1st of October; from which time the public deposits have been gradually withdrawn. The Bank, therefore, did not decrease its discounts at the same rate and in the same proportion as its deposits were withdrawn. A comparison between the 1st of August and the 1st of December shows the greatest amount of difference between the respective decrease of each.

Its discounts were, on the 1st of August, 1833, \$ 64,160,000,
on the 1st Dec., 1833, \$ 54,453,000.

Decrease, \$ 9,707,000.

Pub. and indiv. deposits on 1st Aug., 1833, \$ 17,752,000,
1st Dec., 1833, \$ 11,989,000.

Decrease only \$5,763,000.

The Bank had in fact curtailed their discounts more than four millions between the 1st of August and the 1st of October. It cannot be doubted that this measure produced a derangement in the business of certain sections of the country, and had its share in producing the distress which afterward ensued. But that curtailment began only after the agent of the treasury appointed to make the preparatory arrangements for the removal, had commenced his inquiries. The object of his mission was one of public notoriety; and it was a natural course on the part of the board of directors, when they had lost the confidence of the administration and were threatened with an early withdrawing of the large funds belonging to the public in their hands, to prepare themselves for the event, and provide in time the necessary funds. It may be that the precautions were carried farther than may now appear to have been strictly necessary. The decidedly hostile attitude assumed by the Executive and the necessity of protecting twenty-four branches against attacks, which, if not intended, were at least threatened, under certain vague contingencies, and, at a later period, the contingent drafts and other circumstances, were calculated to impose on the Bank the necessity of effectually providing for its own safety. The Committee is perfectly satisfied that the Executive is wholly incapable of having countenanced any plan for dishonouring any of the branches of the Bank; nor do they know the circumstances which led to the sudden call of more than 300,000

dollars in specie on that of Savannah. But the fact is a matter of great regret ; and they must be permitted to say, that if this blow had been successful (or if a similar one had been aimed one month ago, at the Country Banks of this State, and before they were prepared for the present state of things), it would have been most fatal and might have been attended with a general suspension of specie payments. Any premeditated attempt of that kind, on whatever pretence and by whomsoever made, must originate in gross ignorance of the system of credit which connects all the monied interests of the United States, and in the detestable maxim, that the end justifies the means.

The Banks selected for collecting the revenue after the 1st of October commenced immediately to extend their discounts ; and from an examination of their returns, it appears probable, that the whole amount of discounts by all the Banks in the United States, including that of the United States, has not in the aggregate been lessened at any time more than four millions of dollars since the 1st of August, 1833. The Committee is confident that there has been no very sensible diminution since the 1st of October, that it could not at any time have amounted to six millions, that there has been a gradual increase since the 1st of December, and that the aggregate of Bank discounts and loans, including the purchase by Banks of bills of exchange, through the United States, is at this time nearly, if not altogether, equal to what it was on the 1st of August, 1833.

These facts and all the symptoms of the present crisis clearly prove, that it is not in the *amount* alone of lessened accommodations of the Banks, that we are to seek for the immediate cause of general distress ; and render it highly probable that the previous state of the commercial transactions and of commercial credit, made it liable to be disturbed by what may appear comparatively slight causes.

Credit is indispensable to commerce, and to every species of active business. To the proper use of credit, in supplying the want of an adequate capital, the United States are in a great degree indebted for their truly astonishing progress in navigation, commerce, and manufactures ; for their stupendous internal improvements ; for the stimulus given to agriculture, and the price obtained for every species of agricultural produce ; for the employment and adequate compensation of labour. But the abuse of one of the most powerful elements of its prosperity is, in this energetic and enterprising country, almost unavoidable. Successive years of prosperous enterprise hardly ever fail to produce a further extension of busi-

ness beyond the actual capital; and it may be that this was the case during the period which immediately preceded the present crisis. There were, however, no apparent symptoms of what is generally designated by the term of "over trading;" and the state of the foreign exchanges has not given any indication of an excess in our importations. Still, and at all times, in no country, has the extension of credit, in all its forms, been carried farther than in the United States. The currency of the country, founded on a specie basis generally too narrow for the superstructure, rests almost exclusively on the confidence placed in the solidity of the notes discounted by near four hundred Banks of issue. A similar disproportion is to be found between the actual capital of merchants, manufacturers, mechanics, and of almost all men engaged in the active pursuits of life, and the amount of their business. All those men are at the same time debtors and creditors for sums generally far exceeding their respective capitals. All depend for the ability of punctually discharging their engagements on the punctuality of each other.

The increased facilities of communication and inland exchanges have, within the last years, multiplied to an extent heretofore unknown, the transactions, contracts, and responsibilities, between the several cities, and between the cities and even the most remote parts of the country.

The regularity with which the enormous mass of engagements resulting from those transactions spread over the whole country, and all intimately connected together can be discharged, depends entirely on an uninterrupted continuance of the ordinary sales, payments, remittances, and credits. The whole machinery, by which business in all its various branches is carried on, is credit extended to its utmost limits. Whatever lessens the general confidence, on which credit is founded, must necessarily produce a fatal derangement and interruption in every branch of business.*

It is with this state of things, that, without any necessity or investigation, the Executive thought proper to interfere. The

* Some notion of the magnitude of these engagements may be formed by a view of those of this city. The statement annexed to this report shows the amount of the daily exchanges of the Banks, consisting of the daily payments for the 1st of October and the 1st of February respectively, in the several Banks, in notes of the other City Banks, and checks drawn on such Banks. It does not include the payments made in each Bank in notes of that Bank or in checks upon it. The medium of the two days is about four millions and a half a day,—and adding the payments omitted, may be estimated at five millions a day, or more than fifteen hundred of millions of dollars a year.

Bank of the United States, from its capital and the ground it occupies, must, while it exists, act a prominent part in the commercial concerns of the country. The measures which that institution was obliged to take for its own safety must necessarily have caused some derangement in the ordinary operations of commerce. But the fatal injury inflicted by the Executive measure, was its effect on general confidence.

The threat of the removal of the deposits, and especially their actual removal, created apprehensions of danger, immediately to the Bank itself, and more remotely to all the moneyed institutions and concerns of the country. Retrenchment at all, and rigorous enforcements of its claims at some points, were presumed to be indispensable to the safety of the Bank; and the extent being conjectural, was exaggerated by timid capitalists, who, as a class, are perhaps more fearful than men of less wealth. Men saw that the relations between the Government and the Bank were thenceforth to be hostile; that between it and the selected Banks they were to be those of mistrust, and that without a National Bank the stability and safety of the whole monetary system of the country would be endangered. This was the first instance in the history of our Government of a direct interference of the President with one of its officers, in the performance of the duties which by law devolved exclusively on that officer. It was the more dangerous, as being made in defiance of a solemn vote of the late Congress at their last session: and as if with the intention to forestall the opinion of that which must meet within sixty days after the interference was made, and as if to encroach on its legitimate rights. But nothing could be more alarming to men of business, who rely for the success of their operations, on that stability in those of Government which can only be guaranteed by law, than unexpectedly to discover that the commerce, the currency, and the moneyed institutions of the country, its credit, and their own credit and fortunes, were thenceforth to depend on the private opinions, the presumed wisdom, and the arbitrary will of one man. Other minor causes increased the apprehensions, and restricted more and more the use of private capital and private credit; and the alarm became a panic, not dependent upon, or to be explained as a matter of ordinary reason. The Banks, indeed, protected by the impossibility of exporting specie without loss, have preserved their credit, and been enabled generally to continue their usual accommodations. It is private credit which has been most deeply affected; and the leading feature of the present distress is the consequent interruption, and in many cases cessation, of business.

The importers diminish greatly their orders and their purchases of foreign exchange. The intermediate wholesale merchants, fearful to contract new engagements, are only anxious about the remittances necessary to discharge those already contracted. Those engaged in the exportation of the produce of the country, doubtful whether they can sell the foreign bills on which that exportation depends, give but limited orders for it. The country merchants and the manufacturers are no longer permitted to draw as formerly in advance on the cities for the products of the soil or of their industry. Men with small capitals, if at all extended, when disappointed in the remittances they naturally expected, are crushed. New enterprises and engagements of every description are avoided, and, in many instances, workmen are discharged, or a reduction of wages required. We state only what we see and feel. If correctly informed, the effects of the distress are still more extensive in other places. The actual evils are aggravated by general apprehension, and the alarm may be greater than the true state of things justifies: in every aspect of the subject, the true and efficient remedy consists in restoring confidence and credit.

It is obvious that the most prompt and effective mode of attaining that object is to remove the cause of the evil; and that confidence would be almost instantaneously restored, by replacing the Bank during the remainder of its existence in the situation it had heretofore occupied, and thus enabling it to resume its functions to their usual extent. It is in the power of the Executive to do this at once; and the Committee deeply regrets to find itself compelled to say that there is hardly any hope of relief from that quarter. Our reliance is on the representatives of the people in Congress, in whom the power of ultimately deciding the question is clearly vested, and whose acts, will not, we trust, disappoint the expectations of a suffering community.

In the mean while, the Committee entreats their fellow citizens not to despair, and to reflect that there are limits to the injuries which any Administration can inflict on the people. The usual channels of circulation are indeed obstructed: but the products of the national industry though stagnant are abundant: the actual capital of the country still remains unimpaired, though the nominal value of property is for a time lessened. There is no foreign pressure, and the skill and activity of our intelligent merchants must, after a while, renew that chain of operations which has been interrupted. The evil, through a painful process, is gradually working its remedy. In proportion as no new engagements are contracted,

the whole mass is daily lessened, and we must, after a period of severe suffering unnecessarily inflicted, be placed in a situation better adapted to a new order of things.

Among the sources from which relief ere long may be expected, the attention of the Committee has been naturally turned towards the Bank of the United States. Since the object of the President was to cripple an institution which he considered as pernicious, he must have calculated the extent of the injury which that measure would inflict on the Bank; and he might have anticipated that it would in one respect produce a result, the reverse of that which it was his object to effect. The extent of the injury to the Bank was to lessen its discounts eight or ten millions a year, and to cause a proportionate reduction in its profits during the remainder of its existence; but it might have been anticipated, and it was predicted by calm observers, that, though the Bank might be annoyed so long as it remained liable to greater Treasury drafts than it was convenient to pay, the power of the Treasury would be exhausted whenever the process of withdrawing the public monies should be at an end; and that the Bank, though deprived of the public deposits, would still remain with great comparative strength, derived from its capital, its specie, its Branches, and its superiority in facilitating inland exchanges. It might therefore have been justly apprehended, that, according to the opinion entertained of the Bank by the Executive, that institution, no longer restrained by the fear of losing the public deposits, and released from every obligation to Government, might exert its power in a manner most injurious to the community.

But that power may also be exercised for the best of purposes, and as the means of affording relief. That such is the fact is now most clearly acknowledged both by the clamour incessantly raised against the line of conduct heretofore adopted by the Bank, and by the repeated declarations of the President himself. It is indeed a most singular feature in the conduct of the Executive, after a most express declaration, that one of the avowed objects of its measure was, to compel the Bank gradually to withdraw its circulation and reduce its discounts, (in order to prevent the general distress that might ensue if this was not done in time before the expiration of the Charter,) that those who apply for relief should now receive for answer that their application should be made to the Bank; that is to say, that it is not only in the power of that institution, but that it is bound to relieve the community by an increase of its discounts. Leaving to others the task of explaining this contradiction, the Committee is of opinion,

that the time is not far distant, when, after the remaining deposits shall have been entirely withdrawn, the Bank will find itself in a state of perfect safety, which will enable it, though with far less efficacy than if they were restored, to resume to a certain extent its usual operations, and to afford considerable relief to the commerce of the country : The perfect safety of the Bank must necessarily be the primary object of the Board of Directors. Our opinion, that a moderate extension of its accommodations, and a fearless application of its means within proper limits will, at no very distant time, be compatible with that object, is derived from a view of its liabilities and cash resources at this time, as compared with its situation prior to the removal of the deposits, and with that of the other Banks at this moment.

The following statements exhibit the situation of the Bank, on the 1st of February and 1st of August, 1833, and on the 1st of February, 1834 ; that of the Banks selected to collect the revenue at the last mentioned date ; and that of a great portion of the Banks of the Atlantic States north of the Potomac on the 1st of January, 1834.

Bank of the United States.

1st February, 1834.

Liabilities payable on demand,	
Notes net circulation	\$19,260,500
Deposites and unclaimed Dividends	10,032,500
	<hr/>
	29,293,000
Capital	35,000,000
	<hr/>
	64,293,000
Apparent surplus	8,943,000
	<hr/>
	\$73,236,000
Cash resources,	
Specie	\$10,523,000
Funds in Europe and Foreign Exchange	1,644,000
Due by State Banks and Notes of do.	3,121,000
	<hr/>
	15,378,000
Loans, Discounts, and Bills of Exchange	54,843,000
Real Estate Banking Houses, and sundries	3,105,000
	<hr/>
	\$73,236,000
	<hr/>

1st August, 1833.

Liabilities Payable on demand,	
Notes net circulation	\$18,890,500
Deposites and unclaimed Dividends	17,951,700
	<hr/>
	36,842,200
Cash resources,	
Specie	10,024,000
Funds in Europe and Foreign Exchange	2,148,000
Due by State Banks and Notes of ditto	2,970,000
	<hr/>
	15,142,000
Loans, Discounts, and Bills of Exchange	64,140,000
	<hr/>

1st February, 1833.

Liabilities payable on demand,	
Notes net circulation	\$23,672,400
Deposites and unclaimed Dividends	18,021,100
	<hr/>
	41,693,500
Cash resources,	
Specie	9,046,000
Funds in Europe and Foreign Exchange	3,101,000
Due by State Banks and Notes of ditto	2,447,500
	<hr/>
	14,594,500
Loans, Discounts, and Bills of Exchange	61,921,500
	<hr/>

Approximate situation of the Banks of Maine, Massachusetts, Rhode Island, Connecticut, New-York, Pennsylvania, Baltimore, and District of Columbia.

1st January, 1834.

Liabilities payable on demand,	
Notes, net circulation	\$32,550,000
Deposites	35,150,000
	<hr/>
	67,700,000
Sundry Debts not on demand	12,300,000
Capital	96,076,000
Apparent surplus	5,814,000
	<hr/>
	181,890,000

Cash resources,	
Specie	\$8,750,000
Due by banks	880,000
	<hr/>
	9,630,000
Loans and Discounts	165,860,000
Real Estate and sundries	6,400,000
	<hr/>
	181,890,000
	<hr/>

Approximate situation of the Twenty-five Banks selected to collect the U. S. Revenue, from the latest returns to February, 1834.

1st February, 1834.

Liabilities payable on demand,	
Notes, net circulation	\$8,620,000
Public Deposits	10,800,000
Individual do.	9,940,000
	<hr/>
	20,740,000
	<hr/>
	29,360,000
Debts not payable on demand	1,200,000
Capital	28,115,000
	<hr/>
	58,675,000
	<hr/>
Cash resources,	
Specie	3,000,000
Due by Banks	2,675,000
	<hr/>
	5,675,000
Loans and Discounts	47,711,000
Real Estate and sundries	6,264,000
	<hr/>
	59,650,000
	<hr/>

N. B. Various items are so blended in some of the returns, that in attempting to separate them, some errors must have been unavoidable.

The view here exhibited affords on the one hand a conclusive proof of the solidity of the Bank and of the safety of the public monies while permitted to remain in its possession.—But it also shows that the ratio of the cash resources of the Bank to its liabilities payable on demand, was on the 1st February last as 1 to $1\frac{9}{16}$; while the same ratio was on the 1st February, 1833, as one to $2\frac{9}{16}$, and on the 1st of August last, as 1 to $2\frac{4}{8}$; While the cash resources of the Northern Banks to their liabilities payable on demand is in the ratio of one to near $7\frac{1}{2}$; and the banks selected to collect the revenue, and in which all the power of the Treasury is concentrated, are nearly as powerless, since the ratio is near that of 1 to 7.

We admit that in ordinary times and with the great uncertainty respecting the renewal of its charter, it would be expedient for the Bank rather gradually to reduce than to extend its discounts; but the present crisis calls for extraordinary exertions, and the Bank of the United States having, though unconnected with government, a common interest with all the other members of society in its welfare, and the same duties to perform towards the community which at such times are imposed upon every other monied institution, will most undoubtedly alter as far as practicable the course which prudence has heretofore dictated, so soon as it shall see itself in a state of perfect safety; and provided that no new and unforeseen acts of hostility shall be committed by the Executive against it.

It is, however, much less in the amount of increased accommodations by the Bank of the United States, than in the confidence which the fact that it has resolved to extend its operations to a certain extent will inspire, that we look for some relief. The amount itself, so long as the Bank continuing to be deprived of the public deposits shall be unable to resume its ordinary functions, can be but moderate. It is evident that its discounts cannot be increased without a proportionate increase of its circulation, or individual deposits, or without lessening its stock of specie by an equal amount. The increase either of its circulation or of its private deposits does not depend on its own acts: and, in the present state of things, it is absolutely necessary, not only for its own safety, but for that of all the state Banks, and as the ultimate means of sustaining through the crisis the general currency of the country, that the specie in its vaults should not be considerably diminished. The Committee is informed that the Bank has taken measures for increasing the amount through

the means of its foreign funds. It does not appear from the situation of the Banks selected to collect the revenue, that any measures have been taken by the Treasury with a view to that object: and we beg leave again to insist on the necessity, in order to render the whole amount of the precious metals in the country available, of passing without delay the acts intended to make all the American foreign silver coins a legal tender, and to raise the gold coins to their real value.

The Committee is aware that, in order to restore public confidence, more is wanted than temporary expedients, and is also aware of the anxiety which prevails concerning the prospective views of the administration in reference to the currency of the country.

Without dwelling on the danger of recurring to hazardous and premature experiments, at the expense of the community, we will only submit some cursory observations on plans hardly digested and which have not yet been developed in their details. Two have been suggested; a currency founded exclusively on the precious metals, or a paper currency consisting exclusively of that issued by Banks incorporated by the several States.

It is not necessary at this time to discuss the respective advantages and inconveniences of a metallic and of a paper currency. It is evident that the first could be established but gradually, and at a considerable expense; since the purchase of sixty to eighty millions of dollars, in gold and silver, would be necessary to supply the place of the existing paper currency. But the Banking system and its appendage of paper issues now pervades every district of the Union; and a total change in the habits of the people must take place, before the plan can be carried into effect. The impossibility of attaining the object through the action of the revenue alone is palpable, and results from the immense disproportion between the mass of payments for the ordinary and current business of the country, and those which are effected by the general Government.

It has already been stated that the daily payments in the banks of this city amounted to near five millions on the first of October, and exceeded four millions on the first of February last. This includes neither the payments made in each bank in its own notes, or in checks drawn upon it, nor any portion of the retail business of the city, or of any of the other payments made without the intermediate agency of the banks. The daily payments, in this city alone, amount to at least five

D

millions of dollars a day, or near sixteen hundred millions of dollars a year. The annual revenue collected in New-York cannot now exceed fifteen millions: and the action of government cannot extend beyond its receipts and its disbursements; that is to say, to more than thirty millions of dollars, or less than one fiftieth part of the whole. All that government could do would be to accumulate an amount of specie equal to the permanent public deposits. It might, at most, establish a separate metallic currency for government, by compelling importers and purchasers of public lands to pay in specie, and by paying its creditors in the same currency. But this metallic currency would be used for that, and for no other purpose. It could have no control over the general currency of the country, nor prevent its depreciation, or a general suspension of specie payments. It might only enable government, if such a catastrophe should ensue, to preserve, through the general confusion, the public faith towards the creditors of the public. We must aim only at what is practicable; and the only rational plan, for the present, must be, without excluding the paper currency, to restrict it within proper limits.

The objects and expectations of the administration, in the attempt to establish a sound currency through the agency of State banks, have not been distinctly explained and are not thoroughly understood.

If we recur to the past, we may say that the experiment was already made in the year 1811, at the termination of the charter of the former Bank of the United States; and no disappointment, though some inconvenience, was experienced in carrying on the ordinary operations of government, so long as no untoward event disturbed the ordinary state of things. During the two or three ensuing years, no loss occurred in the collection of the revenue, or in the safe keeping and transmission of the public moneys. But the currency had been left to the sole control of twenty different State legislatures; the mania of establishing new banks without restrictions, or under restrictions purely nominal, pervaded the whole country, and terminated in that suspension of specie payments, and the confusions incident to it, which induced Congress, in 1816, to recur again to a National Bank; with what success, for the purposes intended, the event has shown.

The observation already made, with respect to the hard-money experiment, is applicable to that of establishing a general, uniform, and sound currency through the agency of State banks, in the manner which seems to be contemplated.

The action of the Treasury is confined to the collection and the disbursement of the revenue. Through those means, and supposing that the plan should succeed, its effect, at the utmost, could only be to regulate, by some special contract, the currency of the few selected banks: and this could have no control over the general currency of the country, or restrict its amount in the slightest degree. But to the plan itself there are two insuperable objections.

Although the terms upon which a contract shall be made with any State Bank selected for the purpose, may be regulated by law, the selection of the banks, from the necessity of the case, and, according to the views entertained by the administration, the removal of the public monies, from one bank to another, must be intrusted to the discretionary power of the Treasury, or of the President. An Executive will be substituted for a Legislative Bank, subject to the abuses incident to arbitrary power, increasing the patronage of the Executive, and giving to the administration, not only a power over the public purse not intended by the Constitution, but even if it chooses, that of interfering, in the most direct manner, with the private concerns and interests of men in business. To that concentration of power in one man we most decidedly object. It is no argument to say, that the power did formerly exist, and was not abused. Even then, it proved ultimately the cause of a loss of one or two millions of dollars to the public, in what is called the dead money in the Treasury. We wish ever to live under a government of laws, and not of men. The provision in the act incorporating the present Bank, which designated the place where the public moneys should be deposited, was in every respect proper and salutary; not less acceptable to the Secretary of the Treasury, who must always wish to be governed by law rather than to be clothed with discretionary powers, than beneficial to the public interests, by guarding against the danger of the control of the public purse being converted into an engine of power, if Government should ever fall into improper hands. We have only to lament, that, in order to guard against an imaginary danger, the provision was expressed in such terms as to have permitted the act of which we now complain.

But while the selected State Banks shall be under the Executive control in the manner above stated, they cannot be regulated by either Congress or the Treasury in any point connected with the currency of the country, that may

interfere with their charters, or not be permitted by the laws of the State.

The State Banks are artificial bodies, deriving their existence from the several States by which they have been incorporated, and subject to the laws and to the control of each State respectively. They may, or may not, be permitted to accede to the terms prescribed by Congress, or by the Executive, for becoming the collectors and the depositories of the public moneys. If any State shall think that a compliance, on the part of the selected Bank, with the Legislative or Treasury regulations shall interfere with the banking system, or currency, which that State wishes to maintain, it will forbid the Bank to accept those terms. Whether any Bank may, on any terms, become a subordinate branch of the Treasury of the United States, depends entirely on the will of the several States.

It has been asked, if State Banks were deemed necessary for carrying into effect the legitimate powers of the National Government, whether this was not an admission that a National Bank was authorized by the Constitution? But without discussing the constitutional question, it is impossible to suppose that the Government of the United States is so constituted, that it cannot perform its most legitimate functions through its own officers and agents; that, even for collecting its own revenue, it is compelled to resort to State institutions. Why not at once recur to the Treasurers of the several States, and make them sub-treasurers of the United States? Should any one, startled with such a supposition, charge us with having stated an impossible case, we reply that this is not a supposition, but a fact.

Among the Banks selected by the Secretary of the Treasury is the Mobile Branch of the Bank of the State of Alabama. Neither in that Bank or its Branch is there a single individual stockholder. All the funds are furnished by the state; the business of the Bank is carried on solely for the benefit and at the risk of the State, whose credit is pledged for the ultimate redemption and payment of all notes issued, and all debts contracted by said Bank: and it is managed by a President and fourteen Directors, annually elected by joint vote of both Houses of the Legislature. Whether the notes issued by that Bank of the State are not to all intents and purposes "bills of credit emitted by that State" it is not our province to inquire: we only state the fact, that the Secretary of the Treasury has selected as an agent of that De-

partment, a branch of a branch of the treasury of one of the states.

It is principally because Congress either has not or will not exercise the power of regulating and restraining the currency issued, under the authority of the several states, that resort has been had twice to a National Bank. Until a more direct and efficient mode shall have been suggested, we must look to that institution as the only means through which a sound and uniform paper currency can be issued under the authority of the national government, and as the best instrument for regulating, though indirectly and but partially, the whole currency of the country ; but no substitute will answer the purpose, unless the power of Congress to regulate the currency of the states should be admitted and exercised. We know from the experience of nearly forty years, that so long as a Bank of the United States has been in operation we have had a sound currency ; and that it was thrown into utter confusion, when left to the control of the several states, each acting according to its particular views of the subject. Experience has also shown in what respects the powers with which the Bank was invested may be abused, and what modifications may be necessary, in order to remove well grounded objections, and, without lessening its utility, to adapt it better to the wishes and the wants of the people. We abstain at this time from any expression of the views of the committee respecting the several modifications which have heretofore been suggested, as we believe the discussion would be premature, and the time unpropitious for a calm investigation of that important subject. In the mean while, and while the question, whether Congress shall ultimately charter a National Bank remains in a state of uncertainty, the attention of the committee has been forcibly turned towards the banking system and the currency of this state.

It is incontestible, that the defects in the laws of the several states on that subject, the excessive issues of paper by some of the State Banks, and the consequences felt or apprehended to ensue, furnish the strongest argument in favour of a Bank of the United States. It is highly probable that if at the termination of the charter of the former Bank, the several states, instead of indulging the mania which prevailed for multiplying unrestricted Banks, had each passed the necessary laws for regulating and restraining their own paper currency, the present Bank of the United States would not have been called into existence. We are ready to ad-

mit that even with a National Bank, the co-operation of the several states would be highly useful, for the purpose of establishing a sound currency throughout the whole country, so long as the power of Congress to regulate it by law in a direct manner shall be either denied or not exercised. In every view of the subject, it is highly important that the defects of our own system should be corrected. It is not judging by the result that we are disposed to think it worse than that of most of the other states. The disproportion between specie and issues is as great in Massachusetts and Virginia as in New-York. But the affairs of our own state are our own concern; and we believe that, considering its population, geographical position, wealth, and commercial connexions, its example would have a happy influence over the other states.

The first observation we beg leave to submit, is the propriety of repealing that law of the State which forbids every person or association of persons, other than incorporated Banks, not only to issue any bank notes or bills and put them in circulation as money (a prohibition equally proper and necessary), but which extends the prohibition to the "keeping of any office for the purpose of *receiving deposits or discounting notes or bills.*" This last restriction on the common and legitimate use of private capital, is, we believe, peculiar to the State of New-York, and is not to be found in the code of any of the other States, nor indeed of any other commercial country. Instead of making the lending and borrowing of money for commercial purposes an exclusive privilege, it is the policy of every commercial country, and far more consistent with the spirit of our institutions, to set private capital free from any unnecessary restriction, as the best means of producing competition, and of reducing by natural means the price paid for the use of money.

We concur also in the opinion of the Bank commissioners, that the number of Banks ought not to be increased but with great caution; that the natural tendency of an increased number is to increase bank issues beyond what is necessary and proper; that if any additional banking capital is wanted it is for the purpose of increasing bank accommodations in favor of the community, and not for that of increasing bank issues and bank profits; and that for that purpose, the increase of the capital of existing banks, so as to equalize as far as practicable that of banks in the same locality, is preferable to the creation of new banks.

We must add, in reference to that equality of capital between banks in the same locality or placed under similar circum-

stances, that the only reason for giving to the Bank of the United States its large capital was, besides the extent of territory over which its operations must be carried, the necessity of investing it with power sufficient to check and regulate the issues of the other banks. And the power was thus given, only because Congress was presumed not to have the authority of restraining those issues, by laws directly applicable to that object. But the States are under no such restrictions. They have the full and unlimited power to regulate and restrain their own banking system, and the circulation of their own banks, to any extent and in whatever manner they please. There is, therefore, no necessity or reason for the erection by the State, of a bank with a capital superior to that of all its other monied institutions, enabled thereby to govern and oppress all of them, and obnoxious, without any apology for it, to all the objections which have been raised against the Bank of the United States. Free competition, as it now exists between the several banks, is highly useful: and there are few things more to be deprecated than a powerful monied institution, not merely regulated by a general law, but kept in its operations under the immediate control of Government, and liable to be used as an engine by those who administer Government.

The laws of the state contain many provisions well calculated to prevent and to punish fraud, and to insure, so far as it can be done by legal enactments, the ultimate solvency of the banks. And the Act, commonly called the "Safety Fund Act," has provided for annual and intermediary investigations, which we consider as salutary, and which we wish only to see accompanied by annual, clear, and complete statements of the situation of every bank subject to the provisions of the Act. We see indeed no reason why every bank in this state, without exception, should not be made subject to the same investigation and publicity, and to all the general laws of the State respecting monied corporations, save only such as may impose the payment of any money, or render them liable to any monied responsibility, not within the purport of their respective charters.

But although gross mismanagement may produce some exceptions, it is not the ultimate insolvency of the banks which is to be apprehended. The great danger to be guarded against is, that general suspension of specie payments, which both immediately and afterwards, when such payments are resumed, is attended with the utter subversion of existing contracts, and with calamities which affect every class, and none more than the poorer classes of society.

The fundamental and objectionable provision of the Safety

Fund Act is that which lays* a yearly tax of one half per cent. on the capital of all the banks, for the purpose of applying the proceeds to the payment of any part of its debts, which any bank, by its own misconduct, may become unable to discharge.

This tax is unjust, inasmuch as it renders banks responsible for others over which they have no control; and in that it offers a premium in favor of misconduct or unskilful management, at the expense of those which are wisely and cautiously managed. It is more particularly unjust in reference to this city; inasmuch as the tax is laid in proportion to the capital and not to the circulation. It will be seen by the report of the Bank Commissioners that the apparent circulation of the city banks amounted on the first January last to 4,900,000, and that of the country banks to 10,500,000 dollars: while the tax being laid on the capital, the city banks pay annually more than 63,000 dollars towards the fund and the country banks less than fifty-one thousand. The disproportion would, it is true, be considerably less by including the deposits. But the report does not enable us to state the precise amount of the aggregate of the circulation and individual deposits in the city and country respectively.

What renders the tax still more unjust, is the total want of reciprocity. The notes of the city banks did not require the guarantee of those in the country: and, so far from their circulation being increased by that provision, it has in fact been lessened, within the city itself, by the introduction of country paper, to which the guarantee of the city banks has given an artificial value.

It is this last circumstance which, apart from its injustice, renders the system unsafe and dangerous to the community at large. Instead of suffering the circulation of each bank to rest on the confidence to which it was naturally entitled, each one has been enabled to extend its circulation as far as its local situation permitted, without regard to its capital, its resources, its management, and to the degree of confidence to which it was entitled by all those circumstances; and solely on account of the artificial confidence arising from the guarantee of more responsible institutions which has been created by the law. Hence the extravagant issues of some of them, the disproportion between their specie and their issues, and the imminent danger of suspension of specie payments which threatens the whole system, whenever any un-

* The tax is for six years certain, and contingent for the ensuing years until the charter expires.

toward event, such as must necessarily occur in the course of human affairs, may disturb the ordinary state of things. It is perfectly natural that every bank should avail itself of the advantages derived from its situation, whether natural or bestowed on it by the laws of the land. Each will naturally try to increase its profits to the utmost limits. We find, accordingly, by the report of the Bank Commissioners of the 10th day of March, 1833, that, while the average dividends of thirteen city banks amounted to little more than six per cent.; those of seven of the banks in Albany and Troy were nearly at the rate of eight per cent, and the average of the thirty-two other banks, included in the report, was almost nine and a half per cent. on their capitals. It is not to be wondered at that, under such circumstances, perpetual applications should be made for new banks; that they should be at last considered less in reference to their utility to the community, than as special favors granted to the applicants; that there should be a perpetual and unnecessary increase of new banks, and that, as has been conclusively proved by the Bank Commissioners, this should have been attended with a dangerous and immoderate increase of the bank issues.

We think it, therefore, of the highest importance that those defects in the existing system, which endanger the soundness of the currency, and which may render the rechartering of the Bank of the United States, on any terms, absolutely necessary, should be corrected; and the remedies for that purpose are most simple and obvious.

They consist merely in restricting the amount of the loans and circulation of each Bank, by substantial, and not by nominal, restrictions. The suppression of notes of a less denomination than five dollars, we believe, is generally demanded. It will have, among others, the great advantage of causing all small payments, those for articles daily brought for sale at market, and those for the daily compensation of labour, to be made in specie, and of lessening the injury which the suspension of specie payments, or failure of any Bank, always inflicts on the poorer classes. But this measure will afford but a partial remedy against the general danger. The amount is variously estimated—at one-fifth, or one-fourth part of the whole circulation: but no inconsiderable portion of this would be soon again supplied by five dollar notes. We repeat, that the true and efficient remedy is only to be found in a substantial restriction on the issues and loans of the Banks.

According to the existing laws, the loans are restricted to twice and a half, and the amount of bank notes to twice

F

Albert Gallatin, President, The National Bank

James Brown, Brown Brothers

Philip Hone, civic leader, Whig

Gardiner G. Howland, merchant, Whig

James G. King, Prime, Ward, & King, Whig

D. W. C. Olyphant, China merchant

John A. Stevens, 1st President, Bank of Commerce

Whig

Whig

the amount of the capital. The first restriction is insufficient; and the last can hardly be called a restriction. There is no Bank which may not divide more than six per cent., if its loans are limited to twice the amount of its capital. Under proper management a much smaller amount is sufficient. The total amount of notes issued by all the Banks of the Northern States is less than one-third part of their capital. It will be seen by the last Report of the Bank Commissioners, that the gross amount of all the notes issued, that is to say, the whole of the apparent circulation of the Banks under the Safety Fund, amounted to 15,400,000, on a capital of 22,700,000 of dollars. The disproportion between the liabilities and resources is to be found in the extraordinary amount of issues by some of the Banks. It is not for the purpose of enabling Stock-holders to make extraordinary profits, but for the public good, that Banks are instituted. We are perfectly satisfied, that a restriction which would limit the issues of every Bank to two-thirds of its capital, would be amply sufficient to secure to each a dividend of six per cent., and, in a great degree, to the State a sound currency, independent of the acts of any other legislative body.

By the instruction given to the Committee at the public meeting, by which they were instituted, it became their duty to endeavour to effect an union of the Chamber of Commerce and the Board of Trade. This subject has been committed to a sub-committee, and has been brought by them to the consideration of those associations. It is understood that no definite plan of union has yet been agreed upon; but the Committee trust, that as there are so many objects of great and mutual interest, some plan may be devised by which an efficient action and united efforts of both may always hereafter be secured, without the loss of any distinctive powers which either may desire to retain.

ALBERT GALLATIN.

JOHN G. COSTER.

HUBERT VAN WAGENEN.

RUFUS L. LORD.

JONATHAN GOODHUE.

NATHANIEL WEED.

D. W. C. OLYPHANT.

JOHN P. STAGG.

JOHN W. LEAVITT.

PHILIP HONE.

THOMAS BROOKS.

EDWARD G. FAILE.

DAVID LEF,

JOHN HAGGERTY.

FANNING C. TUCKER.

JAMES BOORMAN.

GARDINER G. HOWLAND.

CHARLES H. RUSSELL.

ELBERT J. ANDERSON.

ISAAC CAROW.

JOSEPH KERNOCHAN.

JAMES BROWN.

JAMES G. KING.

JOHN A. STEVENS.

New-York, March 18th, 1834.

A STATEMENT OF THE SITUATION OF THE BANKS IN THE CITY OF NEW-YORK.

1st October, 1833.	Capital	Loans and Dis- counts.	Public De- posits.	Individual Depo- sites.	Bank Notes; ap- parent Circula- tion.	City Banks; notes and checks on hand.	Specie.	Including all the City Banks, and the U. S. Branch		
								Due to the U. S. Branch.	Balances with City Banks.	
								Due to	Due by.	
The 3 selected Banks	6,051,000	9,189,153		2,896,416	1,194,117	1,316,688	512,937	208,925	95,000	
15 other city do	9,610,000	18,467,259		5,884,713	3,776,189	3,028,355	816,047	392,077		95,000
U. States Branch	2,500,000	6,180,833	4,130,322	1,354,256	982,217	608,031	2,008,423			601,002
19 (complete) Banks	18,161,000	33,837,245	4,130,322	10,135,385	5,952,523	4,953,074	3,337,407	601,002	95,000	696,602
1 Bank (1st Jan. 1834)	200,000	485,924								
20 Banks (Loans)	18,361,000	34,323,169								

The Seventh Ward Bank was not in operation on 1st October, 1833.

1st February, 1834.										
	Capital	Loans and Dis- counts.	Public De- posits.	Individual Depo- sites.	Bank Notes; ap- parent Circula- tion.	City Banks; notes and checks on hand.	Specie.	Including all the City Banks, and the U. S. Branch		
								Due to the U. S. Branch.	Balances with City Banks.	
								Due to	Due by.	
The 3 selected Banks	6,051,000	13,769,552	4,946,326	3,238,883	1,345,145	1,140,159	776,270	123,398		572,193
15 other city do	9,610,000	*18,293,052		5,925,689	3,287,671	2,480,303	875,433	252,872	572,193	
U. States Branch	2,500,000	6,458,540	258,350	1,081,421	975,407	490,239	1,841,320			376,270
19 (complete) Banks	18,161,000	38,521,144	5,204,676	10,245,993	5,608,223	4,110,701	3,493,023	376,270	572,193	948,463
2 Banks (19th Feb. 1834)	700,000	1,201,143								
21 Banks (Loans)	18,361,000	39,722,287								

19th February, 1834.
 Apparent Circulation of 19 City Banks \$4,740,813
 Actual Circulation after daily exchanges 3,038,320

* Including \$232,000 loaned out of the State.