

**S P E E C H**

**OF**

**MR. WOODBURY, OF NEW HAMPSHIRE,**

**ON THE**

**CAPITAL OF THE FISCAL BANK:**

**DELIVERED**

**IN THE SENATE OF THE UNITED STATES,**

**JULY 10, 1841.**

---

**WASHINGTON :**  
**PRINTED BY BLAIR & RIVES.**  
**1841.**

S P E E C H  
OF  
MR. WOODBURY, OF NEW HAMPSHIRE,  
ON  
THE CAPITAL OF THE FISCAL BANK :

*Delivered in the Senate of the United States on the 10th of July, 1841.  
He moved that the words in the 1st section, "with a capital of thirty millions of dollars," be stricken out.*

I am aware of the impatience, Mr. President, that is felt on the other side of the house, and especially by the honorable chairman of the committee, that this bill should be finally acted on. Sincerely do I sympathize with him.

But we are engaged in a measure, which, by its present provisions, is to operate for good or evil a whole generation, and not till another year or another session.

We are attempting also to make efficient guards, not for a few foreigners or a few citizens and their small capital, but for the ten to sixteen millions of the public property of the people of the United States invested in the stock of this institution. We are bound to protect with care not only that, but more especially two to six millions yearly of public money in the Treasury, confided as deposits to the custody of this new mammoth corporation. I must, therefore, be excused for going somewhat at length into the reasons for my amendment, which, if adopted, must save risk, remove much embarrassment, and probably prevent *great loss*.

I cannot otherwise do justice to the subject. But I will endeavor, whenever practicable, to omit reading many references, and hasten over numerous illustrations, which might in their details be too tedious.

Infinite difficulty has attended, thus far, the arrangement of limitations and securities suitable for the immense capital in the bill, and the large deposits that will be connected with it. I propose, therefore, in the first instance, to strike out the whole capital, and thus relieve the chairman and the rest of us from the perplexities of guarding safely any thing but the public deposits. This will be a vital remedy. It will strike at the root of the difficulty, because it will leave nothing to arrange but a mere fiscal agent and the safety of the current revenue. Nor will it, if successful, lessen our control over this corporation. If it have no capital, the supervision of it in all respects will doubtless be retained by the Government, as it should be, to insure *certainty, accountability, and safety, as well as punctuality*

in the agency for all our financial operations. We otherwise would cease, in this important function, to be an independent and self-efficient Government.

But if some private capital is restored to the bill, it is easy and proper still to supervise and check this fiscal machinery, by way of some directors, accountability, and even a bonus, if we choose to make such requirements. We may well exact all these, for the privilege of using the public deposits, and for the privilege of letting their notes, if any, be taken for public dues. It is not a question, therefore, as to details comparatively unimportant, but one radical, and extending to the merits of the whole system.

It seems to be determined that we are to have a bank of some kind or other for a Treasury agent. The question then arises, if it be not safer and more constitutional to have one with no greater powers than are necessary and proper to discharge the public business, which is with no capital, or a comparatively small one, rather than to have an agent of a private as well as public character, and to have one commercial as well as fiscal in its structure and functions.

It has already been decided to locate this bank in the city of Washington, and to constitute it an arm of the Treasury. Is it not, then, more appropriate to have its operations confined to mere public matters of a fiscal nature—to the collection, keeping, transferring, and disbursing of the public money—than to extend them unnecessarily to private loans, to mercantile exchanges, and to all the various ramifications of commercial banking, scattered over the whole Union? Consequently, should a majority of the Senate vote to strike out the present capital, as is to be hoped, the next step might be this: The same majority, or a different one, will be asked to decide that no discounts, and probably no paper issues for circulation, shall be connected with the fiscal agent. In that event, the blank would not be filled at all, and the subsequent portions of the bill would be so modified as to make the bank merely one for public deposits; and would thus resemble the original form of all modern banking, by being confined to deposits alone. But should the Senate think some capital, either public or private, was constitutional and expedient, the blank could be filled with such smaller sum as might appear most safe and beneficial. It might also be wholly public capital, or wholly private capital, or mixed, as might, on more full consideration, be deemed most salutary.

In coming to a final conclusion on these points, we should avail ourselves of all the lights of experience and reasoning. Instead of lagging behind the age in any important topics connected with banking, we could benefit by the whole; and if we have omitted the wise course pursued elsewhere, to summon experienced merchants for information and aid, practical bankers, and scientific reasoners, we could still, in some of their published remarks, use them as witnesses the most valuable and trustworthy. We could show by the Gallatins, the Appletons, the Ragnets, the Lowndeses, the Gastons, and the Hopkinsons, that the present capital of thirty to fifty millions was too high for any legitimate object; and we could prove by the Clays and other opposition Senators in this hall, in large numbers, in other days, that a national bank with any capital for discounts was not only unconstitutional, but would become, if organized like this, one of the greatest curses ever inflicted on the human race. This system of lending out the public revenue has been most harshly denounced even in our own day. Have not the supporters of this very bill censured in 1833, and since, the

loans of the public money by the selected State banks? Has the practice not been stigmatised by them as leading to political favoritism, to excessive issues of paper, to overtrading? And have not the calamitous revulsions of 1837 been often ascribed by our opponents chiefly to that cause?

Yet now we are deliberately called on by them to vote for a bank, designed to loan out not only the public deposits, but from ten to sixteen millions more of public capital, borrowed and placed in this bank for that express purpose.

These immense sums are to be loaned also, not merely to merchants for aid in paying duties, but to any and every body, except members of Congress and directors—in limited sums, indeed, to all executive officers and the army of civil officers—and in all amounts. They may, by the vote this morning on the subject of donations, be, for aught interdicted by us, even *given* away, for the basest ends, to any body except the officers of the bank.

What an alarming departure is this from the prudent provisions of the Independent Treasury, which made it penal to loan out at all a dollar of the public money! Even the bill repealing that system, which has passed the Senate within a few weeks, makes it *felony* in any officer “*to loan, with or without interest, any portion of the public moneys intrusted to him.*” But by the present measure, we provide millions on millions to be loaned out, and if the managers of the bank think proper, for the advancement of any sinister or political object, to be *given* away with perfect impunity. What glorious visions must thus be in prospect for those who have sighed so long to enter the promised land, and partition among themselves and friends not only all the *odious spoils of office*, but all the incidental influences and favors connected with power!

A fiscal agency through this bank, if the thirty millions of capital is retained, will cost us at least, in the first instance, the interest on the sixteen millions which we must borrow to form our part of the capital. That interest, at five per cent. only, would be eight hundred thousand dollars annually. But the whole expense of the much-abused Independent Treasury annually has not been sixty thousand dollars—not one-thirteenth as much.

Let it not be said that the Government is likely to obtain large dividends and reserved profits on this capital.

When the first national bank existed, and the capital of the State banks was small, and the managers less corrupt and venturesome than since, a fair dividend accrued. But under the second national bank no dividends whatever were received for one or two years; small ones only during other years. And the capital itself, retained by the old stockholders in the new State charter, has been lost at least to one-half, if not two thirds of its whole amount.

Should the bank go into operation, located here under political auspices, and likely to be wielded to advance political objects, and open to all the risks which its imperfect and impotent restrictions expose it to, no great skill is required to predict, with much certainty, that, if we ever get back our original capital, and no dividends whatever, it will prove to be a piece of singular good fortune.

How many aged dependants—how many widows and orphans would rejoice to be so fortunate in respect to their capital invested in the last Bank of the United States?

The cost, then, to the Government, of this new fiscal machine, with thirty millions of capital, is likely to be, annually, at least three fourths of a million.

of dollars, instead of fifty or sixty thousand dollars, the annual cost of the Independent Treasury.

But I admit that there is a fair, legitimate, and safe public object to be attained by this bill, if the capital be stricken out. That object is to reorganize the Treasury Department in respect to a part of its fiscal machinery. It is to change, in some respects, the present mode of collecting, keeping, and disbursing the public funds.

That is a commendable design, if public convenience requires a change. But if we came here merely on the senseless cry of *mad dog* against the Independent Treasury, and undertake to repeal it, and establish a different agency less safe and less salutary, we act at least unwisely.

But should we go further, and successfully attempt to substitute for the present agency one not constitutional, or, if constitutional, not expedient on any great, broad, public grounds, but rather dangerous to the pecuniary interests of the community, and hazardous to public liberty, the country will for ages rue the day when this extraordinary session of Congress was convened.

I admit, however, that we have constitutional authority to create a fiscal agency. It is derived from the power to lay and collect taxes, pay debts, and maintain an army and navy. To accomplish these objects, there must be a treasury, and officers of some kind. But this constitutes the whole skeleton of the agency. It should relate to *fiscal* matters alone—as the title of the present bill does deceptively, while its contents are intended for commercial objects beside. It should not be for private enterprises and gain as well as public, like the present bill, but be limited to the business of the United States alone as a Government.

My motion to strike out the whole capital is therefore grounded, first, on an opinion that the lending of capital does not properly belong to the Treasury or to fiscal matters; and much less does the lending of private funds or private subscriptions belong to the Treasury Department as a portion of its legitimate, natural, and appropriate duties.

For the Government, as a Government, to seek to enter into such enterprises in organizing its fiscal machinery, and to do this through the incorporation of a banking institution, is, in my opinion, clearly both unconstitutional and inexpedient.

If the fiscal agency now proposed had been limited to the employment of individuals, instead of the creation and use of a corporation as a part and parcel of the Treasury Department, it would have been in analogy to the system of operations in all the other departments, and attended with very few difficulties.

As the War Department employs individual officers and soldiers to carry on its operations; the navy, individual officers and seamen; the State Department, individual consuls and ambassadors; the law department, (if I may be allowed the expression,) individual attorneys and judges; so might the Treasury appropriately employ individual collectors, receivers, and treasurers.

But who ever heard of introducing into the organization of the War Department a corporation to fight?—or of the State Department, a corporation to negotiate? or a corporation to transact our law business? We might as well have a corporation to legislate for us; and then, in truth, a corporation to manage the Treasury concerns would not be such an anomaly, however in some respects ridiculous.

We should then imitate some cases in the community, here and abroad, where corporations are in such favor, and employed in such abundance, as to prevail even for *washing clothes* and for *burying the dead*.

Again: all the horror which existed a few years ago with our opponents at the Government merely investing its surplus funds in State or other stocks, (because it would look like dealing as a broker or banker,) seems to have vanished, as if by magic. And we are now not only to use a corporation, but to enter into the paltry joint-stock partnership with every Shylock who chooses to become a subscriber, in all the lending, borrowing, and trafficking in money and exchanges which belong to the smallest village bank among the nine hundred scattered over the wide surface of the United States.

We thus make the Government become a Jew dealer, with the hope of gain. It is to descend from its dignified and public position as a regulator and governor of others, to become a participator in private life in moneyed speculations, and which practice might with equal propriety, on principle, be extended to a copartnership in tanning leather, picking oakum, or buying and selling old clothes. Nothing is well and profitably done by such joint-stock jobbing by the public with individuals. The public then is always the goose that is plucked. The examples of England and France have been cited to us by the chairman, in favor of a national bank, as if all the institutions of monarchies were proper in a republic, and as if we were to have church and state,quisitions and bastiles, because they exist in foreign despotisms; or star chambers and white slavery, because the former has been in England, and the latter still exists in its India dominions. But let me ask, sir, if even in England or France the Governments own a single dollar of capital in their national banks? Certainly not.

Did England or France, too, establish their national banks when those kingdoms already possessed the immense amount of bank capital which we have, of three hundred and fifty-eight millions? By no means, but when little or none existed in either.

Even then, with a population larger than ours in one, and nearly as large in the other, and with scarcely any other bank capital in operation, did they rashly establish corporations with thirty to fifty millions of capital? So far from it, the Bank of England began with only about seven million dollars of capital, and the Bank of France with only thirteen millions.

On what pretence, then, by way of analogy, should this large amount of capital be retained in the bill? and much less should the Government invest a large part of it, mixed up with private individuals, for speculation and gain? Nor is it necessary in order to control the banks, for reasons before fully explained in this debate.

The only legitimate object of the bill, then, is manifestly to establish a suitable fiscal agent. But why should we attempt to get such an agent in the form of a bank, with power to loan and issue bank notes -- a power doubtful, at least, in regard to its constitutionality -- when the whole objection could be avoided by making the agency without corporate or banking powers, and especially without any power except of deposit and management of the public revenue?

Even the independent treasury, or the State banks, employed as the fiscal agency, would give rise to no such grave constitutional question; and either of those systems could undoubtedly be modified and improved so as to answer safely and satisfactorily the public purposes of the Treasury.

But again: Can it be prudence or sound philosophy to risk the creation of an agent, whose constitutionality is questionable, when other agents can be obtained against whom no such objections exist, and when, as in 1791 and 1816, no great reasons exist which justify risk—responsibility and immediate action?

In 1791, when the first charter was framed, it was supposed, with our English descent and prejudices, that a bank would be found indispensable. More especially with the large revolutionary debt of seventy to eighty millions hanging over us, some apprehended that it could not be managed, and the Government procure necessary loans, without the help of such an institution. Hence Congress, then, under those circumstances, decided a bank to be necessary and proper. So, again, in 1816, with the debt of a second war, nearly doubled, or reaching one hundred and twenty-three millions, with an expectation of more loans to be needed, and without any existing fiscal agents in the whole country, except suspended and discredited State banks, Congress again decided such a bank to be necessary and proper.

But no such emergencies or excuses now exist. Our permanent debt has been all extinguished, and the temporary one, of a few millions of Treasury notes has been and can be well managed without the aid of any bank. We have also an independent, safe, and economical fiscal agency in efficient operation. We have, also, the lights of experience since 1816, in the conduct and misfortunes of the last United States Bank, to warn us most solemnly against ever creating another, as we are now doing, with such tremendous power in its capital, to be wielded for either public political purposes, or the private pecuniary ruin, through official peculations and misconduct of thousands of helpless and otherwise portionless stockholders.

Again: Can it be wise to venture on this, when the whole community bears witness to the fact, that this bank is a mere party measure? It is demanded here, on the one side, only by members of one party, and denounced in the other wholly by the other party: aided, however, I fondly hope, by a few independent, fearless, faithful adherents on the other side, to the constitutional doctrines of '98. It has, indeed, been a party measure from the outset of the Government, and helped to divide and embitter party feelings quite as much under the first charter as under the second. Except those persons who may have supported either bank from an honest conviction that the exigencies of the times in 1791 and 1816 rendered one necessary, and therefore constitutional, the democracy have been arrayed in almost solid phalanx against the tremendous influence of such a great State engine. Hamilton himself called it "a political machine of the greatest importance to the State."

[Here Colonel Benton asked leave to read, and did read, the whole passage on this point from Hamilton's report.]

Yes, sir, and only a few days ago we were gravely told, in one of the leading whig presses, that the Secretary's report recommending this measure now under consideration "is, in fact, a return to the old and tried system of forty years' standing—the father of which was Alexander Hamilton." Thus, in the first half year of the present administration we are thrown back, or attempted to be, to the worst, most odious, most dangerous, and monarchical measure of the great leader of federalism half a century ago.

Will the Senate excuse me for reading an account of the manner in which this *political machine* worked, even under the purer days of the republic, and from the lips of a venerable democrat, not hostile afterwards to the bank on principle? We need no description of the political influences of

the last bank under our own eyes, in its thousand and one presses, attorneys, agents, and interests, scattered over the whole Union, and moved by an autocrat behind the scenes, with the regularity and power in politics equal to the vast machinery of some large manufactory.

But few of us know, except from tradition, the doings under the first charter on this important topic; and, therefore, let me read them briefly from General Smith in Congress in 1811:

"At first its operations were confined to Philadelphia. It extended its branches sometime afterwards to Boston, New York, Baltimore, and Charleston. Wherever it extended its influence, dissensions commenced; wherever it placed its foot, it became also necessary for the States to erect another bank, to counteract its pecuniary and political influence. In Philadelphia it began to oppose certain people and put down their paper. The State of Pennsylvania, in defence of its own citizens, created the Bank of Pennsylvania." "Operating as the bank did upon the politics of the country before its effects were neutralized by competition—man being man, place man where you will—those concerned in the bank got power and exercised it. When the British treaty (Jay's) was pending before Congress, the president and directors themselves carried about a memorial to Congress in its favor: with what view and what effect, may easily be conceived." "Prior to the great struggle between the parties in 1798, they did permit one democrat to be within the walls of the sanctuary as a director. He was, however, immediately upon daring to give his vote in favor of a democratic candidate, put out; and since that time no man of democratic principles has been permitted to enter its walls as a director."

Indeed, the truth of this partisan course was all corroborated by the chairman himself, on the same occasion; and, when in 1816 he changed his views as to the constitutionality of the second bank, he still avowed his belief that the first bank was properly refused a recharter, for this, among other reasons—that its power had been prostituted to party objects. How rash must it be to interweave again the public interests, and put in jeopardy the public funds, in an institution party in its origin, party in its progress, and party in all its elements and influences!

On the contrary, how much more constitutional, as well as dignified, independent, and effective, would it be to select individual public agents for the Treasury, as for the other departments; and to keep and disburse our own revenue by our own officers, not subject to have it loaned out to everybody, and all thus exposed to loss; nor to have its repayment refused by a general suspension of specie payments, when most wanted for the public necessities, and the preservation of the public faith. The argument used by gentlemen the other day, against making the operations of a bank, as a fiscal agent, depend on the pleasure or caprice of State assent, applies with much greater force against placing all our funds so as to make their prompt return dependent on the solvency, embarrassment, or whim of a few bank speculators.

How can gentlemen talk seriously of the evils of the old Confederation, which prevented the collection of our revenue until the States chose to act, and not see the danger and folly of putting our revenue, after it is collected and is likely to be wanted daily, into the custody and control—not of our own individual officers, under severe penalties,—but of the stockholders of a bank, or their nabob agents, with property risked in every quarter of the globe, wanting our funds most for their speculations when we need them most, and responsible to nobody for misbehavior, except under mere civil liabilities?

Another apparent absurdity in establishing a bank with such a capital arises from the circumstance, that, so far as regards taking any share in it by the Government, we have no surplus revenue to devote that way; but must incur a permanent national debt of ten or sixteen millions, in order to accomplish the object. Other and useful fiscal agents can be constituted, without incurring any debt whatever.

Another objection is, that we thus increase executive patronage, through a greater concentration or union of the purse and sword, by placing new officers, with high salaries as directors, at the disposal of the President; by putting yearly means of near two hundred millions discounts under central control here, so as to penetrate every hamlet, and poison every vein and artery of the body politic; and, in fine, by posting here or abroad a moneyed power behind the throne greater than the throne itself, or else subjecting the whole to an executive influence, more paramount and dangerous than all the standing armies and alien and sedition laws which ever stained our history.

Another objection is, that we are urged to concentrate here this immense amount of *associated wealth* in a time of profound peace with foreign nations; in a time of great freedom from debt; when we have in operation already an efficient fiscal system; when a sound currency is established successfully for the Government; when foreign commerce is in a healthy condition; when money is plenty and cheap, and bank capital in the country abundant rather than deficient; and when to establish such a bank here, and with such loose provisions as exist in this bill, is clearly to do what is condemned by expediency, if not by the constitution;—condemned by experience; condemned by sound reasoning; and what must be condemned by the country at large as soon as the whole circumstances are duly examined and understood.

Before sanctioning such a total revolution in our present system of finance, and establishing a measure so destitute of many modern improvements and restrictions in banking, and so open to the worst perils to public liberty,—allow me to invite your attention a moment to other, and first the constitutional objections in its way.

I do not design to fatigue the Senate by a labored argument on this question, but merely to lay down hastily a few very general positions.

First. It is not pretended that there is any express grant in the constitution to establish corporations—much less banking ones—with power to make loans and issue paper.

Secondly. Setting aside the power in and for this District and the Territories, (over which Congress has authority for all kinds of legislation,) there is no pretence of any express grant, from which can be fairly implied the power to make banking corporations for the General Government and the States, unless it be from the grant to *collect taxes, &c.*, or to *coin money*, or to *regulate commerce*.

But every one knows now, after reading Mr. Madison's Debates in the Convention, (published in 1839,) that, however gravely a committee of the other House once contended that engraving bank notes was to *coin money*, the money there referred to was metallic, and not paper; that the framers of the constitution sought to avoid paper money as far as practicable; that "to *regulate commerce*" meant to fix the custom-house rules, and duties on imports; and that no one in the convention ever dreamed it was to regulate the *currency*, as many hastily and erroneously suppose is the express

language of the constitution ; and that to *lay taxes, pay debts, &c.*, requires only faithful individual officers, but no corporations, whether banking or otherwise. All other impressions as to the designs of the convention must now be considered apocryphal.

Looser and more culpable still would it be to infer, since the father of the constitution has given to us the true history of its formation, that, under the grant of authority to pass laws "*necessary and proper*" for executing all the express powers, a corporation could be used as a means *necessary and proper*, when the convention deliberately refused to sanction corporations as original and substantive measures.

It would look highly censurable to suppose, in the face of this, that an authority ought to be implied under one head, which was explicitly refused elsewhere ; or that so high and hazardous an authority or prerogative as making corporations should ever be derived by mere implication.

But, without dwelling on this topic a moment longer, and for the sake of argument, suppose (as many have in 1816 and 1791) that a banking corporation can be justified as constitutional, if, in any particular emergency, it is believed to be *necessary*, and is so shaped and moulded as to be an instrument *proper* to meet only the public necessity of the case : then, the next question would arise, whether, on the present occasion, such an instrument is clearly necessary ; and whether the present bill presents one whose capital, functions, and guards are *proper* to meet the exigency ?

In truth, the decision of the Supreme Court, that a national bank is constitutional, however much urged on the other side as binding and final, has been merely a decision contingent on certain facts. It is, that any existing institution, first agreed by Congress to be *necessary and proper*, is by them considered in that event constitutional, but not so in any other event. It is merely rendering judgment as a court in any case, on a verdict returned by Congress as a jury, finding, first, that in point of fact a particular institution in some particular exigency was necessary and proper.

But it will be seen that such a judicial opinion covers the legality of only that special charter granted under these special facts, and decides nothing as to any other period or any other proposed charter.

Much less does such decision bind any body *politically*, even in the case decided on. Every politician or legislator forms his own opinion on such questions, and acts on it in public matters, in conformity to his own judgment and conscience. But when a question of private interest arises under the particular charter, in which the courts have decided, their decision must of course control and govern those interests while that charter lasts.

It will thus be seen, that a Congress might discreetly *adjudge a measure* to be necessary and proper in an emergency and state of light or experience which existed in 1791 or 1816, and then the courts discreetly pronounce it to be constitutional ; when Congress would not in 1841, under a different state of facts and fuller experience, deem a bank *necessary*, and much less deem a very imperfect charter, with a very large capital, and a new and dangerous location, and very feeble guards, as a *proper* measure for the occasion.

Under these views, it is hardly useful to detain the Senate by balancing the weight of great names on the one side and the other ; or the weight of different Congressional decisions one way and the other ; or the weight of different supposed verdicts by the people one way or the other.

Most of them differ only because the periods of time and force of emer-

gencies differ; or the character of the different corporations, and the extent of experience of their benefits and necessity, differ. And if the constitution, thus construed, is not sufficiently certain on so important a subject, it behooves the people and the States to make it more certain by an explicit amendment, either allowing or prohibiting the power generally, or doing it except under circumstances where a bare majority in Congress, as now, deem the measure necessary and proper, or where a majority of three fourths or two-thirds should come to a similar conclusion.

Other differences arise, and will continue to arise, from a different view of the extent of the meaning of the words *necessary* and *proper*—of the state of existing facts—of the character of the charter proposed—or of the effect to be caused by the assent of the States—which can, in truth, operate only as a re-incorporation of the bank within its limits, on such terms as are deemed suitable. But the great result must be, that, acting as legislators to form a new corporation, we are not precluded from considering a bank at this time as not necessary, and therefore not constitutional. We are not estopped from regarding any particular charter proposed to us with an immense capital and bad location as not proper, and hence not constitutional. This question, if settled at all, is settled in our favor.

The balance of arguments, precedents, and analogies, to us, as politicians and lawmakers, is, that a national banking corporation is at all times, and in all forms, unconstitutional: but if admissible within its spirit on any occasion and in any form, it must be only when in point of fact it is clearly *necessary*, and when the plan offered is clearly a *proper* one.

It is fortunate that, in the consideration of these points, the experience of the last seven years is full of new instruction and new warning;—it is instruction on the one hand, that during this period our fiscal operations in unprecedented amounts, and under the most extraordinary embarrassments, have been conducted with punctuality; the payments made in a good currency, in most cases; and the public credit sustained at the very highest point, without the use of a United States Bank of any kind as a fiscal agent for a single day. Those who, in the minority of the committee in 1832, as well as on other occasions, have considered such a bank as indispensable to the management of the finances, can now see by actual experiment the error of such an idea. And however convenient such an institution might have proved in some respects in the last seven years as well as before, yet recorded and official facts show it not to be *necessary*. It is warning, on the other hand, that hardly could it be *proper*, if left as unguarded and managed as badly as the last national bank.—a bank that, if existing from 1811 to 1817, would doubtless have suspended specie payments, and dragged down with it all the banks of New England—which was saved almost by accident from suspension in 1819—which actually suspended among the first in 1837, even on its old notes under our charter, though better able to continue specie payments than if it had at that time been a public depository;—*stronger* and *better*, its president said, by the change—and which has since, under the same officers and auspices, and with as useful means, as before 1836, been the most hostile to resumption. If it had been a public agent in 1839, it would probably have forced to suspend with it every bank in the United States, and all our bank paper become as worthless as its own; and the capital and deposits of the General Government left in it, would have become of as little value as those still unfortunately under its control.

The transactions of the last seven years have poured a flood of light over

these subjects; and if we are blind to their admonitions, the country has a right to denounce us as slothful and unfaithful. In fine, no new charter should (in the appropriate language of Mr. Tyler, the President, on a former occasion) go beyond the necessity of the case, if one exists: "It must contain no powers granted to a bank, that are not necessary to carry out some powers expressly delegated to the Federal Government." A capital of thirty millions, with power to loan it out and issue bank notes, is clearly unnecessary at this time; and the manner of using such an immense power, which must also, under the constitution, be a *proper* one, is by this bill, after all our recent experience, manifestly left in several important respects dangerous, injurious, and highly *improper*.

But passing by all these considerations as to the unconstitutionality of the measure--founded whether on the broad ground first noticed, that no banking corporation whatever is admissible, or on the other, that none with a large capital for discounts and circulation is now either necessary or proper,—I hasten to the consideration, that if a bank of the latter character be constitutional, it is not expedient; and hence that my motion to strike out the capital ought to prevail.

I consider such a bank as this, with an enormous capital, and subject to be increased still further, as not expedient at this time. Because we know, by actual experiment, that a fiscal agent can be devised, and prove efficient for all mere fiscal purposes, without it. This has been shown by the independent treasury, as well as by the State banks from 1789 to 1792, from 1811 to 1817, and from 1833 to 1839;—because the Government should not run in debt for an immense capital, which is not necessary, and which may not be profitable, but even lost; besides inflicting, through its political and speculating uses, evils on the country, incalculable in amount and duration;—because a new institution is, by its provisions, forbidden to be established within twenty years, however great improvements a shorter time might disclose, and however much the public interests might appear to demand a change.

How little better is this, in principle, than it would be to make the charter perpetual, and thus attempt to tie up, in a sort of entail or mortmain, forever, a most odious monopoly in one of the greatest interests in society!

Again: I consider this bank, with such a capital and other incidents, inexpedient;—

Because it is a party measure, as before explained, and will aggravate, in a tenfold degree, all party acrimony, virulence, and derangement of great public interests.

Because it will not make the suspended banks resume, as it possesses no means to operate on *them*, but will drain of their coin and embarrass some of those already paying specie.

Because in several respects (such as its location here) it is an experiment, in this age of denounced experiments, on the delicate topic of the currency; and, in other respects, omits to adopt some most essential securities which the last ten years have shown to be essential. Among them, are the payment of specie for all the capital before commencing business, in order to avoid stock-notes and mere fictitious or credit capital; also, the prohibition to take their own stock in payment of those or other notes, otherwise defrauding at times many of the billholders and depositors of the security which they anticipated in the capital itself; also, keeping on hand one-third as much specie as deposits, besides one-third as much as of the cir-

ulation ; apportioning the capital, and fixing the location of the branches, to prevent favoritism ; refusing all loans to directors, and to the executive and civil departments of the Government, as well as to members of Congress ; abolishing the surplus fund of two millions, lest it be misapplied and squandered in contingencies ; forbidding donations of all kinds of our money, for objects charitable, political, or personal ; restricting expense within a fixed, reasonable limit, or per centage on the capital, and reducing the amount of discounts lower by 15 or 20 per cent. compared with the capital ; as well as the amount of debts it may contract. Nothing can be looser or more dangerous, after the experience as to the conduct of the last United States Bank, than the situation in which both of these last two important provisions are left.

Because the existence or non-existence of the bank is made to depend on the popular breath of popular elections, in which other matters are mixed, instead of depending on the real necessities of the Treasury, and the restrictions of the constitution ; and, finally, because it has not been found expedient, even in the European kingdoms cited by the chairman, to mix up public capital with private, in such institutions.

Because the chairman's report expressly *assumes the last charter as the basis of the new bank* ; when the corporation under that was so open to abuse as to wage war for years with the Government itself ; to set committees of Congress at defiance ; and to enter the political arena as one of the fiercest and most corrupting and unscrupulous gladiators that fought.

Because, instead of being an improvement, it is, in some particulars, a more defective charter than the last one, which, in several respects, was worse than the first. It degenerates in form more into a mere political machine, with a political location, instead of a commercial one, as in that ; and with directors here on salaries, where they had none before ; as well as with more political control, by having a greater proportion of both capital and directors, and yet without the boldness and wisdom to make it, as it is erroneously called, a mere fiscal bank, destitute of the private and dangerous powers of a large capital for discounts and circulation.

Because, by permitting its notes to be signed by branch officers, which the last charter did not, it opens a wide door to counterfeits and frauds on the community.

Because it omits several salutary restraints, found to be proper by longer experience, much discussion, and strong reasoning, since the last charter became a law.

It is behind the age, as evinced in our two most commercial and intelligent States, and in the opinions of our ablest bankers, by having no clause to wind up its concerns, like a bankrupt law, when suspending specie payments. It does not as yet prohibit its notes from being then continued to be receivable for public dues, or its vaults to be then used for the public deposits.

Because it introduces new legislation as to the value of all foreign gold coins for this institution, without extending the same rule to all other corporations, and to the community at large.

Because it does not require the bank to perform the duties of pension agent at all, nor even of commissioner of loans and manager of the great new public debt about to be incurred, until required by some future law.

On the other hand, I rejoice that, among the various amendments already offered from this side of the House, some have succeeded, and have thus

obviated part of the objections, on the score of expediency, which before existed. Thus, the dangerous participation of foreigners in the machines and agencies of the Government itself—and those foreigners often the high functionaries of rival nations—has, after strenuous opposition by most of the friends of the bank, been prevented from operating in the direct manner in which it formerly prevailed. And though they could not before be directors, or vote in *elections*, they could vote on all other questions in person or by proxy, and help to dispose of our property, and give instructions concerning its management, very pernicious to our interests and baneful to public liberty. I trust that the dangerous mules of Philip, loaded with gold, will thus be more effectually excluded from entering the gates of our Republic. So the removal of the seal of secrecy in many of the doings of the bank, and the publicity so necessary as a check on partiality, have been introduced to a considerable extent; and, after much struggle with most of our opponents, have diminished the inexpediency which otherwise would have existed, in chartering an institution shrouded in mystery; shut close often as the dungeons of an inquisition or star chamber; and hence the theatre of constant favoritism, monopoly, and oppression in the distribution of its favors.

Again: the limitation of the amount of discounts to the directors, introduced to-day, has imposed some restraint on the careless and ruinous loans which were at times made to them under the last charter—even to the destruction of all the capital (of a million and a half) of the Baltimore branch, aided by a few other imprudent discounts. Indeed, the whole losses in the first three years exceeded five and a half millions, and much of it by loans to directors. But the clause is still inexpedient, in some degree, by allowing them any discounts whatever, when three hundred and fifty-eight millions of other bank capital exists, scattered over every portion of the United States, from which they can easily be accommodated to any extent they desire.

And though, after great resistance, we have succeeded in imposing a restraint on loans to members of Congress—a self-denying ordinance, more expedient than even Cromwell's—I fear its utility will be lessened or circumvented if we do not extend the restriction to all executive and civil officers of the United States.

Nor is it by any means expedient to establish a bank with so large a capital, because we may possibly possess the power under the constitution. On the contrary, like a bankrupt law, or a stamp act, or direct tax, the adoption of any of them has been, and should be, only when manifestly necessary and proper to perform public duties; and then to carry the power no further or broader than some public exigency may demand for mere public objects. Nor is it enough to render a measure at any particular period expedient, merely because it is in some respects convenient. Thus, a national bank with a large capital may be convenient as a fiscal agent; but, at the same time, if it be unconstitutional, or even questionable in that respect, or if it be very inexpedient on other accounts, as has already been shown, there can be no pretence that its mere fiscal convenience—being a small degree more or less than some other system—could justify its establishment.

But I omit all details on this point, and hasten to the other considerations which have been offered by the chairman in favor of this large capital. He advocated it, not because we had a surplus of money on hand to be loaned out and made profitable in that way; but rather that we might

vainly attempt to make money by banking on borrowed capital, like several of the States that have within a few years become discredited and insolvent by rashly pursuing the very course which the chairman of the committee here recommends. Not because a large capital, or indeed any capital whatever, for discount and circulation, is necessary to a bank; since the first banks known in history were mere banks of deposit, and since only the last year the chairman argued, at great length, that the independent treasury, without any capital whatever, or any power to lend, was still a bank. Not that more capital is needed to stimulate, by new loans, too little activity now in discounts, too little tendency to speculation or overtrading, and too little use of the public revenue for private purposes and private gain.

But other reasons were assigned by the chairman for the great amount of capital in this scheme, and other objects to be accomplished by this institution, which he seemed to suppose rendered such capital proper. The new bank was to be a sort of universal catholicon; it would work more wonders than Aladdin's lamp in the Arabian Nights tales; it was needed to aid, and was intended to equalize and reduce, both the foreign and domestic exchanges; it would produce a wide-spread and uniform currency of the highest value; it would prevent and lessen a national debt; in short, it would bring relief to almost all persons, and in all places, and cover the whole country, as he contended its predecessors had done before, with universal prosperity.

In order to effect all these objects, so very desirable, it was argued that the capital of the first United States Bank, in 1791, having been ten millions, and that in 1816 thirty-five millions, this one should at least, under the increase since of wealth, population, and territory, be authorized as high as fifty millions.

But, sir, the increase of bank capital in a ratio with the extension of our territory, is rather a novel guide, unless the territory is cultivated, and the wealth and population of the country have been enlarged so as to justify the measure.

Again: going to our population and wealth, and supposing them to have been doubled from 1791 to 1816, then, by the chairman's rule of proportion, the bank capital should be doubled; and if there were four millions of State bank capital in 1791, and you added ten millions more of the United States, the whole was fourteen millions, for a population of between three and four millions of people. This was from three to four dollars of bank capital to each person.

But in 1816, our population having increased to eight millions, we should then have needed about twenty-eight millions of bank capital; while, in truth, we had over eighty-nine millions of State bank capital, and then, by the United States Bank, added thirty-five more to it—making, in all, one hundred and twenty-four millions, or above fifteen dollars to each person. This was more than treble the proportion in 1791, and caused, or helped to cause, all the deplorable consequences which characterized the condition of affairs from 1819 to 1823 or 1824.

Now, our population being about seventeen millions, or a little more than doubled since 1816, we should require but two hundred and forty-eight millions of bank capital: when, in truth, without the present bill we have over three hundred and fifty-eight millions, and with it should have authorized over four hundred and eight millions, and in force near three hun-

dred and eighty-eight millions, or more than twenty three dollars to each person, instead of fifteen, as in 1816, or only four, as in 1791.

This is a demonstration, almost mathematical in certainty, of the mad career we have already run, and propose to continue in; swelling bank capital out of all due proportion to any increase either in our numbers or wealth. Indeed, looking to any augmentation in the last half century, whether in our population, foreign commerce, or revenue, (the only tangible data,) and the increase of bank capital during that period has, without this bill, been at a rate more than twice as high as the highest of them, and more than five times as high as the lowest. Yet we now have almost the insanity to propose from thirty to fifty millions more of that kind of capital. We do this, too, in the face of dear bought experience, when, by our headlong and uncalculating career on this subject, we laid the foundation for enormous expansions and contractions in paper issues, which so stimulated overtrading as to provoke severe reactions and diffuse widespread ruin within the last few years.

Let it not be said that some of the present bank capital is badly employed, or little effective, because in 1816 still more of it was in that condition.

In truth, without this bill, one of the great evils of the age is a surplus of bank capital; and with it, an addition is made where none is needed, and where its amount is fixed by mere caprice or arbitrary dictation, and not in conformity to any rule of proportion in wealth or numbers, and where its formation can bring no result not likely to be calamitous. We are to stimulate persons already over stimulated. What had been the outcry? Overbanking and overtrading. And yet it was proposed to add \$30,000,000 to promote new speculations and new enterprise, to end in new revulsions and ruin. If this capital be formed by collections from other banks, either withdrawing their deposits on hand, or collecting in and transferring their capital, a pressure is the consequence, and more or less sacrifice of property.

If it comes from abroad, and is thus additional capital imported, it will come when none is needed for legitimate business, and will tend to stimulate speculation and overissues as in 1791, and again in 1818, till a reaction comes with all its inevitable and ruinous results.

The chairman must adopt some new and wiser guide in respect to the amount of his capital, or, on these facts, assent to my motion; and then either refrain to fill the blank at all, because no new bank capital is needed, or fill it with a different amount suited to some legitimate object. Thus, if he desires that the capital should be sufficiently large to furnish all the paper currency of the country, and the present amount of it be not far from what is needed, then his capital should be at least \$300,000,000 or \$350,000,000, instead of \$30,000,000. But that would lead inevitably to the destruction of all the State banks, and the evils inseparable from collecting and transferring suddenly their immense discounts of between four and five hundred millions. Who, then, too, is powerful enough to regulate or control such a *manmoth regulator*? If he wants a capital only sufficient to form a model or pattern bank for an example to be imitated by others in its form and action, then five millions are as good as fifty.

On the contrary, if he wants a capital merely adequate to give facility to fiscal operations and greater security to billholders, ten or fifteen millions are by the experienced deemed sufficient for this, or any other suitable object connected with a national bank.

The two most able writers on this subject, and both administration politi-

cians, concur in this view; and yet the chairman, in the face of their testimony, pushes the capital up to thirty and fifty millions.

For what possible purpose this is done it is difficult to understand, unless ulterior and political objects are to be advanced by it, which the new location of the bank here, at the centre of political influence, may faintly shadow forth.

A bank, needed to operate as an immediate check on all State banks, and thus at once prevent over-issues, must, to be thus effective, when dispersed by branches in every region, have a capital nearly as large as all the banks with which it is called to contend. Then it would require, as before stated, three or four hundred millions, instead of only thirty; and be open to all the objections before named in connexion with so enormous a capital. But, again: if only having enough capital merely to concentrate a power on any institution sufficient gradually to check its excesses, or break up in time its rash operations, a few millions could be rendered efficient for this purpose, if not directed to other purposes of speculation or political power.

The whole capital of the Bank of France is only \$13,000,000, instead of \$30,000,000 or \$50,000,000; and this for a population of 35,000,000, instead of 17,000,000, like ours. It is in a country, too, where there is beside *not* a tenth of the banking capital in other institutions which exists here, and is of so much higher credit and power than even the Bank of England, that the latter was obliged last year to borrow specie from it to prevent suspension. So the present political friends of the chairman in 1814 and 1816 (such men as Gaston, Hopkinson, Sergeant, and Webster) all contended against a capital as large as this. That was a time, also, when the whole country had only about \$10 of bank capital to one person in its population; while, now, the chairman insists upon having \$30,000,000 to \$50,000,000 capital more, when the whole country already has \$22 of capital to each person.

But, in order to meet every suggestion offered in favor of this large amount of capital, it may be necessary to show that it is not needed, as the chairman seemed to suppose, for discharging the business of exchanges. Whether we should or should not borrow capital for such an object, it is certain that the first Bank of the United States actually performed little in respect to exchanges, whether foreign or domestic; and its capital of only ten millions proved tenfold more than it ever devoted to that branch of business.

The second bank, for many years, it will be seen by the printed returns, did quite as little in the exchange line, and properly left this business as a mercantile transaction, to be performed chiefly by merchants and brokers. The difference in real exchanges, whether foreign or domestic, can never be obviated, remedied, or equalized by a bank, though its capital were \$500,000,000; nor can the real rate of exchanges, which consists merely in the difference between the value of specie, or specie-paying bank paper, in one place and another, ever exceed the cost of transporting specie from one to the other. If the apparent difference be greater than this rate, it must arise from the depreciated paper in which it is computed, and not because the difference is greater in specie. Hence the real rate of exchange, either from St. Louis, New Orleans, or Detroit, can seldom exceed two per cent.; and since the gold bill in 1834, and the greater abundance of that metal, have made the rate, usually, near half of one per cent. lower than before. This the tables laid before Congress heretofore by the Treasury Depart-

ment demonstrate, whether a United States Bank has been in existence or not. A very strong illustration of this exists in the operations of the much-abused sub treasury only the last winter. While nominal exchanges were from three to five per cent. against New Orleans and in favor of New York, an exchange of Mexican dollars in the former place for specie in the latter was effected at par, besides receiving the latter in advance; and this, to the extent of near two hundred thousand dollars.

Such a bank cannot have the slightest influence in reducing exchanges, however large its capital, except by underbidding at first, so as to monopolize more of them than other institutions or individuals; thus to lessen competitors, and, in the end, by its wish and inevitable tendency to make profits, to raise the price as soon as it procures full possession of the market. I admit that, so far as it improves the currency, it reduces the apparent rate, but never the real one. This last is regulated by the state of indebtedness and balance of imports and exports between any two places, and not by a bank; and the cost of equalizing or transporting funds from one to the other in specie is the maximum of the rate of exchange. Mr. Bidle, in 1832, before the committee, seemed to take great credit to the bank, that, under its influence, the expenses had been low, and seldom higher than the expense of transporting specie; when, in truth, that expense should be the *maximum*, whether a bank exists or not. Yet it was raised even higher than that, at times, by the second United States Bank--(Appleton, p. 34.) The foreign exchanges do not exceed the same rate of difference; and they rest on the same principles, making allowance for the different mode of nominally computing the pound sterling. They are seldom higher or lower than the par by more than two per cent., or the expense of transporting specie. The bank will never either reduce or equalize these, unless it can change all the great laws of trade for the whole civilized world. It is ridiculous to hear the exultation of its friends on this last subject, and on the high credit and value of their bills and notes even in India and China, when they have been obliged to ship millions on millions to Europe to meet the very bills there, instead of sending it beyond the Cape of Good Hope.

Down to 1831, it appears, by returns on your records, that over four and three-fourths millions had been thus shipped to Europe, and probably double as much since in the convulsions of 1837 to 1840, when the president of the bank considered it his first duty to send his specie abroad to pay foreign creditors, rather than to redeem his bills at home.

What did the community here gain, by sending the specie to Europe rather than India? and what did it gain in the price of *foreign exchange*, when the bank, instead of individuals, was obliged to ship specie to meet an unfavorable state of the exchange, and the community had to pay the bank for the bills quite as much, if not more than it would have cost it to export the specie without the interference of the bank?

Just so in respect to the domestic exchanges since the bank began to deal extensively in them. It transported from the west and southwest before 1832 quite twenty-three millions of specie, to help to pay for its drafts and bills of exchange; and the cost of doing this had, of course, to be paid by the persons who bought its drafts and bills at a premium, and had to be paid at a rate quite as high as if individuals had themselves transported the specie without the interference of the bank. This has led, also, at times, to ruinous accommodation or horse-race bills, and a system of kiting which renders this species of business, however profitable in appearance, very full

of hazard, and, under a slight reduction in prices of our great staples, fraught with disasters.

Does any man in his senses believe that the bank, in its eagerness to make profits and large dividends, would aid the exchanges for nothing; but, on the contrary, would not sell high, and purchase cheap, in all possible modes? Did not Mr. Crawford once *propose to fix a maximum on its rate of exchanges*, so as to prevent extortion? Exchanges are often at par between different cities, and also between America and Europe. The bank has seized on such occasions to exhibit a list of its exchanges without a premium, when, in fact, nobody else then charged a premium; and when this state of things was effected by the great laws of trade, making the exports and imports or the indebtedness between those places at that time balanced, or equal, rather than being effected by any action of the bank.

But if different cities in the same country, or if different countries, will overtrade and render one much indebted to the other, no banking institution in the world is so liberal or generous as gratuitously to equalize the exchanges at great loss. And it is as salutary to the community which has overtraded to be made to pay a difference in exchange, as it is for the human system to feel pain after excessive indulgence, or for the dissipated to buy repentance somewhat dear. What else is to check and obviate speculation or overaction in business?

In proof of these positions, allow me to refer merely to two or three high authorities on matters of this kind. A committee of the House of Representatives in February, 1823, friendly to the bank, and with Mr. Hemphill for chairman, reported thus:

"The bank can never equalize exchange; the expense of exchange must be borne by the debtors in the debtor part of the country, and every attempt to give a different direction to it will be baffled."—(Report Ho. of Reps., Feb. 27, 1823.)

Mr. Ragnet questions the utility of the bank dealing much in exchanges; and both Mr. Appleton (page 34) and Mr. Gallatin (on Banking, pages 90 and 91) doubt whether the bank can exercise any thing like the influence which has been claimed for it either to equalize or to reduce exchanges.

It is conceded, also, that the Bank of England has never done much in domestic exchanges, till some late increase (Gilbert on Banking, p. 35;) and it is well known that merchants and bankers—the Rothschilds, the Barings, the Hottinguers, and the Wellses—are the more appropriate persons to deal in affairs of this character, and, as a general rule, deal in them quite as low as any United States Bank ever did, ever can, or ever will. Even the abused pet banks in 1835 did more in exchanges, by near twenty millions at a time, than this boasted United States Bank. But when we turn to its inflated dealings—not in legitimate exchanges, but in transactions of that name, apparently to insure greater profits than loans on promissory notes or bonds—we are struck with the abuses to which such traffic has led.

What was the celebrated committee of loans but an *exchange committee*? What were the celebrated loans to T. Biddle & Co., but in part through the exchange committee? And what the discounts to certain newspaper editors, but in part on bills of exchange?

And how easy has it thus been to charge often not only the ordinary interest, but a douceur or premium—not to call it usury—for difference in exchange, where little or none actually existed?

Have not such facilities—not to call them extortion—led some banks and

some sections of country into the conversion of most of their loans into nominal dealings in exchange, in order, by usury, to prey more deeply on the public?

The benefit of the bank's exchange dealings to the Government abroad has been magnified by the Senator from Kentucky, from a total misconception of the facts on that subject.

For several years not a single squadron on a foreign station has been supplied by funds through foreign bills of exchange remitted by the Government, but all furnished readily by a different arrangement made in 1832 and 1833, which has saved eight or ten thousand dollars annually from what it used to pay for the aid of the United States Bank in foreign exchanges.

The whole remittances by bills are for a few contingencies and the diplomatic corps; and those are always purchased and guaranteed at as low a rate as the United States Bank has sold bills in its palmyest days.

During the entire period from 1817 to 1833 it is also to be recollected that its boasted home transfers, through drafts and bills of exchange when made from New York, where the revenue most accumulates, have always been a source of profit, by a premium on such drafts and bills, rather than a task for which thanks were due. If the balance on all the transfers has not been one of gain rather than loss in exchanges, the use of from four to eight millions of public deposits without interest, during the whole of that period, has more than counterbalanced any difference, and has made its exchange operations for the Government, under such circumstances, with the privilege of having its bills received for public dues everywhere, a source of much profit. Yet this profitable business, which any State banking institution would rejoice to perform under like advantages, it is now supposed cannot be discharged in future but by the creation of another dangerous national bank, and by running in debt ten to sixteen millions to constitute for it an enormous capital.

Indeed, the Government itself, when without any such bank, always has performed its foreign and domestic exchanges with ease, through brokers or State banks, and at the same time with equal cheapness, and occasionally at a premium, if desired.

The large surplus collected at New York can almost invariably be used to a positive profit in exchanges of all kinds.

It seems to have been another great object of the opening speech of the Senator from Kentucky to show that a bank with so large a capital would exercise an influence on the currency most extensive, salutary, and desirable—in fine, one which would render it, in the words of his report, “a sound currency of uniform value throughout the Union.” I am unwilling to detain the Senate longer than a few moments on each of the incidental arguments urged in favor of a bank of discount with so large a capital.

But it is proper to say that almost every ground for believing that a national bank of that character, more than any other bank, can have a very peculiar effect on the currency, is, in a great degree, fallacious; unless it has the gigantic capital of three or four hundred millions, so as to supply the whole of the paper currency of the country. Even in that event, it must be better regulated than this one, and depend upon other circumstances than the mere amount of its capital, in order to render its paper sound or uniform.

The “odor of nationality” given to its notes is not, as some have mis-

apprehended, sufficient. That kind of *odor* was imparted to the old continental money; yet it all went by the board, because it had no adequate specie-basis, and was lavishly over-issued. *The odor of nationality* was also given to the assignats in France, but could not alone save them from ruinous deterioration. Even the autocrat himself of all the Russias cannot give this odor so as to save his paper from a depreciation, at times, of nearly three to one for specie. In order to render any paper-issues sound or at par, as a currency, they must be redeemed in specie, and there must be due securities that they will be redeemed in specie.

But here the chairman has attempted to get rid of some of the security he himself proposed at first for the redemption of the circulation, by keeping on hand at least one dollar of specie to three of the issues. He deemed that inexpedient, and too stringent or meddling as a regulation; when, in the Bank of England, for the last twenty years, (since her resumption of specie-payments,) scarcely a return has been published where this amount of specie has not been exceeded. Here are the tables before me. In 1829, one dollar of specie to two and eighty-eight hundredths of circulation; and so on, with but two or three detached exceptions, to the present moment. So in various States, and especially in Massachusetts, from 1810 to the present moment, with the exception of the suspension of specie payments in 1837 and 1838, this proportion has but seldom been violated. In the whole United States as an average, scarce an instance has occurred since 1811 where the circulation has equalled four to one of the specie.

But the gentleman has also refused to provide any certain security of this kind for the payment of the deposits—a more dangerous class of immediate liabilities in a bank, however large its capital, than even the circulation. The depositors live nearer, and have larger amounts singly, than most bill-holders; and, on the slightest panic or loss of confidence, can and will withdraw all the specie provided to secure the former. The deposits, payable on demand, are likewise more changeable in amount than the issues, instead, as some suppose, of being very uniform. They are thus the gunpowder which has first blown up numerous institutions; and to one-half or three-fourths of their amount, at least, should they be guarded by specie, quite as much as the ordinary circulation. Such is the rule of conduct in the Bank of England, though often violated in the bank parlor, like other salutary rules. In the Bank of France nearly half as much specie is kept as both the circulation and deposits. Such should be the rule here, and a rule made imperative by legal penalties, since our bank circulation and bank deposits fluctuate in so great and sudden an extent as to endanger every body and every thing in regard to immediate payment, unless so guarded. The large size of the capital furnishes no security whatever on this point, except for remote and ultimate indemnity, which is utterly worthless for the purpose of making a secure and uniform currency at par at all times and in all places. As an illustration of their dangerous fluctuations, the deposits, instead of increasing with trade and population about four per cent. annually, from 1831 to 1835 rose in the whole United States ten per cent., or more than double the due rate. From 1835 to 1836 they rose again near forty per cent., or ten times the due ratio; and from 1836 to 1837 quite sixteen per cent. more. They then suddenly fell by 1838 at the enormous rate of thirty-three per cent.; rose again suddenly by 1839 near eight per cent., and sunk again by 1840 quite sixteen per cent.

In most of these cases, as will be explained hereafter, they outstripped even.

the vibrations in the circulation; and this bank, with all its capital, must be impotent in securing a sound circulation to any extent whatever, if omitting, as it now does, any provision for specie to redeem the deposits. Again: this large capital is, as we have before explained, not necessary to aid the circulation as a pattern or model—that being feasible by a small capital, or even by a State bank. Again: as before shown, it cannot, even if securely guarded as to specie for meeting deposits as well as circulation, and with its present large capital, furnish a paper currency beyond ten or fifteen millions; which does not exceed one-tenth of the present paper circulation of the whole United States. This is a mere drop in the ocean. It would be effected, too, by adding so much circulation, when we already have enough, and stimulating speculation, and injuring in various ways by over-issues. Or, if it drive out other bank circulation to this extent, it would in half the country now paying specie displace as good paper for all the purposes for which paper is there needed, as the new notes would be. In this way, also, so far from supplying a new and sound circulating medium, which would be used in all public payments, it would be found that half or more of these payments must continue to be made in specie or the notes of good State banks. This would be inevitable, unless forbidden by Congress, because often either could more readily be procured than these notes, so few in number and value compared with the whole circulation. What, then, comes of the argument that so large a capital is necessary to furnish a currency to meet public payments? Nay, more, if it did furnish one, what becomes of the argument, so often repeated by you in the late canvass, even till it nauseated, that there should not be one currency for the Government and another for the people? You would thus supply amply enough for your noble selves, but only one-tenth of enough for the people—the poor, despised, forgotten people.

Again: the *uniformity* of the currency thus produced has been another boasted result of a bank with so large a capital, and such numerous and distant branches to issue and redeem its notes.

This is a delusion greater, if possible, than the other. No paper currency can be uniform beyond the circle of trade around where it issues, unless made redeemable in specie at the great centre of general commerce, or unless some full equivalent is substituted for such a redemption. Thus the State bank notes possess as sound and uniform a value in the circles of business around those banks, as would the notes of this bank within the same circle. Let the place at which they are issued trade more widely, and have exchanges and the balance of business and indebtedness in its favor from greater distances, and the notes of the local banks will the more widely be uniform in their value.

Hence the notes of a good State bank issued and redeemable at Philadelphia, New York, or Boston, will be as uniform in value, over as wide an extent of country doing business there, as would the notes of branches of the United States Bank, issued in those cities, and redeemable only there, and only there receivable for public dues.

The only additional or more extended uniformity in value given to the branch notes would result from making them by law receivable for public dues everywhere, or for debts due anywhere to the other branches.

But Congress could confer such a privilege as the first on any State bank, or set of State banks, with precisely the same benefits to the currency, in extending its uniformity; and would thus accomplish the same end,

without requiring us to form a national debt to make a large capital, and incur all the other dangers to public liberty and public virtue attendant on such a colossal institution.

The last United States Bank, too, found this clause (making its notes receivable everywhere for public dues) so great an inconvenience and expense, that it petitioned Congress to alter the provision. It virtually required sufficient specie to be kept at two different places to redeem most of its notes. And Mr. Crawford recommended that they be made receivable only at or near the branches where issued, and said they had ceased to be a currency in the whole west and southwest by means of this provision, now so highly commended.

"The bank has consequently found itself constrained to direct those branches to refuse to issue their notes even upon a deposit of specie. The effect of these causes combined has been the exclusion from circulation, in all States west and south of the seat of Government, of the notes of the Bank of the United States and its allies. For several of these States there is no sound circulation."—*Crawford's Ann. Report, December, 1820.*

Thus it was found that this boasted uniformity was produced only by a particular provision by Congress, and not by the effect of a large capital; and that, if it was continued, the consequences must be a large loss of dividends and profits, such as took place from 1818 to 1822; or the embarking in a new branch of business, in exchanges, on a new and hazardous mercantile scale, in order to remedy, in some degree, the evil and loss.

The bank, therefore, being compelled to take up these branch notes at the rate of thirteen millions in one year in New York, and having funds elsewhere for their redemption, stopped issuing them at all, and thus stopped the boasted uniform currency over the whole west and southwest. This it must do again, much quicker under the present act, as the branch notes are now not only receivable for public dues everywhere, but for all debts everywhere payable to any other branch.

The uniform currency must, therefore, fail under this additional burden; and no branch notes be issued, but the discounts be there made with specie, or the bank must fail. Nothing can avert it, unless a remedy is obtained, as before indicated, by adventuring, as in 1823 and 1824, into a new branch of mercantile speculation and hazardous business. It is that of dealing largely in western and south-western exchange, and sending them and shipping specie to the east, in order to redeem virtually the branch notes, which are transmitted to the east, and are there paid in for public dues. This the bank can do, and has done since 1824. But it has been at a great expense to the west and southwest, quite equal to all the uniform currency has been worth; purchasing exchange and drafts low, and selling them high, and at the risk of any revulsion in the prices of the great staples for which the bills of exchange are chiefly drawn, and which may lead again to these immense losses of 1825 and 1837 and 1840 on bills of exchange, which helped so largely to plunge the late bank into irretrievable insolvency. When, in 1833, the bank refused to redeem its branch notes received in New York for the public dues, they were driven back depreciated on the branches, to the imminent risk of stopping specie payments in one of them, (in Georgia,) and leading soon to a continued and costly redemption of them in New York. To the old hazards and losses on this subject, we now deliberately add by this bill those of requiring the branch notes to be taken everywhere for the debts of the bank; a provision which must ere long lead to a refusal to issue

any or many branch notes, or to a loss by the bank in thus virtually redeeming them everywhere, so very great as to make its stock unprofitable and its dividends miserably low.

In fine, are we, in order to have a magnificent capital and a magnificent currency, to run the same round again with the last magnificent institution, to end, as that has done, to all its present stockholders—in ruin and ignominy? A fall of only two cents a pound in cotton would produce a loss of more than \$10,000,000: and if it happened on the bills of exchange held by the bank, would equal a loss of quite one-third of its whole capital.

I am unwilling to fatigue the Senate with further details at this time on this view of the subject.

But let me read a single passage from Mr. Gallatin, (p. 91,) showing the folly of such calculations as we have had in respect to a sound and uniform currency to be created by this large capital of the proposed bank:

“But it is a great error to suppose that it can afford a generally uniform currency, or one which shall at the same time be of the same value in all places.”

One more from Appieton, (p. 35):

“Another argument in favor of a great bank is, that it may furnish a paper medium which will circulate throughout the whole United States. Its importance in this respect is greatly overrated.”

Even the committee of Congress in 1819 arrived at the same conclusion, after their practical examination, which twenty years' experience since has confirmed in the minds of the most sagacious and intelligent bankers. Suppose the notes of this bank to be once issued, do gentlemen apprehend that their constituents are to have them in general use? or that they are to be procured any more readily and cheaply than even specie is now?

If they do, the delusion must soon vanish. Fifty thousand dollars worth of such notes taken to Detroit or Natchez to-morrow, if managed as prudence requires, are not to be given away or exchanged for any thing of less value than coin, or even loaned, without the best security, at the shortest credit, not to be renewed, or, when paid out, to continue in general circulation there a single week. No: all would be gathered up at a premium, for travelling or for remittances, instead of bills of exchange and would not aid the general currency of those places in the slightest degree. The interior circulating medium, while tolerated at all, always drives away that of superior value, as the community will of course always use the cheapest machine or tool, if it answer the same purpose in business.

The only real aid of much importance conferred by such a bank with such a capital on the currency would be merely by throwing back on other banks their excessive issues; by either running on them for specie, or compelling them to redeem their excesses in the large cities.

This, however, is now done effectively and usefully in New England by the Suffolk Bank system; in New York, by its present system as to country bank-notes: and is the true secret of the Scotch banking, through the operation, by other banks or bankers, in making them give exchange on London, or virtually redeem in London most of their issues.

The denounced sub-treasury has the same operation, where State bank-notes accumulate on hand, by sending them home for redemption.

And a new United States Bank is no more needed for this, than any large State bank is. Either could, if it would, produce an equally salutary

influence in this respect ; and neither does it voluntarily, unless found profitable. This bank is not required to do it.

But no step is demanded even for this, or can be useful in this operation, till the banks resume specie payments. In those States where the currency is now most in want of improvement, it can be least improved by such a bank as this, till public opinion is reformed, and the State Legislatures and the community repudiate and reject depreciated paper. The reform must begin at home, with the people and the States. It has begun silently, slowly, it is true, but surely. The rotten institutions must be swept away first.

The measure, then, of putting into operation a large capital to aid the currency, even as a check on other banks, (which is almost its only real benefit,) is now *premature*. It is *premature*, as shown by sound reasoning ; and *premature*, as shown in the sound opinions of both Mr. Appleton and Mr. Gallatin.—(Appleton, 27, 40, 41 : Gallatin, 90.)

This extraordinary session of Congress, also, so far as regards a national bank for any purpose, and much more for any considerable utility in connexion with the currency, was itself *premature*, and exceedingly injudicious.

But the chairman says further, that this bank is wanted for still other objects ; and, among them, its tendency to prevent and to lessen a national debt.

I have before heard of the supposed benefits of a national bank in creating a national debt, by making loans to the Government : but never before of its tendency to prevent such debt. Was not our first bank, as well as the second, vindicated on the ground of their convenience in lending money to the Government, and in managing the interest and transfers of a debt already created ?

And was not the national bank of England founded entirely in the creation of a public debt ? and has not its capital swollen since from six or seven millions of dollars to near seventy millions, by additions to that debt, rather than reductions of it ? And has not the whole debt of England since augmented, under bank influence, to the enormous aggregate of near \$1,000,000,000 ?

Is not the debt of France also increasing at the rate of \$90,000,000 or more the past year, notwithstanding the existence of its national bank ?

And will not our debt at once increase ten or sixteen millions by the very passage of this bill, with such an enormous portion of its capital to be borrowed and taken by us ?

But strike out that capital, and this whole evil is averted—our debt being increased instead of lessened by this injudicious bill. How is it to lessen the debt ? By profits ? And are we, as a Government, so silly as to expect to grow richer by speculation and brokerage on borrowed capital ?

Have we not ruinous examples enough in such States as Mississippi and Michigan, to deter us from such delusive hopes, as well as such derogatory business for a great nation ?

Its aid in paying off any public debt is the aid only of the shovel in digging canals, or the hod in erecting palaces. It is the mere tool wielded by others, and the means are supplied from the industry and thrift of the people at large. But another vast improvement in this bank at this time, with such a capital, is claimed to be its new and extraordinary location in this political *city of magnificent distances*, rather than in a commercial mart or

manufacturing emporium. Such an immense capital, operating yearly to the amount of two hundred millions, is to be more useful and safe if controlled here, than in Philadelphia or New York. How absurd! It is like placing the Bank of England in the tin mines of Cornwall, or amidst the coal of Newcastle, instead of the centre of a million of inhabitants in London, connected with the exchanges and commerce of near half the civilized world. The political danger of such concentrated capital, wielded by the great central power, is, as heretofore intimated, one of the greatest innovations and real perils in the bill, rather than being some wonderful improvement, as seems to be the opinion of its great advocate and author. If that power be the sport of sordid cliques or political cabals aiming at the Presidency, our condition will be as bad as that of the Roman Senate under Jugurtha; or even worse—for a purchaser could then probably be found.

To say that this dangerous institution should be here, because here is the seat of Government, unless it be made a mere fiscal machine without capital, is to say that, for a like reason, our dry-docks should be here, and all imports and exports be concentrated here. It is to say that the centre of politics must also be the centre of banking; and that the regulator of its immense machinery must be here, and moved from here, with almost the speed of galvanism or electricity, and infusing corruption and poison, I fear, into every vein of the body politic.

Such a questionable proposition as a location here received in 1816 only thirty votes out of the whole House of Representatives; and every sound financier repudiates it without hesitancy.—*Gallatin*, 93, 95. *Merchants' Mag. for July*, 1840, p. 36.

But, above all, and over all other considerations, this large capital in the bill seems to be urged under the delusive idea that this bank, with such a capital, is to bring relief to everybody in every thing. It is to be a new Pactolus, whose stream will wash sands of gold over the whole country; it is to be—not a Danæus's shower, to corrupt and betray, but a sort of fertilizing dew, to moisten and start into life every drooping interest in society, and to operate as a political indefinable elixir for all the disorders in society. It seems to be imagined that the bank will create new capital to the extent of thirty millions; when most of it, not mere credit, is probably to be only the transfer of other capital now employed in other banks or other pursuits; and its withdrawal thence is probably to incommode and embarrass there, much more than it will benefit here. If any new capital is introduced from abroad, in the shape of coin, it will at once return if the country continues indebted abroad; and if it stimulates to larger imports and overtrading, will not only return, but carry more with it, and cause lasting evils. The imports of specie by the last bank in its early years cost over half a million, and probably benefited it or the country scarce a dollar; because, by expansion, it kept the balance of trade largely against us. The addition of this bank capital, if composed chiefly of credit by stock-notes, as most of the private portion of it will doubtless be, under the present provision allowing the bank to commence business without all its capital being paid in, makes no addition to the real means of the community. It increases prices, without an increase of real ability to pay; and it ends in revulsions and bankruptcies. A bank! a bank! a bank! is the senseless cry with many, without regard to reason or experience, and as if a bank were a magical ring, the gift of some eastern genii, that was, with the slightest touch, to work the most wondrous miracles; when, in truth, the

only real addition to real capital is not in making new banks, but in adding more coin, more produce, more manufactures, more land, more labor. The power and durable wealth of society are chiefly increased by adding new intelligence, new skill, with purer morals and greater industry.

A bank is, to be sure, in one sense, a labor-saving machine; because it concentrates and makes somewhat more active the same amount of capital before existing in the community, and very usefully loaned out by individuals. If well secured, it also furnishes facilities in a good paper for cheaper payments in large sums, and for distant objects. But if, as Mr. Norman supposes, a paper currency costs two and a half per cent. per annum, while a gold one costs only one fifty-third of this; and if the paper, at the same time, be not well secured: the balance of losses and suffering over the advantages to all the community may be, in the end, much the greatest. The best financiers regard the point as questionable, looking to the whole country and to all consequences. While it is believed that in large cities, and for travellers and merchants, banks well regulated are beneficial for several objects, and especially those for mere deposits, (which was their only object originally;) their operation elsewhere, with a power to lend, and especially to expand and contract their issues at pleasure, is regarded, and has been proved, exceedingly dangerous. And, beside, their tendency to revulsions everywhere has caused infinite temptations to speculation and ruin throughout the interior of the country. Quite as much spare real capital would probably have been loaned in the west from the east, and from Europe to the east, in the last forty years, if a single new bank had not been created, as there has in fact been loaned. But it would have been in a different form—by bond and mortgage, or on longer credit for land or merchandise: and thus in a form much more convenient and useful to the community at large than the short sixty or ninety days' bank credit on promissory notes or bills of exchange.

The disasters to debtors in a great change of prices or fluctuation in trade, from any cause, would not have been a tithe of what has actually occurred, because individual creditors and agents could have been more lenient with safety, having no excessive issues to be redeemed promptly with their collections; and they would never, in person or by agent, have exercised the inexorable severity which characterizes soulless corporations, in sacrificing at the day their debtors' estates.

Gentlemen on the opposite side seem to think that there was no efficient capital, or efficient use of it, before the introduction of banks of discount and circulation; as if lands, houses, specie, cattle, merchandise, and produce did not exist, constitute solid capital, and lead to prosperity in Assyria, Egypt, and Carthage, not to name Rome or Greece, as greatly and gloriously before banks existed as since:—as if England, before William III, (the era when modern banking there began,) or France before 1805, had neither capital, nor prosperity, nor grandeur;—as if the United States themselves were nothing before 1791 or 1783;—and as if, without the introduction of banks here during the last half century, the race of Washington, and Franklin, and Hancock, which had before driven back the barbarian, subdued the forest, and conquered independence from the mightiest monarchy on the globe, would have degenerated, without the introduction of banks;—as if their glorious country would not have continued to rush forward in its career of splendor without much (if any) less rapid strides in either wealth, population, intelligence, virtue, or power, without banks, than it had done before without them.

The idea is preposterous. No. Our best capital—beyond our abundant and fertile soil with its rich crops, our gigantic lakes, and long, navigable streams, with all our vast agricultural, manufacturing, and commercial resources—consists of a free and intelligent and moral people, with their liberal constitutions and equal laws.

If, with all these, we have continued to advance by large strides, it is not easy to say whether they have been more or less rapid in consequence of banks. But some, not very unphilosophical in their researches or views, have supposed that our progress has been rapid in spite of banks, as well as in spite of yellow fevers, choleras, conflagrations, and inundations; and that, on a broad view, banks, no more than these, because attendant on our career, have been the cause of its brilliancy and grandeur.

Making, then, at this moment, so great an addition to the present large bank capital is likely, instead of becoming a blessing to the country as a whole, to prove a mingled web of weal and wo, and to turn the scales in the end decidedly against the measure.

Look a moment at the lessons of experience, on the blessings of this kind of banks of large capital and large issues. Have they prevented, or rather did they not cause the expansions of 1795, and the contractions and disasters that followed? Did they prevent the distress of 1807 and 1809, under the first United States Bank? Did they prevent the widespread ruin in 1819 to 1823 or 1824, the very period selected by the chairman as illustrating the improved times—"the good old times"—produced by the second United States Bank?

How did he describe these times in 1824, when they were somewhat more fresh in his memory than now?

*Extract from Mr. Clay's speech in 1824, as published in Niles's Register of that date, vol. 26, pages 378, 388.*

"In casting our eyes around us, the most prominent circumstance which fixes our attention, and challenges our deepest regret, is *the general distress which pervades the whole country*. It is forced upon us by numerous facts of the most incontestable character. It is indicated by the diminished exports of native produce; by the depressed and reduced state of our foreign navigation; by our diminished commerce; by successive unthreshed crops of grain, perishing in our barns and yards for want of a market; by the alarming *diminution* of the circulating medium: by the *numerous bankruptcies*, not limited to the trading classes, but extending to all orders of society; by a universal complaint of the want of employment, and a consequent *reduction* of the wages of labor; by the ravenous pursuit after public situations, not for the sake of their honors, and the performance of their public duties, but as a means of private subsistence; by the reluctant resort to the perilous use of PAPER MONEY; by the intervention of *legislation in the delicate relation* of debtor and creditor; and, above all, by the low and depressed state of the value of almost every description of the whole mass of property of the nation, which has, on an average, *sunk not less than fifty per cent.* within a few years."

Indeed, not to dwell on these various pictures of wretchedness and ruin that followed in the train of the second bank, it is a recorded fact, in the report to the other House in 1832, that quite five and a half millions of the capital itself of the bank was irretrievably lost, of which we owned one-

seventh; and all the dividends for two or three years, soon after it commenced business.

Did the second bank again, in 1825, avert almost unexampled bankruptcies? Or, in 1834, did it mitigate, or rather not produce, the panic and suffering which were represented to agonize the country? Or, in 1836, did it check, or rather not stimulate, the expansions and overtrading which led to an excess of sixty millions imports over the prior year, and thus produced the revulsion in credit, and the export of specie, that caused most of the banks in 1837 to suspend, and the whole community to be overwhelmed with debt and insolvency?

Now the delusion seems to be, that, by making another bank—though on the basis of that, yet in many respects more exposed to abuse—we are to get rid of all the evils in its train—evils which have so recently closed its turbid career, it is feared, in hopeless bankruptcy; marred American credit abroad; and covered numerous firesides with desolation.

Of what use is it to denounce the officers of that institution as charlatans, or to exult that the connexion between them and the Government had been severed before its final explosion, when we hasten now to reinstate their vicious system of banking, with some additional perils, and proclaim it not only as the great guide in forming this, but have repeated in its favor here all the boastful but exploded pretensions—as to its equalizing exchanges, restoring a uniform country over the whole country, and bringing immediate relief to all classes—which emanated so constantly from the vanity, the pertness, the rashness, that long presided over its destinies, and eventually sowed the seeds of its ruin?

Another proud claim in behalf of the former national banks, as well as this one, is their influence to prevent defaults and losses of the public money. But, in point of fact, our own records show that the last bank, and the former one, so far from lessening the losses of which gentlemen talk often as connected with the sub-treasury, or even the State bank system, led to greater public losses from 1797 to 1801, and again from 1809 to 1811, and from 1817 to 1821, and from 1821 to 1824—all periods when a United States Bank was in full operation, with all its guards and benefits—than have occurred in any similar length of time under the State bank system or the independent treasury. Not one of any magnitude is known to have happened under the latter. Again: collectors, receivers, disbursing officers, and merchants giving bonds for duties, have existed, and must exist, under all systems; and it appears from an official report to Congress that the losses by all those persons combined have, during those periods under a United States Bank, been in a far greater proportion to the money collected and disbursed, than in any other periods whatever from the foundation of the Government. Besides this, more losses have happened by single officers in banks, to their stockholders, in numerous cases, the past few years, than by all the deposite State banks combined as depositories since 1789. There is, also, another misapprehension on this subject, common to many gentlemen on the other side of the house. It is, that the losses of unavailable funds in the Treasury, to the extent of more than a million, happened under the old pet bank system, from 1811 to 1816, or under the more recent one from 1833 to 1840. But our records show that not a dollar of the public deposits was probably lost under either of them, though some delay and inconvenience have been caused by the suspension of several of the State bank depositories. The old failures of them, that have ended in ascertained losses, were

after 1816, and between that and 1827, in the full tide of the United States Bank.

Another increased danger, rather than relief, by the power to loan in the present bill this large capital and the deposits, will arise from lending out at hazard, not only the \$10,000,000 or \$16,000,000 of United States capital, but its daily means—the current deposits of the revenue. How can this be justified by gentlemen on the other side, who in 1834 denounced even the accommodations recommended to merchants alone, in conformity to early practice? They now urge loans to all, restricting none, however gambling, or speculating, or political, except members of Congress, excluded on our motion, and in all amounts, except to directors and officers; and they now license, if not sanction, even donations of the public funds to every favorite except these officers.

However great were their horror and indignation at the partiality which might be connected, as they supposed, with the loans of the public money in 1834 and 1835; and however they may have joined in 1840 in rendering it penal for any public officer to loan a dollar of that money, and have repeated the prohibition at this very session, in another bill; yet, by the present one, they encourage directly the reverse, and place the security and return of the public means in peril of the winds and waves, wherever the merchant may have hazarded them in any quarter of the globe, and in the various speculations in town or city lots on mere paper, in new manufactures, and countless other enterprises, where the most hungry adventurers may, under the new credit system, choose to expose them.

This is a specimen of the care which we exercise in protecting the people's own money, and that current revenue on which depends our ability to fulfil promptly the public contracts and preserve unbroken the public faith. Would it not be much more likely to bring relief to the people and the Government, if we were to cut loose from all banks, and continue our present divorce from them unchanged, except as the Government, like individuals, might find it useful or convenient in any particular case, or for any special object, to employ any of them temporarily?

Much less ought the Government to encourage banks of circulation connected with large capital and trading, as they have led to those expansions and contractions in the currency for half a century, which, at times, have desolated not only this country but parts of Europe. Passing by the previous ruin in France by the expansions of Law's Mississippi Bank, we find the Bank of England, in 1797, suspending for more than a quarter of a century, and, by its consequent expansions, inevitably changing the whole value of property and contracts, and again by contractions, to resume, covering the commercial world with wrecks. After its resumption, we have witnessed both in that and this country, under a great increase of bank capital and issues, a constant succession of fluctuations in prices and business, till most branches of commerce have become but little less certain in their results than ordinary gambling, and till many in England are entirely ripe for a separation of the Government from banks of that description. It seems to be deemed high time there to protect the community from the immense losses incident to so vicious a system.

I read to you, sir, on this subject, some extracts from Parnell, among several other writers with similar views; and he, being a foreigner, will not be suspected of any unfavorable political bias against banks, arising from party prejudice among ourselves. Parnell, on the power of the Bank of England,

8th and 9th pages, after citing Tooke, Muchet, and others, adds: "These several authorities show, not only that the Bank of England possesses the complete and unlimited control over the currency, but that, in their opinion, it is a power of so vast and important a nature that it ought not to be intrusted to such a body as the directors of a trading company." Again he says: "If the directors think proper to send into circulation a large amount of paper, when trade has a tendency to run into a state of over-trading, they will directly encourage the wildest speculations; and if, on the other hand, they should suddenly contract the amount of paper in circulation, they will cause even the soundest speculations to fail, and bring about the ruin of all embarked in them." And he quotes Drummond on the Currency, page 65, to show that "it is indispensably necessary to every plan that shall be adopted, that an immediate end should be put to the connexion which has subsisted between the Government and the bank. Whoever will be at the trouble of reading the appalling facts detailed in Messrs. Tooke's, Muchet's, and Hardcastle's pamphlets, will be convinced that that connexion has been hitherto productive of nothing but mischief to the country."

Let us look a moment at the actual returns of banks, and analyze the fluctuation, in the last six years, in the circulation both of the United States Bank alone, and of the whole banks in the Union, and which fluctuation is caused directly by the excessive loans of bank capital. The ruinous expansions and contractions which the examination must disclose cannot but appear to have resulted from excessive loans of that capital, which by this bill we so largely and so imprudently propose to increase. Much of it, under a system of mere credit, has, with every favorable or adverse gale, more readily vacillated, and thus enlarged and diminished prices of labor, produce, and merchandise, to a most ruinous extent.

Thus, in the official table before me, sent last year from the Treasury Department to the House of Representatives, in the annual bank report, (B B.) it appears that the circulation of the United States Bank, from the 1st of January, 1832, being about 21½ millions, fell in one year to 17½ millions, which is near 20 per cent. It then rose by the 1st of January, 1834, to 19½ millions, or 12 per cent.; and fell again, through the panic of 1834, by 1835, to 17½ millions, or quite 10 per cent.; and then took the monstrous leap by the 1st of January, 1836, of 33 per cent., or to 23 millions.

If these notes had been at that time the only currency or measure of value, the last change of one-third in expansion would have increased the price of all things, if other matters remained the same or equal, to quite one-third. Or, in other words, it would have caused as great a change to the selling and buying community, as if the yard stick had been reduced in length to two feet, the bushel in size to only about 22 quarts, and the avoirdupois pound in weight to only about 11 ounces. On the same principle, the first change of 20 per cent., or one-fifth, in contraction, would have virtually increased the yard to quite seven inches more in length, the bushel to six quarts more, and the pound to three ounces heavier. What derangement in calculations as to contracts at these periods, for a given number of yards, bushels, or pounds! They make the extreme variation from the lowest and highest exceed one-half, or be quite 53 per cent. in only four years! What revolutions and ruin in matters which come home to the business and bosoms of the great mass of the community!

But looking to the whole paper circulation in the United States, in the same report, on the last page, we witness as great or still greater fluctuation

and evils growing out of excessive loans and issues on excessive credits, under the form of bank capital.

Thus, the whole circulation rose from 94 $\frac{3}{8}$  millions on the 1st of January, 1834, to 103 $\frac{1}{8}$  millions by 1835, or nine per cent. increase, instead of the natural increase of about four per cent., in a ratio with our population.

Again: from the first of 1835 to 1836 it suddenly increased to 140 $\frac{3}{8}$  millions, or near 40 per cent., instead of 4. Again: by 1837, to 149 $\frac{1}{8}$  millions, or 6 per cent. more: and then suddenly fell, by 1838, to 116 $\frac{1}{8}$  millions, being 21 per cent. reduction, instead of the natural increase of 4. By 1839, it started again into a new expansion to 135 $\frac{1}{8}$  millions, or near 18 per cent.; and fell again, by 1840, to only 106 $\frac{3}{8}$  millions, or near 21 per cent., instead of the due increase of 4 per cent.

Yet our candid opponents attribute all the consequences of these ruinous fluctuations, produced in the bank parlor, to the past administration: as if that could have had profit, pleasure, or prosperity, by any such injuries, and had not been interested to prevent and reduce them by every legitimate means. These expansions have had a like effect in raising prices at times, with the real addition to specie, which occurred after the discovery of America. That raised them near three-fourths in amount. (See Gallatin on Currency, 1830, p. 7.) Here, in 1835 and 1836 the expansion would tend to raise them four-tenths, or approaching one-half; while, in 1838, the revulsion would tend to lessen them, as if one-fifth of all the specie in the world was returned to the mines whence it came. The prices would thereby be reduced nearly 21 per cent., if no other causes intervened to prevent it.

The destruction and loss even of bank capital produced by these fluctuations in the last fifty years has been computed at quite \$72,000,000; the loss by depreciated paper, and deposits and balances in suspended as well as broken banks, at more than \$132,000,000; and the loss by the sacrifices of property and sudden changes in prices at a sum almost incalculable, but certainly in only the last twenty years exceeding \$150,000,000. (Treasury report to Senate, February, 1841, on losses by banks. See report of committee in House of Representatives, on banks, 1832.) These results are truly appalling, but they are not believed to be exaggerated when presenting one side of the account.

The consequences of these expansions in circulation and in the loans consequent on the great increase of bank capital, which I have before alluded to, and which I am anxious by this motion to prevent any addition to at this time, have been also most fatal to the expenditures and indebtedness of individuals and States. Our imports exceeded the exports for near ten years after the late Bank of the United States got into full operation in 1818 only about \$7,000,000 annually on an average, or a fair profit and return; and then rose to an excess of more than \$20,000,000 in the next ten years annually, and in 1836 to one of \$61,000,000! (See annual report on finances, December, 1839; also Gallatin on Banking, p. 26.)

The result of expansions in issues and discounts, and consequent overtrading, has been State debts nearly equal to these disastrous excesses in imports. The fall of prices, and the bankruptcies thus produced, and not caused by political events, are most apparent, and should deter us from adding any new fuel to the flame. We should not, under an excess of stimulants, administer still more. The evil began in the last year to be in the progress of gradual correction. Our exports have been regularly aug-

menting for several years, and during the last year exceeded the imports near \$25,000,000—a fact unparalleled in our history. Our tonnage is larger than at most former periods; money plenty for business purposes, interest low, and every thing indicating permanent prosperity, if not prevented by party tinkering at this session with the currency and business, by new banks and new schemes of debts and donations.

You may call the banking system of loans and circulation a steam power, if you please, in the currency; but it is a steam power without the skill and care yet acquired to prevent constant explosions and ruin. In enlarging it hastily and crudely, we are like children playing with edge tools, or clowns sporting with a locomotive.

The success of this motion to strike out all the capital, would open the door to have a *fiscal institution* organized; which is the great desideratum, and that would be exposed to none of the perils arising from expansions and contractions in either loans or issues.

If it was confined merely to the collection, keeping, transfer, and disbursement of the public money, it could insure every legitimate constitutional object; but if Congress should suppose that public convenience required the formation of some kind of currency beside specie to be used in the largest and most distant operations, this could readily be effected without any banking powers or privileges, by merely making the Treasury drafts drawn in specie, dollar for dollar, receivable, at other places found convenient, for public dues. And to these could be added the receipt of mint certificates for specie, deposited at certain convenient places, if deemed expedient to enlarge this kind of paper—the highest in security and representative value which the art of man can devise. It would be like our representative value here and in the other House, as members of Congress, instead of the sterling coin—the people themselves convened. While we faithfully represent their views, opinions, and wishes, we may well pass current for them, and be received readily instead of them; but when disregarding either, we ought to be, and in justice usually are, discredited and crossed as worthless representatives. But I forbear dwelling on this suggestion further, as in September, 1837, I had the honor to propose a similar measure to the consideration of Congress, in connexion with the independent treasury, which is now on our files.

The prevailing idea in Europe at this time, on this subject, is, that all paper issues should be made by some power or establishment distinct and separate from that which has an interest in increasing injudiciously paper issues. One could thus be adopted, and would tend to place a large amount of our paper currency on the soundest basis, and, at the same time, would avoid all the dangers and evils which have occurred in both hemispheres from banks of circulation and excessive loans on mere credit capital. These are measures not like Law's Mississippi scheme, or the South Sea bubble, or like land banks, and various mere paper machines, but corrective, stringent, and calculated to check every speculative and delusive scheme.

If the Government, as a Government, cannot exercise a due control in some such way, by making specie, and specie alone, the basis of paper, it shows itself incapable of government. And if it cannot keep safely the coin on which the paper issues, which is the great risk, when aided by all the ingenuity of locks and bolts; all the vigilance of faithful public servants; all the penalties of the penitentiary, and the checks of oaths, and double keepers; then it must have less sagacity than the ancients, who resorted to Del-

phos and the capitol itself as depositories, and invoked the sacred assistance of religion for security.

Nothing by way of precaution—nothing the dictate of experience, or bearing the impress of sound reason—nothing which we can obtain from books, or the most skilful financiers and bankers, as witnesses called before us, or by correspondence; nothing in Europe or America calculated to throw light on the subject, or increase the public security, ought to be overlooked before final action on so vital a measure. We must seize on a hint here, and a fact there; an improvement tested in one State, another in another; place a safety-valve on one power, a steam-gauge aside another, a balance-wheel over another; and move forward with the utmost caution.

But, instead of these precautions, we seem, on the contrary, infatuated, as in the merino sheep mania thirty years ago, or in the more recent morus multicaulis fever, and anxious to push every thing too fast and too far.

We proceed in a manner hasty and undigested to make a new public establishment to last in power twenty years, or a whole generation of our race, and beyond the period of most of our own frail lives, as if we were passing some mere appropriation for a single year, or organizing some establishments which we were, on the face of it, permitted to amend, improve, or *repeal*, at the next or any other session of Congress, till the end of time.

Repeal did I say, sir? Yes. So far from this bill being left open, like others in the ordinary course of legislation, with no restraining clause against new laws of a similar and improved character on the same subject, and therefore liable to have additions or supplements and modifications made, as experience may show to be proper, it expressly forbids the passage of any similar act for twenty years; and any repeal of this law, suggested on this side of the House to be legal whenever deemed expedient for the public interests by a majority of Congress, is denounced as seditious, revolutionary, and jacobinical. On this point I am not to be misunderstood, however I may be misrepresented.

I say nothing on this occasion irrelevant or going beyond the subject. I offer no opinion upon vested rights in private life, or chartered rights in private companies. I speak merely to the record before me—the precise point in controversy; and let me tell gentlemen opposite—let the community and capitalists on both sides of the Atlantic take warning—that this bill purports to be on a public matter—a fiscal agency for the Treasury Department of the United States. It is one not asked for to promote the private interests of a few individuals, and a grant of chartered rights made to them (as an instance) for opening some small mine or stone quarry owned exclusively by them; but it is recommended by the high officers of the Government as a measure required for the public convenience, and to carry on satisfactorily the public administration of affairs.

It is one in which a majority of the shares of stock created may belong to the United States, and a large portion must so belong, and which, after certain deductions, must pay into the Treasury all its profits; which is placed at the seat of Government, and under central control, like other agents and bureaus of the departments; which is made amenable to Congress itself, as well as the head of the Treasury, for many of its doings, and open to their inspection and visitatorial power for all of them; which, in fine, is made the depository of all the public treasure; its notes receivable for all the public dues; and our money in its vaults pronounced to be in the Treasury itself of the United States; and none of its provisions con-

stitutional under any pretence, except on the ground that they are necessary to accomplish important public objects. Yet, after all this, we are to be told that such an act is not liable to be changed by Congress, or repealed, whenever a majority shall deem the measure required by the public interests, though it is public in its origin, public in its design, public in its structure, public in its control, and public in its operations. Under these circumstances, common sense, as well as common justice to the existing community and posterity, both require that, like all other public laws, whether in the form of constitutions, ordinances, charters, resolutions, or acts of Congress, it be subject to amendment and repeal, as new lights or the opinions of a legal majority may demand.

Society, in its progress, with new wants, new generations, new discoveries, rides over all public obstacles in the path of improvement. And while it should not and will not encroach on any private rights without urgent occasion, and without furnishing ample indemnity, it must and will sweep away, or amend, enlarge, and better every public institution within its reach, whatever be the form of its creation, or the subject on which it operates.

The decision in the Dartmouth College case, if sound constitutional law, (which many doubt,) does not in the slightest degree impugn this doctrine. Because, there, the corporation originated in a private application; was granted for a private charitable purpose; had no funds at first, except from private sources and donations; and was not placed under public control, nor used by the Government for any public object.

So, if the present bill established a private bank for this District—for private gain and on private memorials—neither in its structure, operations, nor design, connected with any department of the Government, nor placed under its special control and visitation; and Congress should choose to invest \$50,000 or \$100,000 in its stock, as it might choose to do in some manufacturing or trading corporation,—I do not contend, however foolish and unadvisable were such investments, that they thus made these private corporations public ones, or open, like public ones, to repeal. I say nothing on this point one way or the other, as it is not before us. But the two cases are as different in their character as darkness is from light; and the doctrines in the Warren Bridge cause, decided by the Supreme Court since the Dartmouth College opinion, recognise and illustrate fully these distinctions, and, in my view, justify fully the liability of the present act to repeal. Yes, sir; the handwriting is on the wall; and he that runs may read that repeal is liable to follow a measure of this kind. It must be agitated, from its legal liability to repeal, and from the conviction—deep rooted and widespread among the democracy of the country—that the establishment of such a bank as this must also be regarded as unconstitutional, and therefore subject to be repealed whenever feasible. The sovereign State whose rights and interests are in part placed here in my care, and whose wishes I am not likely to overlook while faculties or life endure,—that State has solemnly resolved that such an act of legislation, being public as well as unconstitutional, is repealable, and ought to be repealed.

Even in the charter proposed in 1832, motions were made to insert in the act itself, incorporating a United States Bank, that it should not exclude the establishment of other similar institutions at any time deemed useful by Congress, nor be deemed exempt from repeal. They enrolled in their favor several lofty names in our history, and failed by only a few votes;—whether

from a belief that the power existed without any express provision, or from other causes, is to me unknown.

But the conviction has strengthened daily, and will continue so to do, that each generation must take all suitable steps to secure its own welfare ; that it is oppressive and unjust to bind posterity in bondage, or overload it with improper burdens ; and that, however regardful all ought to be, as a matter of great public policy, not to violate private contracts, or depart from the public faith pledged constitutionally and legally, (as in any repeal here we should not avoid any loan contracted ;) yet that we are prone to be too meddlesome in legislating for private matters, and in mingling (as in this bill) private dealings for gain with the mere governing and controlling power over the whole of society.

It has been well said that society, if let alone, can alone work out most improvements. "The world is governed too much," and "the best government is that which governs least." The country within a few years has grown much wiser on these topics. Let them alone, and all will come right. But if the majority chose to agitate, and to abandon a safe and constitutional fiscal system, which exists in the independent treasury, and not replace it by another in the State banks—both of which are less exceptionable on many accounts than the present bill, and both of which can in various ways be materially improved :—if the majority chose to do this, and in high party times, and under party impulses, if not for party purposes, elect to establish a public fiscal agency which shall possess the banking powers attendant on a large capital and circulation, and invite individuals to risk their fortunes on such an ill-judged and hazardous attempt,—the latter must not complain, in the end, if their interests are not forfeited, but returned, and made to follow the fate of their political partner, for whose paramount objects, wishes, ends, and aims, this public institution is to be established.

The chairman thinks this enormous capital, which I propose to strike out, will be taken up or subscribed, notwithstanding the threats of repeal, and notwithstanding an opposition which he seems to consider so unwarrantable. But let me tell that gentleman, the resistance to this measure is not by violence, bloodshed, or rebellion ; but it is by a "weapon firmer set, and better than the bayonet"—by the ballot-box. It is through peaceful legislation. It is not in the spirit of agrarianism or levelling. It is not without high authorities and ample reasons.

The opposition to this measure embodies much of that part of the scientific corps of the country which has made matters of finance, banking, and the currency, a topic of research. It embodies almost the whole democracy in solid column. It embodies many from the other side, of the sufferers and victims by the monstrous abuses in banking which of late years have spread desolation round so many firesides.

It embodies even many sound political economists, practical bankers, intelligent merchants, and talented editors, in the ranks of our opponents ; because, though not opposed to such an institution in the abstract, they deem this one *premature*, ill-timed, ill-digested, and with a location and capital dangerous alike to public virtue and public liberty.

Yet, under all this, the chairman urges on our part silent acquiescence, if not support. He inculcates *repose, repose*. When out of power, that gentleman's motto was, agitation ! agitation ! He attacked every thing—supported nothing. But now, when schemes the most dangerous and unconstitutional are urged upon us—when every doubtful power is to be

usurped and pushed to the utmost,—when it is avowed in the public press that a return to the *principles and policy of Alexander Hamilton* is meditated and in progress,—can it be expected that all the steady opponents of those principles for half a century are to be lulled into deathlike repose? Can it be hoped that the representatives of the sterling democracy of the land, under such assaults and omens of ruin as a permanent national debt, increased taxes, and augmented expenditures, are to sleep at their posts! that they are to lick in quiet the hand that smites or gags them; crouch to oppression like the ignoble Hindoo; succumb tamely to every species of derision; and, under aggressions like these, polluted and polluting, practise only *repose! repose!*

Let me admonish gentlemen on the other side, that if they believe our principles, habits, or faith, could make us submit, with the abject silence of slaves, to encroachments like these, they possess less sagacity than is usually attributed to them.

God forbid that repose under oppression should ever characterize any portion of the freeborn race from which we spring. You mistake us. You will find no *repose*, sir, while urging upon the country a system of flagrant measures, of which this bank constitutes one not the least objectionable.