

# MINERS' & FARMERS' JOURNAL.

PRINTED AND PUBLISHED EVERY TUESDAY, BY THOMAS J. HOLTON...CHARLOTTE, MECKLENBURG COUNTY, NORTH-CAROLINA.

I WILL TEACH YOU TO PIERCE THE BOWELS OF THE EARTH AND BRING OUT FROM THE CAVERNS OF THE MOUNTAINS, METALS WHICH WILL GIVE WEALTH TO OUR HANDS AND SUBJECT ALL NATURE TO OUR USE AND PLEASURE.—DR. JOHNSON.

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## THE Miners' & Farmers' Journal

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All communications to the Editor must come free of postage, or they may not be attended to.

## UNITED STATES BANK REPORT, CONCLUDED.

In a letter under date of the 26th of March last, to the Chairman of the committee, the President of the Bank says, "that the amount of branch notes redeemed at the New-York office during the year 1831, was \$13,219,635, and at Philadelphia, \$5,398,800, making a total of \$18,618,435, with an increase of circulation between the 2d of February, 1831, and the 2d of January, 1832, of more than six millions of dollars, as per monthly statements, and decrease of its means, between the 3d of Feb. 1831 and 1st of April, 1832, to meet immediate demands, of more than \$12,000,000, viz:

In specie, funded debt, and notes of other banks, which, at first named date, amounted, as per monthly statements, to	\$21,756,688 10
And the last to	9,640,000 00

Making, as just stated, a diminution in the active means immediately applicable to the extinguishment of its debts, of considerably more than half of its former capacity, to effect the same object.

With such an increase of issues, and the influence of a most powerful reaction now operating upon the fiscal energies of the country, as is exhibited by the difference of the redemption of branch notes at the periods and places above mentioned, together with such a reduction of its means, to meet its engagements, must, we fear, compel them still further to curtail their accommodations.

It is evident, from the circulars addressed to the branches, and correspondence with them since October last, the chief object of the Bank has been to sustain itself—the statements accompanying this report, clearly proving that the Bank has not increased its facilities to the trading community, in any part of the Union.

The Bank of the United States, among other conditions of its charter, is bound to make collections of the public revenue, to transfer the same, or any part thereof from one point to another, that may be required; and to make any and all payments for the account of the government, whether for principal, interest, civil list, army, navy, pensions, or for any other purpose whatever, free of all and any charges for such services.

For performing this duty, the Bank has claimed, and has received from the Treasury Department, and the country generally, for some years past, merit to an extent that could not have been surpassed, even if all those services it performs were gratuitous. This and other circumstances have led the committee to an investigation of the subject, as far as the limited time would allow, before closing their labors, to see how far the Bank is entitled to the credit bestowed upon it, and to what extent the bank has aided the Government in its fiscal operations beyond the obligation imposed in obedience to its charter.

The Government, in its collections through the Bank of the United States, receives nothing but specie, or notes of the Bank of the United States, and makes its payments in nothing else. If the notes of State Banks are received by the Bank in place of their own, it is a private matter between such Banks and the Bank of the United States, and one with which the Government does not concern itself; and it is to be presumed that the Bank of the United States is too watchful and vigilant in the protection of its own interests, not to see that it obtains from the State Banks, for notes thus taken, specie or its equivalent, or its own notes, in exchange, and thereby be provided with a fund from the collection of the revenue, equal in value, to that in which they are required to pay.

The largest portion of the revenue, particularly from imports, as is universally known, is collected in the Atlantic cities north of the Potomac. Those cities being the great marts of supply to nearly the whole of the United States, and places to which remittances centre from almost every part of the country, creates a demand for funds upon them, from nearly every quarter, constantly, and generally at a premium. Therefore, so far as the bank is called upon to transfer funds from those cities to other places, becomes a matter of profit, and not of expense to it, and the greater the distance, the greater the premium; and the larger the amount thus re-

quired to be transferred by the government, and the greater the distance, the greater the profit and advantage to the bank.

That the bank has aided the Government thus far, the committee are unable to discover, or that they are under any obligations to the bank for those services, they are also at a loss to imagine. How far the bank has aided the Government in its fiscal operations, as it claims to have done, will be seen by a communication from the President of the bank to this committee, hereafter adverted to in another part of this report; and also in a report of the committee of the stockholders, at the triennial meeting on the 1st of September, 1831, in the following words: "That the bank, through the whole course of its operations, has effectually assisted the Treasury in the collection and distribution of the public revenue, and that, of late years, it has been signally efficient in preventing the discharge of the public debt from disturbing the operations of commerce, or the value of pecuniary investments."

Now the committee are not able to discover upon what principles the foregoing declaration is made. By referring to the correspondence, in 1819, between the then president of the bank and the then Secretary of the Treasury, the committee discover that the bank was then applying to the Treasury Department to aid in its operations, and was receiving all that it could promise.

On the 20th of March, 1819, the President of the bank closes a communication to the then secretary, Mr. Crawford, thus: "I have ventured to trouble you with those views with the hope that you will pardon the liberty, and with the conviction that if you can serve this institution in any of them which you shall deem consistent with the public good, you will feel a pleasure in doing so." The Secretary of the Treasury, in closing his answer, under date of the 27th March, 1819, says, "every facility which it is in the power of this department to afford the bank, in its efforts to support specie payments, and restore the currency to a natural state, may be confidently relied upon."

By a reference to a statement of the public deposits in the Bank of the United States each month, from March, 1818, to March, 1832, inclusive, marked No. 37, it will be seen that from the 1st of January, 1823, up to the month of March, 1832, there has been only one period, (November, 1825,) when the public deposits did not exceed four millions of dollars, in the hands of the bank, and they frequently amounted to eight, nine, ten, and eleven, and on one occasion to twelve millions of dollars.

By reference to document marked No. 38, it will be found that since the month of March, 1824, at all the different periods immediately following the redemption by the Government of portions of its funded debt, there is no one time when the Bank was not left with more than one million and a half of dollars of public deposits; and in many instances with four and five millions, which sums were, immediately after, increasing by the constant accumulated collection of the public revenue.

The Bank, as it collects the revenue, knows, or ought to know, that it will be called upon by the Government to reimburse it, and in all cases of the redemption of the funded debt, three months notice is given by the Treasury of such intention. With such notice, and with proper management on the part of the Bank, the Committee cannot see that either the Government requires any aid, or that the community can be effected by the course of the operation.

The Bank has its legitimate banking capital with which to do its regular business, and accommodate the community. As it collects the public revenue, it is enabled both to avail itself of the advantage of employing it to its own benefit, and the accommodation of the commercial community, who principally contribute to its payment, by commencing the discounting of business paper, payable within or about the time they know they will be called upon to make the payments on account of the Government; and, as they gradually approach that period they must also shorten the period which the business paper has to run, until they arrive at the time the call from the Government is made upon them, when the business paper will have been paid off, the Bank then pays the Government, and the Government immediately again circulates it among the community.

The operation, as thus described, appears to the Committee too plain and simple to require any further illustration; and if the principle is sound, and has been acted upon by the Bank, they cannot discover in what manner the operations of commerce could have been disturbed, or the value of pecuniary investments have been affected by the payment of the public debt by the Government.

But if the Bank has, as the public revenue has accumulated to the credit of the Treasury Department, gone on discounting upon it, or loaning it out, disregarding the period when they would be called upon to reimburse it, the committee can readily

perceive that, when that order arrived, they would be found not only deficient in preparation, but in a state of surprise, and that the payments would first embarrass the Bank, and then lead it to press and embarrass the commercial community.

From the observations made, and the examination of documents during the course of this investigation, the Committee have strong reason to apprehend that the course pursued by the Bank has been upon this latter principle. If so, the Bank has incurred a high responsibility.

The Committee believing the subject of the late postponement of a portion of the 3 per cent. stocks, intended, as they understood, to have been paid on the 1st of July by the Government, to be within the province of their inquiries; and believing, also, that it had a strong connexion with the present state and situation of the affairs of the Bank, and for the purpose of enabling them to form a correct and true opinion upon that subject, they made a call upon the President of the Bank for the correspondence in relation to the postponement of that payment, in the following words: "Will you please give a copy of the correspondence connected with your application, in March last, requesting a suspension by the Government of the payment of a portion of its debt intended to have been made on the 1st of July next, or a statement of the arrangement made in relation to that subject."

Which correspondence was communicated by the President of the Bank, with the following remarks: "I have made no application to the Government, nor have I requested any suspension of the payment of any portion of the public debt."

"The inquiry, I suppose, relates to this circumstance: 'I received a letter from the acting Secretary of the Treasury, dated the 24th March, 1832, informing me that Government was about to issue a notice on the 1st of April, of their intention to pay, on the 1st of July next, one half of the three per cent. stock, and to do it by paying to each stockholder one half of the amount of his certificate.' He added,

"If any objection occurs to you either as to the amount or mode of payment, I will thank you to suggest it."

"Thus invited by the Government to a communication marked 'confidential,' to give my opinions on a measure contemplated by the Government, I felt it my duty to express my views of its probable operation; in my reply, therefore, dated 29th March, I stated 'that so far as the bank is concerned no objection occurs to me, it being sufficient that the Government has the necessary amount of funds in the bank to make the contemplated payments.' I then proceeded to observe, that in the present situation of the commercial community, and with a very large amount of revenue, (amounting to nine millions,) to be paid before the 1st of July, the debtors of the Government would require all the forbearance, and all the aid that could be given them; and that the payment proposed by creating a demand for the remittance of several millions of dollars to European stockholders, would tend to diminish the usual facilities afforded to the debtors of the Government, and might endanger the punctual payment. For this reason, I thought it for the interest of the Government, to postpone the payment till the next quarter. I further stated, that the plan of paying to each stockholder only one half of his loan, would not be so acceptable as if his whole loan were repaid at once.

"Having thus performed my duty in giving the opinion asked, I left it of course, to the Government to decide. On the part of the bank, I sought nothing; I requested nothing. After weighing the circumstances, the Government were desirous of adopting the measure, but the difficulty I understood to be this, that the sinking fund would lose the quarter's interest, from July to October, of the sum intended to be paid in July; and that the Government did not feel itself justified in making the postponement, unless the interest could be saved, but that it would be made, provided the bank would make the sinking fund whole on the 1st of October. To this I said, that, as the bank would have the use of the fund during the three months, it would consent to save the sinking fund harmless, by paying the three months' interest itself; and so the matter stands.

"Now, it will be seen, that the bank, in all this, has had not the least agency, except to offer its opinion, when it was asked, in regard to a measure proposed by the Government; and then to offer its aid in carrying that measure into operation."

The committee cannot discover any ability which the bank possesses or will possess, to give increased aid to public debtors in the payment of the nine millions of dollars falling due (as is said) in the quarter ending with the 1st of July; but, on the contrary, they believe that such is the situation of the bank now, and such will be the demands which it will be called upon to meet, that it will require the aid of all the accumulated collections for the Government, to sustain itself. The committee are fully of opinion, that though the bank neither sought

for, nor requested a postponement of the payment by the Government, as stated in the declaration of the President, yet if such postponement had not been made, the bank would not, on the 1st of July, have possessed the ability to have met the demand, without causing a scene of great distress in the commercial community.

The committee are unable to discover in what manner the bank could afford aid to the Government, in carrying into effect the measure they proposed, which the President of the bank, in his remarks, speaks of having proffered to them. All that the Government could ask of the bank on the 1st of July, or at any other time, would be, to pay over to them the amount it had collected for their account, when they wished to employ it—the same as a principal would call upon its agent to pay to him moneys which he had collected for his benefit.

By document marked No. 39, it would appear, that on the 13th day of March last, the bank was aware of the intention of the Government to pay off, during the year, a great portion of the 3 per cent. stocks; and the subject of making an arrangement with the holders, was on that day, referred by a resolution of the board, as follows:

Resolved, That the subject of the communication just made by the president, be referred to the committee of exchange, with authority to make, on behalf of the bank, whatever arrangements with the holders of the 3 per cent. stock of the United States may, in their opinion, best promote the convenience of the public, and the interests of this institution.

This proceeding on the part of the board, nearly two weeks before they were officially informed of the intention by the government to make the proposed payment on the 1st of July, demonstrates fully, to the minds of the committee, an acknowledgment on the part of the administration of the bank, of its inability to meet the demands which the contemplated payments of the government 3 per cents. would bring upon it, without producing the distress before alluded to.

In a letter to the Secretary of the Treasury, from the president of the bank, dated the 29th March, 1832, marked No. 40 is the following:

"Owing to a variety of causes, but mainly to the great amount of duties payable for the last few months, there has been a pressure upon the mercantile classes, who have been obliged to make very great efforts to comply with their engagements to the government. That pressure still continues, and it may be prolonged by the same cause—the amount of duties still payable during the next three months. This state of things seem to recommend all the forbearance and indulgence to the debtors which can be safely conceded. The inconvenience then, of the proposed measure is, that the repayment of six or seven millions of dollars, more than half of which is held in Europe, may create a demand for the remittance of these funds, which would operate injuriously on the community, and by abridging the facilities which the debtors of the government are in the habit of receiving from the bank, may endanger the punctual payment of the revenue, as the bank would necessarily be obliged to commence early, its preparations for the reimbursement of so large an amount of public debt.

"My impression, therefore, is that, with a view to the safe and punctual payment of the public revenue, the government would be benefited by postponing the proposed payment of the public debt to another quarter, by which time the country will sustain less inconvenience from demands on foreign account."

The committee are obliged to dissent from the views expressed by the president in the foregoing extract. The committee cannot believe that the pressure which has, and which continues to exist since October last, is attributable mainly "to the great amount of duties payable for the last few months." The committee believe the operations of the Bank of the United States in Philadelphia, and the offices of Baltimore, New-York, and Boston, (the four principal places where bonds are payable,) during the last quarter, furnish evidence to the contrary. By a reference to the weekly statements of the Bank of the United States, the offices at Baltimore, New-York and Boston, from July, 1831, to April 1832, marked No. 36, it will be seen, that the amount of reductions on discounts and loans at those four largest commercial cities, during the last quarter, taking the maximum amount in January last, and ending on the first of April, is \$2,498,489 76, or in round numbers, two millions and a half of dollars; this reduction by the bank and its branches, has probably compelled a similar reduction on the part of the State institutions, in proportion to the amount of their loans in each of those places. In this, and in this alone, the committee are fully persuaded is to be found the true secret of the pressure which has existed, and does still exist, operating upon the commercial community.

That this pressure will continue for some time to come, the committee fear; for the expansion has been so great, that the contraction which is now in operation cannot, in the opinion of the committee, be effectually

checked or controlled, without a necessary curtailment of discounts.

If the bank possessed the ability to sustain itself without curtailing its discounts, the revenue falling due the present quarter, might be collected, and facilities granted during the time, upon the principle before pointed out, to the commercial community, and disbursed again by the Government, without any inconvenience being caused by the operation. But such ability, the committee are satisfied the bank does not possess, nor can it at present command. Besides the diminished means of the bank previously alluded to, through the loss of five millions of its specie, its foreign exchange and other resources, one of the great difficulties under which it now labors, in paying the public debt, is its being compelled to receive the public revenue, in the Atlantic ports, in a currency, to wit, branch notes and drafts of the western offices, not promptly convertible, and to pay the public debt in current money.

Without a large abridgment of the usual accommodations, which will of course, greatly distress the community, the committee are under the strongest conviction that it will be little better able to meet the pressure the Government payments will cause, on the 1st of October than they would have been on the 1st of July. The words of Mr. Crawford, in a letter dated 6th of April, 1819, to the president of the bank, the committee consider peculiarly appropriate here to introduce. "Palliations may prolong the existing embarrassments, and by exciting the hopes and fears of the community, aggravate the existing evils, but cannot influence the final result."

In another letter, dated the 9th of April, 1819, to the same gentleman, he says, "Banks, in order to secure specie payments, must approximate their circulation and individual deposits, to a sum justly proportioned to the amount of specie in their vaults. Any thing short of this, will keep them in a precarious state, and postpone the period when banking operations can be safely prosecuted upon ordinary principles.

When an institution, with investments amounting to 75 millions, commanding the foreign and domestic exchange of the country, monopolizing the Government deposits, cannot, at the moment, when we are exporting our annual crop of cotton, amounting, by the admission of the President of the Bank, to 20 millions of dollars, (but really near 80,) transfer a few millions of its funds abroad, to pay the Government debt without embarrassing its operations, and seriously distressing traders, is there not reason to believe that its business has been too much and too rapidly extended.

In the late letter of the president of the bank to the Secretary of the Treasury, of the 29th March last, there is the following postscript: "As an illustration of the effect of the measures I have suggested, I may mention, that in the month of February last, the collector of New-York, with a laudable anxiety to protect the public revenue, applied to the bank to authorize an extension of loans in that city, in order to assist the debtors to the Government. This was promptly done; this I should desire to do again, as the payment to the Government during the next quarter is very large."

Upon a reference to the weekly statement of the office at New-York, from July, 1831, to April, 1832, before alluded to, the committee find no aggregate increase of loans; but, on the contrary, they find that there has been a reduction in the amount, viz: the amount on the 29th February being less than on the 2d, and the 8th days of the same month, and \$140,000 less on the 29th day of March, than on the 29th of February previous.

By examining the statement No. 36, it will be seen that the total amount of discounts at the New-York branch, between the 4th of October, 1831, and the 28th of March, 1832, were actually diminished \$468,447 17, while during the same time, the bonds paid at that port, amounted to between nine and ten millions of dollars.

The committee in order to ascertain the precise manner in which the annual election of directors has been conducted, called at an early period of the investigation, for the following document, viz: "A statement of the number of votes given at each annual election of directors since that of 1823, the whole number of votes given, the number given in person, and the number given by proxy, and in the latter case, by whom," which statement was not furnished the committee, but the statement marked No. 41, was furnished. This shows the whole number of proxies to be 4,533, of which the president holds, exclusively, 1,436, and as a trustee, in conjunction with others, 1,684, which gives him, without intending to impugn the exercise of the power, decidedly a preponderating control in the election of directors, a power which was never contemplated by the charter; so far from it, that instrument, as well as subsequent laws passed by Congress, have studiously endeavored to prevent the very mischief which this accumulation of proxies in the hand of one person is most obviously calculated to pro-