

# Western Carolinian.

It is even wise to abstain from laws, which however wise and good in themselves, have the semblance of inequality which find no response in the heart of the citizen, and which will be evaded with little remorse.  
The wisdom of legislation is especially seen in grafting laws on conscience.  
Dr. Channing.

(BY BURTON CRAIG.)

SALISBURY, ROWAN COUNTY, N. C., MONDAY MAY 29, 1832.

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## UNITED STATES BANK

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House of Representatives, May 14, 1832.  
(CONCLUDED.)

The committee would present another striking analogy between the situation of the bank in April, 1819, and its present condition. At the first mentioned period, Mr. Chaves informed the Secretary of the Treasury that the bank would not pay the Louisiana debt of three millions, without negotiating a loan in Europe, and two millions were actually borrowed in Europe, the indulgence of the Government being obtained to that effect. The bank at this time is precisely in the same situation; it has asked the Government to postpone the redemption of the three per cent. from 1st of July to 1st of October, and has assumed the payment of one quarter's interest on these stocks, being substantially equivalent to borrowing seven millions of the Government's money for three months.

The supply of exchange by the bank, as has been done for the last five months, and the curtailing of discounts, are but mere palliatives, as the committee fully believe; and they are persuaded that no measure can be resorted to restore a sound currency, and a regular state of things generally, and give a solid and permanent value to property, but the withdrawal of a large portion of notes now in circulation by the bank, which will compel other banks to do the same.

The committee will here introduce a quotation from Mr. Rush, in his Treasury Report in 1828; which fully accords with their sentiments. "It is the preservation of a good currency, which can alone impart stability to property, and prevent those fluctuations in its value, hurtful alike to individual and national wealth." Again, he says, "This advantage the bank has secured to the community, by confining within prudent limits its issues of paper, whereby a restraint has been imposed upon excessive importations, which are thus kept more within the true wants and capacities of the country.—According to the triennial report of the directors to the stockholders on the 1st of August, of 1828, the amount of circulation then was \$13,044,760 71; and on the first of April last, as before stated, it was \$23,747,441 14, presenting the astonishing difference of \$10,702,680 43, in less than four years.—Can this be considered, according to the sound doctrine of Mr. Rush, confining its issues of paper within prudent limits, whereby a restraint has been imposed upon excessive importations? That great contractors are injurious, the committee consider that they have adduced an authority that cannot well be doubted, and that a great one is now in operation there are too many general evidences in confirmation of the fact, to be refuted. A particular one will suffice, which is taken from the documents called for by the Senate, and presented to that body by the Secretary of the Treasury, on the 12th of March last; in which will be found a communication from the president of the bank stating that the amount of branch notes redeemed by the Bank of the United States at Philadelphia, during the month of February last only to be \$796,000; and the amount redeemed, in 1831, during the same month, was only \$368,910.

In a letter under date of the 23th 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 \$13,019,635, and at Philadelphia, \$5,993,800, making a total of \$19,013,435, 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 2d of February, 1831, and 1st of April, 1832, to meet immediate demands, of more than twelve millions of dollars, viz:

In specie, funded debt, and notes of other banks, which, at first named date, amounted, as per monthly statements, to \$31,756,698 10  
And the last to 9,640,000 00

\$12,115,698 10

Making as just stated a diminution in the active means immediately applied 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, that 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, 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 whatsoever, 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 of its 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 the 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, it 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 required 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 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, heretofore adverted to in another part of this report; and also in a report of the committee, at 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 it in its operations, and was receiving all that it could promise.

On the 20th 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 the things 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, 1819, 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 re-accumulated 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 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 affected 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 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 operation 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 arrives, 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 believe 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 connection 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 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 of 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 institution 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 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 felt 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 that 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, 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 allured manner the bank could 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 seems to recommend all the forbearance and indulgence to the debtors which can be safely extended. 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 in 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. 35, 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 1st of April, is \$2,498,439 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 well 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 the 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 currency money.

Without a large abridgement 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 Oct. 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. "Palliatives 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 seventy-five millions, commanding the foreign domestic exchange of the country, monopolizing the Government deposits, cannot, at the moment, when we are exporting our surplus crop of cotton, amounting, by the admission of the president of the bank, the twenty millions of dollars, (but really near thirty) 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; that city, in order to assist the debtors to the Government.— This promptly done; this I should desire to do again, as the payment to the Government during the next quarter, will be very large."

Upon a reference to the weekly statements 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 24th 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 29th of March, 1832, were actually diminished \$465,447 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 1828, 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 4,333, of which the president holds, exclusively, 1,436, and as a trustee, in conjunction with others, 1,654, 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 hands of one person is most obviously calculated to produce. The charter has limited the votes of the largest stockholder, no matter what may be the number of shares, to the number of thirty, clearly with a view to prevent the whole affairs of the bank from falling into the hands of a few individuals. It is too powerful an engine to be controlled by one man alone, and this must be apparent to the good sense of every one, yet notwithstanding this restriction, by the use of proxies, individuals, with little or no immediate interest, can perform what those possessing a direct and deep interest are prohibited from doing. Conducted with this subject, there is no one which ought not to go unnoticed. The charter positively requires twenty-five directors, marked No. 42, there have been but twenty-four. The president of the bank holding the appointment from the Government and the stockholders at the same time.

The committee cannot pass over, mentioning the subject of the sums paid for printing. By reference to a statement furnished the Senate in March last, it will be seen that, from the period of establishment of the bank, after the year 1817 up to the year 1830, the sum paid for printing, in any one year, has not exceeded \$507 19; and in some years, it has been reduced as low as \$124 and \$165 69.— But in 1830, the amount is swelled to the sum of \$6,762 54; and, in 1831, to \$9,187 94. In the year 1817, the year in which the bank was established and went into operation, and consequently a greater expense was incurred, the expense for printing was \$3,326 15.

What circumstances occurred or existed during the 1830 and '31, to require such an unusual increase in this branch of expense over the preceding years, in the ordinary course of its business, the committee have been unable to discover, though they called for the accounts under this head of expenditure, but have not yet received them. In the same document contained the sums paid to "attorneys," annually, since the establishment of the bank. This subject, owing to their limited time, the committee were unable to investigate. Sufficient, however, came to their knowledge, to justify the belief that the sums returned as having been paid to "attorneys," embrace only what was paid to them in that *divine* character; that the sums paid to *collectors* and *counselors* for the bank are not in the amount given.

The committee addressed the following inquiry to the president of the bank, believing that it involved a fact which will be useful to Congress in its future legislation on the subject of its charter: "Did Mr. Ellsworth, or any one else of the State of Connecticut, as a member of the State of Connecticut, write to request you to give him a list of stockholders belonging to that State, for the purpose of taxing them according to a law thereof?"

The president replied: "In December,