BANK OF THE UNITED STATES.

[REPORT CONTINUED.]

It now remains for the committee to show that the Bank of the United States is a "necessary and proper," or, in other words, a natural and appropriate means, of executing the powers vested in the Federal Government. In the discussion of 1791, and also in that before the Supreme Court, the powers of raising, collecting, and disbursing the public revenue, of borrowing money on the credit of the United States, and paying the public debt, were those which were supposed most clearly to carry with them the incidental right of incorporating a bank, to facilitate these operations. There can be no doubt, that these fiscal operations are greatly facilitated by a bank, and it is confidently believed, that no person has presided twelve months over the Treasury, from its first organization to the present time, without coming to the conclusion, that such an institution is exceedingly useful to the public finances in time of peace, but indispensable in time of war. But as this view of the question has been fully unfolded in former discussions, familiar to the House, the committee will proceed to examine the relation which the Bank of the United States bears to another of the powers of the Federal Government, but slightly adverted to in former discussions of the subject.

The power to "coin money and fix the value thereof," is expressly and exclusively vested in Congress. This grant was evidently intended to invest Congress with the power of regulating the circulating medium. "Coin" was regarded, at the period of framing the Constitution, as synonymous with "currency," as it was then generally believed that bank notes could only be maintained in circulation by being the true representative of the precious metals. The word "coin," therefore, must be regarded as a particular term, standing as the representative of a general idea. No principle of sound construction will justify a rigid adherence to the letter, in opposition to the plain intention of the clause. If, for example, the gold bars of Ricardo should be substituted for our present coins, by the general consent of the commercial world, could it be maintained that Congress would not have the power to *make* such money, and fix its value, because it is not "coined?" This would be sacrificing sense to sound, and substance to mere form. This clause of the Constitution is analogous to that which gives Congress the power "to establish post roads." Giving to the word "establish" its restricted interpretation, as being equivalent to "fix," or "prescribe," can it be doubted that Congress has the power to establish a canal, or a river, as a post route, as well as a road? Roads were the ordinary channels of conveyance, and the term was, therefore, used as synonymous with "routes," whatever might be the channel of transportation, and in like manner, "coin," being the ordinary and most known form of a circulating medium, that term was used as synonymous with currency.

An argument in favor of the view just taken, may be fairly deduced from the fact, that the States are expressly prohibited from "coining money or emitting bills of credit," & from "making any thing but gold and silver a lawful tender in payment of debts." This strongly confirms the idea, that the subject of regulating the circulating medium, whether consisting of coin or paper, was, at the same time that it was taken from the control of the States, vested in the only depository in which it could be placed, consistently with the obvious design of having a common measure of value throughout the Union.

But, even if it should be conceded, that the grant of power to "coin money & fix the value thereof" does not, in its terms, give Congress the power of regulating any other than the "coined" currency of the Union, may not the power of regulating any substituted currency, and especially one which is the professed representative of coin, be fairly claimed as an incidental power—as an essential means of carrying into effect the plain intention of the Constitution, in clothing Congress with the principal power? This power was granted in the same clause with that to regulate weights and measures, and for similar reasons. The one was designed to ensure a uniform measure of value, as the other was designed to ensure a uniform measure of quantity. The former is decidedly the more important, and belongs essentially to the General Government, according to every just conception of our system. A currency of uniform value is essential to what every one will admit to be of cardinal importance; the equal action of our revenue system, upon the different parts of the Union. The state of things which existed when the Bank was incorporated, furnished a most pregnant commentary on this clause of the Constitution. The currency of the country consisted of the paper of local banks, variously depreciated.—At one of the principal sea-ports the local currency was 20 per cent. below par.—Now it was in vain for Congress to regulate the value of coin, when the actual currency, professing to be its equivalent, bore no fixed relation to it. This great and essential power of fixing the standard of value, was, in point of fact, taken from Congress and exercised by some hundreds of irresponsible banking corporations, with the strongest human motives to abuse it, because their enormous profits resulted from the abuse. The power of laying and collecting imposts and excises, is expressly subject to the condition that they "shall be uniform throughout the United States;" and it is also provided, that "no preference shall be given, by any regulation of commerce, or *revenue*, to the ports of one State over those of another." Now, when it is known that the circulating medium of Baltimore was 20 per cent. below the value of the circulating medium of Boston, is it not apparent that an impost duty, though nominally uniform, would, in effect, make a discrimination in favor of Baltimore, proportioned to the depreciation of the local currency? Congress, therefore, not only had the power, but, as it seems to the committee, were under the most solemn constitutional obligations to restore the disordered currency; and the Bank of the United States was not only an appropriate means for the accomplishment of that end, but, in the opinion of the committee, the only safe and effectual means that could have been used. This view of the subject is in full accordance with the opinion of Mr. Madison, as expressed in his message of December, 1816. "But, says he, for the interest of the community at large, as well as for the purposes of the Treasury, it is essential that the nation should possess a currency of equal value, credit, and use, wherever it may circulate. The Constitution has entrusted Congress, exclusively, with the power of creating and regulating a currency of that description, and the measures which were taken, during the last Session, in execution of the power, give every promise of success. The Bank of the United States, under auspices the most favorable, cannot fail to be an important auxiliary."

Such are the authorities and such the arguments which have brought the committee to the conclusion, that the power to incorporate a bank is incidental to the powers of collecting and disbursing the public revenue; of borrowing money on the credit of the United States; of paying the public debt; and above all, of fixing and regulating the standard of value, and thereby ensuring, at least so far as the medium of payment is concerned, the uniformity and and equality of taxation.

II. The next question proposed for consideration, is the expediency of establishing an incorporated bank, with a view to promote the great ends already indicated. In discussing the constitutionality of such a measure, some of the considerations which render it inexpedient, have been slightly unfolded. But these require a more full and complete developement, while others remain to be presented.

It must be assumed as the basis of all sound reasoning on this subject, that the existence of a paper currency, issued by banks deriving their charters from the State Governments, cannot be prohibited by Congress. Indeed, bank credit and bank paper are so extensively interwoven with the commercial operations of society, that, even if Congress had the constitutional power, it would be utterly impossible to produce so entire a change in the monetary system of the country, as to abolish the agency of banks of discount, without involving the community in all the distressing embarrassments usually attendant on great political revolutions, subverting the titles of private property. The sudden withdrawal of some hundred millions of bank credit, would be equivalent, in its effects, to the arbitrary and despotic transfer of the property of one portion of the community to another, to the extent, probably, of half that amount. Whatever, therefore, may be the advantages of a purely metallic currency, and whatever the objections to a circulating medium partly composed of bank paper, the committee consider that they are precluded, by the existing state of things, from instituting a comparison between them with a view to any practical result.

If they were not thus precluded, and it were submitted to them as an original question, whether the acknowledged and manifold facilities of bank credit and bank paper, are not more than counterbalanced by the distressing vicissitudes in trade incident to their use, they are by no means prepared to say, that they would not give a decided preference to the more costly and cumbersome medium.

But the question really presented for their determination, is not between a metallic and a paper currency, but between a paper currency of uniform value, and subject to the control of the only power competent to its regulation, and a paper currency of varying and fluctuating value, and subject to no common or adequate control whatever. On this question it would seem there could scarcely exist a difference of opinion; and that this is substantially the question involved in considering the expediency of a national bank, will satisfactorily appear by a comparison of the state of the currency previous to the establishment of the present bank, and its condition for the last ten years.

Soon after the expiration of the charter of the first Bank of the United States, an immense number of local banks sprung up under the pecuniary exigencies produced by the withdrawal of so large an amount of bank credit, as necessarily resulted from the winding up of its concerns—an amount falling very little short of fifteen millions of dollars. These banks being entirely free from the salutary control which the Bank of the United States had recently exercised over the local institutions, commenced that system of imprudent trading and excessive issues, which speedily involved the country in all the embarrassments of a disordered currency. The extraordinary stimulus of a heavy war expenditure, derived principally from loans, and a corresponding multiplication of local banks, chartered by the double score in some of the States, hastened the catastrophe which must have occurred at no distant period, without these extraordinary causes. The last year of the war presented the singular and melancholy spectacle of a nation abounding in resources, a people abounding in self-devoting patriotism, and a Government reduced to the very brink of avowed bankruptcy, solely for the want of a national institution, which, at the same time that it would have facilitated the Government loans and other Treasury operations, would have furnished a circulating medium of general credit in every part of the Union. In this view of the subject, the committee are fully sustained by the opinion of Mr. Dallas, then Secretary of the Treasury, and by the concurring and almost unanimous opinion of all parties in Congress: for whatever diversity of opinion prevailed, as to the proper basis and organization of a bank, almost every one agreed that a national bank, of some sort, was indispensably necessary to rescue the country from the greatest of financial calamities.

The committee will now present a brief exposition of the state of currency at the close of the war, of the injury which resulted from it, as well to the Government as to the community, and their reasons for believing that it could not have been restored to a sound condition, and cannot now be preserved in that condition, without the agency of such an institution as the Bank of the United States.

The price current appended to this report will exhibit a scale of depreciation in the local currency, ranging through various degrees to twenty, and even to twenty-five per cent. Among the principal eastern cities, Washington and Baltimore were the points at which the depreciation was greatest. The paper of the Banks in these places, was from 20 to 22 per cent. below par. At Philadelphia the depreciation was considerably less, though even there it was from 17 to 18 per cent. In New-York & Charleston, it was from 7 to 10 per cent. But in the interior of the country, where Banks were established, the depreciation was even greater than at Washington and Baltimore. In the Western part of Pennsylvania, and particularly at Pittsburg, it was 25 per cent. These statements, however, of the relative depreciation of bank paper at various places, as compared with specie, give a very inadequate idea of the enormous evils inflicted upon the community, by the excessive issues of bank paper. No proposition is better established than that the value of money, whether it consists of specie or paper, is depreciated in exact proportion to the increase of its quantity, in any given state of the demand for it. If, for example, the banks, in 1816, doubled the quantity of the circulating medium by their excessive issues, they produced a general degradation of the entire mass of the currency, including gold and silver, proportioned to the redundancy of the issues, and wholly independent of the relative depreciation of bank paper at different places, as compared with specie. The nominal money price of every article was of course one hundred per cent. higher than it would have been, but for the duplication of the quantity of the circulating medium. Money is nothing more nor less than the measure by which the relative value of all articles of merchandize is ascertained. If, when the circulating medium is 50 millions, an article should cost one dollar, it would certainly cost two, if, without any increase of the uses of a circulating medium, its quantity should be increased to one hundred millions. This rise in the price of commodities, or depreciation in the value of money, as compared with them, would not be owing to the want of credit in the bank bills, of which the currency happened to be composed. It would exist, though these bills were of undoubted credit, and convertible into specie at the pleasure of the holder, and would result simply from the redundancy of their quantity. It is important to a just understanding of the subject, that the relative depreciation of bank paper at different places, as compared with specie, should not be confounded with this general depreciation of the entire mass of the circulating medium, including specie. Though closely allied, both in their causes and effects, they deserve to be separately considered.

The evils resulting from the relative depreciation of bank paper at different places, are more easily traced to their causes, more palpable in their nature, and consequently more generally understood by the community. Though much less ruinous than the evils resulting from the general depreciation of the whole currency, they are yet of sufficient magnitude to demand a full exposition.

A very serious evil, already hinted at, which grew out of the relative depreciation of bank paper, at the different points of importation, was its inevitable tendency to draw all the importations of foreign merchandize to the cities where the depreciation was greatest, and divert them from those where the currency was comparatively sound. If the bank of the United States had not been established, and the Government had been left without any alternative but to receive the depreciated local currency, it is difficult to imagine the extent to which the evasion of the revenue laws would have been carried. Every State would have had an interest to encourage the excessive issues of its banks, and increase the degradation of its currency, with a view to attract foreign commerce. Even in the condition which the currency had reached in 1816, Boston, and New-York, and Charleston, would have found it advantageous to derive their supplies of foreign merchandize through Baltimore; and commerce would undoubtedly have taken that direction had not the currency been corrected. To avoid this injurious diversion of foreign imports, Massachusetts, and New-York, and South-Carolina, would have been driven, by all motives of self defence and self interest, to degrade their respective currencies at least to a par with the currency of Baltimore; and thus a rivalry in the career of depreciation would have sprung up, to which no limit can be assigned. As the tendency of this state of things would have been to cause the largest portion of the revenue to be collected at a few places, and in the most depreciated of the local currency, it would have followed that a very small part of that revenue would have been disbursed at the points where it was collected. The Government would consequently have been compelled to sustain a heavy loss upon the transfer of its funds to the points of expenditure. The annual loss which would have resulted from these causes alone, cannot be estimated at a less sum than two millions of dollars.

But the principal loss which resulted from the relative depreciation of bank paper at different places, and its want of general credit, was that sustained by the community in the great operations of commercial exchange. The extent of these operations annually, may be safely estimated at sixty millions of dollars. Upon this sum the loss sustained by the merchants, and planters, and farmers, and manufacturers, was not probably less than an average of ten per cent. being the excess of the rate of exchange beyond its natural rate in a sound state of the currency, and beyond the rate to which it has been actually reduced by the operations of the Bank of the United States. It will be thus perceived, that an annual tax of six millions of dollars was levied from the industrious and productive classes, by the large moneyed capitalists in our commercial cities, who were engaged in the business of brokerage. A variously depreciated currency, and a fluctuating state of the exchanges, open a wide and abundant harvest to the money brokers; and it is not, therefore, surprising, that they should be opposed to an institution, which, at the same time that it has relieved the community from the enormous tax just stated, has deprived them of the enormous profits which they derived from speculating in the business of exchange. In addition to the losses sustained by the community, in the great operations of exchange, extensive losses were suffered throughout the interior of the country, in all the smaller operations of trade, as well as by the failure of the numerous paper banks, puffed into a factitious credit by fraudulent artifices, and having no substantial basis of capital to ensure the redemption of their bills.

But no adequate conception can be formed of the evils of a depreciated currency, without looking beyond the relative depreciation, at different places, to the general depreciation of the entire mass. It appears from the report of Mr. Crawford, the Secretary of the Treasury in 1820, that during the general suspension of specie payments, by the local banks, in the years 1815 and 1816, the circulating medium of the United States had reached the aggregate amount of one hundred and ten millions of dollars, and that, in the year 1819, it had been reduced to forty-five millions of dollars, being a reduction of fifty-nine per cent. in the short period of four years. The committee are inclined to the opinion, that the severe and distressing operation of restoring a vicious currency to a sound state, by the calling in of bank paper, and the curtailment of bank discounts, had carried the reduction of the currency, in 1819, to a point somewhat lower than was consistent with the just requirements of the community for a circulating medium, and that the bank discounts have been gradually enlarged since that time, so as to satisfy those requirements. It will be assumed, therefore, that the circulating medium of the United States has been fifty-five millions of dollars for the last ten years, taking the average.

Even upon this assumption it will follow, that the national currency has been one hundred per cent. more valuable for the last ten years, than it was in 1816. In other words, two dollars would purchase no more of any commodity it in 1816, than one dollar has been capable of purchasing at any time since 1819. It is obvious, therefore, that the depreciation of the paper of particular banks, at any particular time, as compared with specie, furnishes no criterion by which to ascertain the general depreciation of the whole currency, including specie, as compared with the value of that currency at a different period. A specie dollar in 1816, would purchase no more than half as much as a paper dollar will purchase at present.

Having endeavored to explain, thus briefly, the general depreciation resulting from a redundant currency, the committee will now proceed to point out some of the injurious consequences which have resulted from those great changes in the standard of value, which have been unavoidably produced by the correction of the redundancy.

An individual who borrowed a sum of money in 1816, and paid it in 1820, evidently returned to the lender double the value received from him; and one who paid a debt in 1820, which he had contracted in 1816, as evidently paid double the value he had stipulated to pay; tho' nominally the same amount in money. It is in this way that fluctuations in the quantity and value of the currency interfere, in the most unjust and injurious manner, between debtor and creditor.

And when banks have the power of suspending specie payments, and of arbitrarily contracting and expanding their issues, without any general control, they exercise a more dangerous and despotic power over the property of the community, than was ever exercised by the most absolute government. In such a state of things, every man in the community holds his property at the mercy of money making corporations, which have a decided interest to abuse their power.

By a course of liberal discounts and excessive issues for a few years, followed by a sudden calling in of their debts and contraction of their issues, they would have the power of transferring the property of their debtors to themselves, almost without limit. Debts contracted when their discounts were liberal, and the currency of course depreciated, would be collected when their discounts were almost suspended, and the currency of course unnaturally appreciated; and in this way the property of the community might pass under the hammer, from its rightful owners to the banks, for less than one half its intrinsic value. If the committee have not greatly mistaken the matter, there is more of history than of speculation in what they have here presented to the consideration of the House.

It is impossible to form any thing like an accurate estimate of the injuries and losses sustained by the community, in various ways, by the disorders and fluctuations of the currency, in the period which intervened between the expiration of the old bank charter, and the establishment of the present bank But some tolerable notion may be formed of the losses sustained by the Government, in its fiscal operations, during the war.

The committee have given this part of the subject an attentive and careful examination, and they cannot estimate the pecuniary losses of the Government, sustained exclusively for the want of a sound currency, and an efficient system of finance, at a sum less than forty-six millions of dollars. If they shall make this apparent, the House will have something like a standard for estimating the individual losses of the community. ... period of the war, eighty millions of dollars, at an average discount of fifteen per cent. giving certificates of stock, amounting to eighty millions of dollars, in exchange for sixty-eight millions of dollars, in such bank paper as could be obtained. In this statement, Treasury notes are considered as stock, at twenty per cent. discount. Upon the very face of the transaction, therefore, there was a loss of twelve millions of dollars, which would, in all probability, have been saved, if the Treasury had been aided by such an institution as the Bank of the United States. But the sum of sixty-eight millions of dollars, received by the Government, was in a depreciated currency, not more than half as valuable as that in which the stock given in exchange for it, has been and will be redeemed. Here, then, is another loss of thirty-four millions, resulting, incontestibly & exclusively, from the depreciation of the currency, and making, with the sum lost by the discount, forty-six millions of dollars. While, then, the Government sustained this great pecuniary loss in less than three years of war, amounting annually to more than the current expenses of the Government in time of peace, it is worth while to inquire, who were the persons who profited to this enormous amount by the derangement of the currency? It will be found that the whole benefit of this speculation upon the necessities of the Government was realized by stockjobbers and money brokers, the very same class of persons who profited so largely by the business of commercial exchanges, in consequence of the disorders of the currency, and who have the same interest in the recurrence of those disorders as lawyers have in litigation, or physicians in the diseases of the human frame. Having presented these general views of the evils which existed previous to the establishment of the Bank of the United States, it remains for the committee to inquire how far this institution has effected a remedy of those evils.

The first great question which arises under this branch of the inquiry is, whether or not the bank has corrected the disorders of the circulating medium, by providing a paper currency, convertible into specie at the pleasure of the holder, and of equal value with specie at all points of the Union?

The Chief Magistrate, in that part of his first message which relates to the Bank of the United States, expresses the opinion, that "it has failed in the great end of establishing a uniform and sound currency." After giving to this opinion all the consideration to which it is so justly entitled, from the eminent station and high character of the citizen by whom it is entertained, the committee are constrained to express their respectful but decided dissent from it. It is true, that the bank does not, in all cases, redeem the bills issued by any one of its branches indiscriminately, at all the other branches; and it is in reference to this fact, as the committee presume, that the President expresses the opinion that the institution has failed to establish "a uniform and sound currency."

It is confidently believed, that no one of the persons who were principally instrumental in establishing the bank, ever entertained an idea that it would attempt to redeem its bills at any of its offices, other than those by which they should be respectively issued. The charter certainly contains no such requirement, and it would have been highly inexpedient if it had, to say nothing of its obvious injustice.—The inevitable effect of such a requirement, would have been to compel the bank to perform the whole of the commercial exchanges of the country, without any compensation. It would not be more unjust to require a Rail Road Company to transport all the productions of the country, without compensation. No institution could stand such an operation; and it was the injudicious attempt of the first direction of the Bank to do it, that principally contributed to the embarrassments of 1819. A committee was appointed by the House of Representatives, in that year, to investigate the management of the bank—and in the report of that committee, as well as in the discussions to which it gave rise in the House, this attempt of the direction to redeem the bills of the institution, indiscriminately, at all its branches, was indicated as one of the causes of the existing embarrassment. No one who participated in the debate, pretended to allege that the bank was bound to redeem its bills indiscriminately, or that it was expedient that it should do so. The most that any one did, was to apologize for the unwise attempt.

But it yet remains for the committee to show that this indiscriminate redeemability of the bills of all the branches of the bank, is not necessary to "the establishment of a uniform and sound currency."

Human wisdom has never effected, in any other country, a nearer approach to uniformity in the currency, than that which is made by the use of the precious metals. If, therefore, it can be shown that the bills of the United States Bank, are of equal value with silver at all points of the Union, it would seem that the proposition is clearly made out, that the bank has accomplished "the great end of establishing a uniform and sound currency." It is not denied that the bills of the mother bank, and of all its branches, are invariably and promptly redeemed in specie, whenever presented at the offices by which they have been respectively issued, and at which, upon their face, they purport to be payable.—Nor is it denied that the bills of the bank, and of all the branches, are equal to specie in their respective spheres of circulation. Bills for example, issued by the mother bank, are admitted to be equal to silver in Pennsylvania, and all those parts of the adjacent States of which Philadelphia is the market. But it is contended that these bills, not being redeemable at Charleston and New-Orleans, are not of equal value with silver to the merchant who wishes to purchase cotton with them, in those cities. Now, if the Philadelphia merchant had silver, instead of bank bills, he certainly could not effect his purchases with it in Charleston or New-Orleans, without having the silver conveyed to those places; and it is equally certain that he could not have it conveyed there, without paying for its transportation and insurance. These expenses constitute the natural rate of exchange between those cities, and indicate the exact sum which the merchant would give as a premium for a bill of exchange, to avoid the trouble and delay of transporting his specie. It is obvious, therefore, that, even for these distant operations of commerce, silver would be no more valuable than the bills of the bank: for these would purchase a bill of exchange on either of the cities mentioned, precisely as well as silver. If the operation should be reversed, and the planter of Louisiana or South-Carolina should desire to place his funds in Philadelphia with a view to purchase merchandise, he would find the bills of the branch bank in either of those States, entirely equivalent to silver in effecting his object. Even, therefore, if the bank had not reduced the rate of the exchanges, it might be safely asserted, that its bills would be of equal value with silver at every point in the Union, and for every purpose whether local or general.

[*To be continued.*]