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## REPORT

Of the Secretary of the Treasury on the removal of the Public Deposits from the Bank of the United States—made to both Houses of Congress, Dec. 4th, 1833.

TREASURY DEPARTMENT, Dec. 3d, 1833.

Sir: In pursuance of the power, reserved to the Secretary of the Treasury, by the Act of Congress, entitled, "An act to incorporate the subscribers to the Bank of the United States," I have directed that the deposits of the money of the United States shall not be made in the said Bank, or Branches thereof, but in certain State Banks, which have been designated for that purpose. And I now proceed to lay before Congress, the reasons which induced me to give this order and direction.

The sixteenth section of the law above mentioned, is in the following words: "And be it further enacted, that the deposits of the money of the United States, in places in which the said Bank and Branches thereof may be established, shall be made in said Bank or Branches thereof, unless the Secretary of the Treasury shall at any time otherwise order or direct, in which case, the Secretary of the Treasury shall immediately lay before Congress, in session, and if not, immediately after the commencement of the next session, the reasons of such order or direction."

It has been settled by repeated adjudications, that a charter, granted by a State to a corporation like that of the Bank of the United States, is a contract between the sovereignty which grants it, and the stockholders. The same principle must apply to a charter granted by the United States, and consequently the act incorporating the Bank is to be regarded as a contract between the United States of the one part, and the stockholders of the other, and by the plain terms of this contract, as contained in the section above quoted, the stockholders have agreed, that the power reserved to the Secretary over the deposits shall not be restricted to any particular contingencies, but be absolute and unconditional, as far as their interests are involved in the removal. The order, therefore, of the Secretary of the Treasury, directing the public money to be deposited elsewhere, can in no event be regarded as a violation of the contract with the stockholders, nor impair any right secured to them by the charter. The Treasury Department being entrusted with the administration of the finances of the country, it was always the duty of the Secretary, in the absence of any legislative provision on the subject, to take care that the public money was deposited in safe keeping, in the hands of faithful agents, and in convenient places, ready to be applied according to the wants of the Government. The law incorporating the Bank has reserved to him, in its full extent, the power herebefore possessed. It does not confer on him a new power, but reserves to him his former authority, without any new limitation. The obligation to assign the reasons for his direction to deposit the money of the United States elsewhere, cannot be considered as a restriction of the power, because the right of the Secretary to designate the place of deposit was always necessarily subject to the control of Congress. And as the Secretary of the Treasury presides over one of the Executive Departments of the Government, and his power over this subject forms a part of the Executive duties of his office, the manner in which it is exercised must be subject to the supervision of the officer to whom the Constitution has confided the whole Executive power, and has required to take care that the laws be faithfully executed.

The faith of the United States is however, pledged, according to the terms of the section above stated, that the public money shall be deposited in the Bank, unless the Secretary shall otherwise order or direct." And as this agreement has been entered into by Congress, in behalf of the United States, the place of deposit could not be changed by a legislative act, without disregarding a pledge, which the legislature has given; and the money of the United States must therefore continue to be deposited in the Bank, until the last hour of its existence, unless it shall be otherwise ordered by the authority mentioned in the charter. The power over the place of deposit for the public money would seem properly to belong to the Legislative department of the Government; and it is difficult to imagine why the authority to withdraw it from this Bank was confided exclusively to the Executive. But the terms of the charter appear to be to admit of question; and although Congress should be satisfied that the public money was not safe in the care of the Bank, or should be convinced that the interest of the people of the United States imperiously demanded the removal, yet the passage of a law directing it to be done, would be a breach of the agreement into which they have entered.

Assuming this to be the true construction of the charter of the Bank, it must be the duty of the Secretary of the Treasury to withdraw the deposits of the public money from that institution, whenever the change would in any degree promote the public interest. It is not necessary that the deposits should be unsafe in order to justify the removal. The authority to remove is not limited to such a contingency. The Bank may be perfectly solvent, and prepared to meet promptly all demands upon it. It may have been faithful in the performance of its duties, and yet the public interest may require the deposits to be withdrawn. And as that cannot be done without the action of this Department, the Secretary of the Treasury would betray the trust confided to him, if he did not cause the deposits to be removed elsewhere, whenever the change would advance the public interest, or public convenience. The safety of the deposits, the ability of the Bank to meet its engagements, its fidelity in the performance of its obligations—are only a part of the considerations by which his judgment must be guided. The general interest and convenience of the people must regulate his conduct.

This principle was distinctly asserted by Mr. Crawford when he was the Secretary of the Treasury, soon after the Bank obtained its charter. In a postscript to his letter to the President of the Mechanics Bank of N. York, dated Feb. 13th, 1817, he says: "The Secretary of the Treasury will always be disposed to support the credit of the State Banks, and will invariably direct transfers from the deposits of the public money in aid of their legitimate exertions to maintain their credit. But as the proposition of the Bank of the U. S. excludes the idea of pressure on its part, no measure of that nature appears to be necessary at this time." Other passages in the correspondence of Mr. Crawford with the Banks above mentioned, might be referred to, equally indicating the same opinion; and at that day no doubt seems to have been entertained of the power or of the duty of the Secretary in relation to this subject. It does not appear to be even suggested, that the right of removal depended on the solvency of the Bank, or the safety of the public money committed to its custody. On the contrary, in the passage above quoted the superior safety of the State Banks is by no means regarded as necessary to give him the right to transfer to them. For he declares that he will give the deposits to the State Banks, on account of their weakness, and to

protect them from the bank of the U. S. if by means of its superior strength it sought to oppress them. Nor can any distinction be taken between the transfer of a part, and the transfer of the whole sum remaining on deposit. The language of the charter recognizes no such distinction, and the principle asserted by Mr. Crawford, would have led him to the removal of the whole amount of the public money to the State Banks, if a pressure on the part of the Bank of the U. S. had rendered such a measure necessary, in order to support the State Banks in their legitimate exertions to maintain their credit.

The language of the law therefore and the usage and practice of the Government under it, establish the following principles.

1st. That the power of removal was intended to be reserved exclusively to the Secretary of the Treasury, and that according to the stipulations in the charter, Congress could not direct it to be done.

2d. That the power reserved to the Secretary of the Treasury, does not depend for its exercise merely on the safety of the public money in the hands of the Bank, nor upon the fidelity with which it has conducted itself; but he has the right to remove the deposits, and it is his duty to remove them, whenever the public interest or convenience will be promoted by the change.

Taking these two principles as unquestionable, I proceed to state the reasons which induced me to believe that it was necessary for the interest and convenience of the people that the Bank of the U. S. should cease to be the depository of the public money.

The charter of the Bank will expire according to the existing law on the subject, on the 31st of March, 1836; and for two years after the termination of the charter, it is authorized to use the corporate name for the final settlement and liquidation of the affairs and accounts of the corporation, and for the sale and disposition of their estate—but not for any other purpose. It is the duty of the Executive Departments of the Government to exercise the powers conferred on them, and to regulate the discretion confided to them, according to the existing laws and they cannot be allowed to speculate on the chances of future changes by the Legislative authority.—Perhaps there may be cases, in which the discretion vested in an Executive Department might with propriety be in some degree influenced by the expectation of future legislation. But they must be cases in which the principles of justice, or the public interest, manifestly call for an alteration of the law, or where some expression of the public opinion has strongly indicated that a change will probably be made. But where nothing of the kind exists, an Executive officer of the Government is not authorized to regulate a discretion, which the law has entrusted to him, upon the assumption that the law will be changed.

In proceeding upon the course which it was my duty to pursue in relation to the deposits, I did not feel myself justified in anticipating the renewal of the charter on either of the above mentioned grounds. It is very evident that the Bank has no claim to renewal, founded on the justice of Congress. For, independently of the many serious and insurmountable objections, which its own conduct has furnished, it cannot be supposed that the grant to this corporation of exclusive privileges, at the expense of the rest of the community, for twenty years, can give it a right to demand the still further enjoyment of its profitable monopoly. Neither could I act upon the assumption that the public interest required the recharter of the Bank; because I am firmly persuaded that the law which created this corporation, in many of its provisions, is not warranted by the Constitution, and that the existence of such a powerful monied monopoly, is dangerous to the liberties of the people, and to the purity of our political institutions.

The manifestation of public opinion, instead of being favorable to a renewal, have been decidedly to the contrary. And I have always regarded the result of the last election of the President of the United States as to the declaration of a majority of the people, that the charter ought not to be renewed.—It is not necessary to state here, what is now a matter of history. The question of the renewal of the charter was introduced into the election by the corporation itself. Its voluntary application to Congress for its renewal of its charter four years before it expired, and upon the eve of the election of President, was understood on all sides, as bringing forward that question for incidental decision, at the then approaching election. It was accordingly argued on both sides, before the tribunal of the people, and their verdict pronounced against the Bank, by the election of the candidate who was known to have been always inflexibly opposed to it.

Under these circumstances, I could not have been justified, upon either of the grounds above mentioned, in anticipating any change in the existing laws in relation to the Bank, as the act of Congress which created the corporation, limits its duration to the 31st of March, 1836, it became my duty, as Secretary of the Treasury in executing the trust confided to me, under the law, to look to that period of time as the termination of its corporate existence. I had no sufficient grounds for presuming that the law would be altered in this respect, by future legislation, and a new charter be granted to the Bank. It was therefore incumbent upon me, in discharging my official duties, to act upon the assumption, that this corporation would not continue in being after the time specified. And in this state of things, without reference to the manner in which the Bank had conducted itself, it became necessary to decide whether the deposits ought to remain in the Bank until the end of its corporate life, or be removed at some earlier period. In forming my opinion on this subject, I could only inquire which of these measures would most conduce to the public good.

It is obvious, that the interests of the country could not be promoted, by permitting the deposits of the public money to continue in the Bank until its charter expired. Judging from the past, it is highly probable that they will always amount to several millions of dollars. It would evidently produce serious inconvenience, and such a large sum would be in possession of the Bank until the last moment of its existence; and then be suddenly withdrawn, when its immense circulation is returning upon it, to be redeemed, and the private depositors removing their funds into other institutions. The ability of the Bank, under such circumstances, to be prompt in its payments to the Government, may be well doubted, even if the ultimate safety of the deposits could be relied upon. Besides the principal circulating medium now in the hands of the people, and the one most commonly used in the exchanges between distant places, consist of the notes of the Bank of the United States and its numerous Branches. The sudden withdrawal of its present amount of circulation, and its sudden depreciation, before any other sound and convenient currency was substituted for it, would certainly produce extensive evils, and be sensibly felt among all classes of society.

It is well understood that the superior credit heretofore enjoyed by the notes of the Bank of the United States was not founded on any particular confidence in its management or solvency. It was occasioned altogether by the agreement on behalf of the public in the act of incorporation, to receive them in all payments to the United States; and it was this pledge on the part of Government which gave general currency to the notes payable at remote Branches. The

same engagement, in favor of any other, monied institution, would give its notes equal credit, and make them equally convenient for the purpose of commerce. But this obligation on the United States, will cease on the 31st of March, 1836 when the charter expires; and as soon as this happens, all the outstanding notes of the Bank will lose the peculiar value they now possess, and the notes payable at distant places become as much depreciated as the notes of local Banks. And if, in the mean time, no other currency is substituted in its place, by common consent, it is easy to foresee the extent of the embarrassment which would be caused by the sudden depreciation of the circulating medium. It would be too late at that time, to provide a substitute, which would ward off the evil. The notes of the Bank of the United States in circulation on the 21st of September last, when the order for removal was given, amounted to \$18,413,287 07, scattered in every part of the United States. And if a safe and sound currency were immediately provided, on the termination of the charter, to take the places of these notes, it would still require time, to bring it into general use, and, in the interim, the people would be subjected to all the inconveniences and losses which necessarily arise from an unsound state of the currency. The evil would be so great and the distress so general that it might even compel Congress, against its wishes to recharter the Bank, and perhaps more effectual means could hardly be devised, for insuring the renewal of the charter. It is evident that a state of things so much to be deprecated can only be avoided by timely preparation, and the continuance of the deposits can only be justified by the determination to renew the charter. The State Banks can, I have no doubt, furnish general circulating medium, quite as uniform in value, as that which has been afforded by the United States. Probably more so. For it is well known, that in some of the cities, the Branches of the bank, have been in the habit, whenever they thought proper, of refusing to honor the notes of their own bank, payable at other Branches, when they were not offered in discharge of a debt due to the United States. But a currency founded on the notes of state banks could not be suddenly substituted for that heretofore furnished by the Bank of the United States, and take the place of it at the same moment, in every part of the Union. It is essential that the change should be gradual; and sufficient time should be allowed to suffer it to make its way by the ordinary operations of commerce, without requiring a hasty and violent effort.

In this view of the subject, it would be highly injudicious to suffer the deposits to remain in the Bank of the United States, until the close of its corporate existence. And as they cannot be withdrawn without the action of the Secretary of the Treasury, it must unavoidably become his duty, at some period of time, to exercise the power of removal. Laying aside, therefore for the present, all the considerations which the misconduct of the bank has furnished, the question presented to the Department was, how long could the removal be delayed consistently with the public interest? It is a question of time only. The duty must be performed at some period; and could not be altogether omitted, without justly incurring a heavy responsibility to the community, for all the consequences that might follow. And it is, I think, apparent that the measure was delayed as long as was compatible with the interests of the people of the United States.

The monthly statement of the bank of the second of September last, before referred to, shows that the notes of the Bank and its Branches then in circulation amounted to \$18,413,287 07, and that its discounts amounted to the sum of \$62,653,354 59. The immense circulation above stated, pervading every part of the United States, and most commonly used in the business of commerce, between distant places, must all be withdrawn from circulation, when the charter expires. If any of the notes then remain in the hands of individuals remote from the Branches at which they are payable, their immediate depreciation will subject the holders to certain loss. Those payable in the principal commercial cities, would perhaps retain nearly their nominal value; but this would not be the case with the notes of the interior Branches, remote from the great marts of trade; and the statement of the Bank will show that a great part of its circulation is composed of notes of this description. The Bank would seem to have taken pains to introduce into common use such a description of paper, as it could depreciate or raise to its par value, as best suited its own views; and it is of the first importance to the interests of the public, that these notes should all be taken out of circulation before they depreciate in the hands of the individuals who hold them, and they ought to be withdrawn gradually; and their places supplied, as they retire, by the currency which will become the substitutes for them. How long will it require for the ordinary operations of commerce, and the reduction of discounts by the Bank, to withdraw the amount of circulation before mentioned, without giving a shock to the currency, or producing a distressing pressure upon the community? I am convinced that the time which remained for the charter to run after the 1st of October, (the day on which the first order for removal took effect,)—was not more than was proper to accomplish the object, with safety to the community. And if it had depended on my judgment, at an earlier period, I should have preferred, and should have taken, a longer time. Enough, however, is yet left provided no measures are adopted by the Bank, for the purpose of inflicting unnecessary suffering upon the country. Apart therefore from any considerations arising out of the conduct of the Bank, and looking merely to the near approach of the day when it would cease to exist, the withdrawal of the deposits appeared to be required by the public interest, at the time when the first order for removal was given by this Department.

This opinion is confirmed by the ground taken in favor of the renewal of the charter at December session, 1831. It was then urged that the short period which yet remained of its corporate existence, and the necessity of preparing to wind up its concerns, if the charter was not to be renewed, made it proper that the question should at once be decided. Very little more than half of that time yet remains. And although I do not concur in the opinions then expressed, and believe that the application was ill-timed, and premature, yet the arguments then relied on by many, whose judgment is entitled to respect, afford strong grounds for concluding, that the measure now adopted is not objectionable on the score of time, and that if the deposits were not to continue in the Bank until the termination of its charter, their withdrawal could not with propriety be longer delayed.

There is, however, another view of this subject, which, in my opinion made it impossible further to postpone the removal. About the first of December, 1832, it had been ascertained that the present Chief Magistrate was re-elected, and that his decision against the Bank had thus been sanctioned by the people. At that time the discounts of the Bank amounted to \$61,571,625 66. Although the issue which the Bank took so much pains to frame, had now been tried, and the decision pronounced against it, yet no steps were taken to prepare for its approaching end. On the contrary, it

proceeded to enlarge its discounts; and on the 2d of August, 1833, they amounted to \$64,160,349 14, being an increase of more than two and a half millions in the eight months immediately following the decision against them. And so far from preparing to arrange its affairs, with a view to wind up its business, it seemed, from this course of conduct, to be the design of the Bank to put itself in such an attitude, that at the close of its charter, the country would be compelled to submit to its renewal, or to bear all the consequences of a currency suddenly deranged, and also a severe pressure for the immense outstanding claims which would then be due to the corporation. While the Bank was thus proceeding to enlarge its discounts, an Agent was appointed by the Secretary of the Treasury to enquire upon what terms the State Banks would undertake to perform the services to the Government which have heretofore been rendered by the Bank of the United States; and also to ascertain their condition in four of the principal commercial cities, for the purpose of enabling the Department to judge whether they would be safe and convenient depositories for the public money. It was deemed necessary that suitable and fiscal agents should be prepared in due season; and it was proper that time should be allowed them to make arrangements with one another throughout the country, in order that they might perform their duties in concert and in a manner that would be convenient and acceptable to the public. It was essential that a change so important in its character, and so extensive in its operation upon the financial concerns of the country, should not be introduced without timely preparation. There was nothing in this proceeding, nor in the condition of the Bank, which should at that time have produced a sudden and entire change of its policy. For, in addition to the ordinary receipts from bonds given on account of previous importation, the season was at hand when the cash duties on woolsens might well be expected to be very productive; and from these two sources the receipts from the customs were in fact unusually large and the amount of the public deposits in the Bank proportionably heavy. The capacity of the Bank, therefore, at this time to afford facilities to commerce, was not only equal, but greatly superior to what it had been for some time before; and the nature of the inquiry made of the State Banks, confined as it was to the four principal commercial cities, showed that the immediate withdrawal of the entire deposits from the Bank, so as to distress it, was not contemplated. And if any apprehensions to the contrary were felt by the Bank, an inquiry at this Department would no doubt have been promptly and satisfactorily answered. And certainly it was duty of the Bank, before it adopted a course oppressive to the whole country, to be sure of the ground on which it acted. It can never be justified for inflicting a public injury, by alleging mistaken opinions of its own, when the means of obtaining information absolutely certain, were so obviously within its reach. The change was always designed to be gradual; and the conduct of the Bank itself has since compelled me to remove a portion of the deposits earlier than was originally intended. There was nothing, therefore, in the inquiry before mentioned, nor in the views of the Executive Department, nor in the condition of the Bank, which justified a sudden and oppressive change in its policy.

The situation of the mercantile classes, also rendered the usual aids of the Bank more than ever necessary to sustain them in their business. Their bonds for previous importations were, as before stated, constantly becoming due, and heavy cash duties were almost daily to be paid. The demands of the public upon those engaged in commerce, were consequently unusually large, and they had a just claim to the most liberal indulgence from the fiscal agent of the Government, which had for so many years been reaping harvests of profits from the deposits of the public money. But the Bank about this time changed its course.

By the monthly statement of the Bank, dated 2d August, 1833, it appears that its loans and domestic bills of exchange, purchased and on hand amounted to \$64,160,349 14

By the monthly statement of the 21 September, 1833, they appear to have been 62,653,359 59

By that of the 2d of October, 1833, they were 60,094,303 93

Reduction in two months, 4,066,146 21

By the same papers it appears that the public deposits including those for the redemption of the public debt, and the Treasurer's and those of the public officers, were, in August

In September 9,182,173 18

In October 9,868,434 58

Increase of the public deposits in two months \$2,268,504 11

Total amount collected from the community \$6,334,650 32

This upwards of six millions of dollars were withdrawn from the business of the country by the Bank of the United States, in the course of two months. This of itself must have produced a pressure on the money market, affecting all commercial transactions. But the curtailment in the Bank accommodations of the community, was much larger. The policy adopted by the Bank of the United States compelled the State Banks to take the same course, in self defence, and the Bank of the United States appears to have resorted to the expedient of drawing from the State Banks the balances due, in specie, and to have hoarded up the article in its own vaults.

In August, 1833, that Bank had in specie \$10,023,677 38

In September 10,207,649 20

In October 10,663,441 51

Showing an increase of specie in two months of \$639,764 13

This sum it is believed was chiefly drawn from the State Banks. To fortify themselves, those Banks were compelled to call on their debtors and curtail their accommodations; and so large a proportion of these calls are always paid in their own notes, that to obtain \$100,000 in specie, they are probably obliged to call for four or five times that amount. To replace the specie taken from them by the Bank of the United States and to provide for their own safety, the State Banks, therefore, must have curtailed from two to three millions of dollars. On the whole, it is a fair estimate, that the collections from the community, during those two months, without any corresponding return, did not fall much short of nine millions of dollars. As might have been expected, complaints of a pressure upon the money market were heard from every quarter. The balances due from the State Banks had, during the same time, increased from \$368,969 98 to \$2,288,574 19, and from the uncertain policy of the Bank, it was apprehended they might suddenly be called for in specie. The State Banks, so far from being able to relieve the community, found themselves, under the necessity of providing for their own safety.

A very large proportion of the collections of the Bank in August and September, were in Philadelphia, New York and Boston.

In August and September, the curtailment in Philadelphia, was \$195,548 69

Increase of deposits 646,846 80

Actual collections by the Bank, \$842,395 40

Increase of public deposits in New York, \$1,396,597 24

Deduct increase of loans 331,295 38

Actual collections by the Banks 1,065,301 86

Curtailed in Boston, \$717,262 45

Increase of public deposits 48,060 89

Actual collections by the Bank 765,334 33

Total collection in the three cities \$2,673,031 68

It will be perceived, that it was solely through the increase of the public deposits, that the Bank raised balances against the State Banks in New York and was placed in a situation to take from them at its pleasure, large sums in specie. And when it is considered that those curtailments and collections of the Bank of the United States necessarily compelled the State Banks to curtail also, we shall be at no loss to perceive the cause of the pressure, which existed in the commercial cities about the month of September. It was impossible that the community could have sustained itself much longer under such a policy. In the two succeeding months, the collections of the Bank would probably have exceeded five millions more, and the State Banks would have been obliged to curtail an equal sum. The reduction of Bank accommodations, to the amount of nineteen millions of dollars, in four months, must have almost put an end to the trade; and before the first of October, this pressure in the principal commercial cities, had become so intense, that it could not have been endured much longer, without the most serious embarrassments. It was then daily increasing, and from the best information that I have been able to obtain, I am persuaded, that if the public moneys received for revenue had continued to be deposited in the Bank of the U. States for two months longer, & it had adhered to the oppressive system of policy, which it pursued during the two preceding months, a wide spread scene of bankruptcy and ruin must have followed. There was no alternative therefore, for the Treasury Department, but to act at once or abandon the object altogether. Duties of the highest character, would not permit the latter course, and I did not hesitate promptly to resort to the former.

I have stated the condition of the mercantile classes at the time of the removal, to explain why it was impossible to postpone it even for a short period. Under other circumstances, I should have been disposed to direct the removal to take effect at a distant day, so as to give Congress an opportunity of prescribing, in the mean time, the places of deposit, and of regulating the securities proper to be taken. It is true, that the power given to the Secretary of the Treasury to remove the deposits from the Bank of the United States, necessarily carries with it, right to select the places where they shall afterwards be made. The power of removal cannot be exercised, without placing them elsewhere; and the right to select is therefore contained in the right to remove. It is also true, that in my judgment, as has been already stated, the public interest would have been advanced, if the change had taken place at an earlier period. Yet as a few months would in ordinary times have made no very serious difference, and the removal had already been delayed until the meeting of Congress was approaching, I should have preferred executing the measure, in a manner that would have enabled the Legislature to act on the subject in advance of the actual removal, if it had deemed it proper to do so. But the conduct of the Bank left me no choice, except between the immediate removal, and its final relinquishment. For if the measure had then been suspended, to be resumed at a future time, it was in the power of the Bank to produce the same evil, whenever it was again attempted.—Putting aside, therefore, from the view of the subject which I am now presenting, all the inducements which grew out of the misconduct of the bank, and regarding only its approaching end, and the intensity of the pressure it was then producing, no further delay was admissible.

The facts and reasons above stated, appear to have established the following propositions:

1st. It was the duty of this Department not to act upon the assumption that the Legislative power would hereafter change the law, in relation to the Bank of the United States; and it was bound to regulate its conduct, upon the principle that the existence of the corporation