

# UNITED STATES BANK.

TWENTY-SECOND CONGRESS—FIRST SESSION.  
*House of Representatives, March 14, 1832.*

Resolved, That a select committee be appointed to inspect the books, and to examine into the proceedings of the Bank of the U. States, to report thereon, and to report whether the provisions of its charter have been violated or not; that the said committee have leave to meet in the city of Philadelphia, and shall make their final report on or before the twenty-first day of April next; that they shall have power to send for persons and papers, and to employ the requisite clerks, the expense of which shall be audited and allowed by the Committee of Accounts, and paid out of the contingent fund of the House.

REPORT OF THE MAJORITY



# REPORT OF THE MAJORITY

---

Mr. Clayton, on behalf of the majority of the Committee appointed on the 14th March, 1832, to inspect the books, and examine into the proceedings of the Bank of the United States, made the following report:

In obedience to the forgoing resolution, the committee appointed under the same, proceeded to the city of Philadelphia, and commenced the inspection of the books, and the examination of the proceedings of the bank on the 23d of March last; and, after the most attentive and laborious investigation which their limited time would allow, the majority have prepared the following report, which they beg leave to submit to the House of Representatives.

They believed, that, as the House wished information more for the purpose of enlightening their minds, and assisting their judgments as to the expediency of again renewing its charter, than to abridge it of the small remnant of time left for its operation, a liberal construction of the resolution would not be deemed a departure from their trust; consequently they have directed their inquiries to two general objects.

1st. Whether the provisions of the charter had been violated.

2d, Whether there have been any circumstance of mismanagement against which future legislation might guard, or which should destroy its claims to further confidence.



On the first point, following the example of a former committee, making a similar investigation, without expressing any opinion on such cases as have been subjects of imputation against the bank.

These cases they conceive to be six in number, and are as follows:

1st. In relation to usury.

2d. In relation to the issuing of branch orders, as a circulation.

3d. The selling coin, and particularly American coin.

4th. The sale of stock obtained from Government under special acts of Congress.

5th. Making donations for roads and canals, and other objects.

6th. Building houses to rent or sell, and erecting other structures in aid of that object.

On the first ground, the president of the bank refers us to a statement marked G, and says it will "explain the only cases to which this description might be considered applicable, two of them being cases in which the board repaid the amount considered over charged, and in regard to the third, no application has been made for any change in the form of the original loan." See said statement marked No. 1.



and statement marked No. 1.

To a question asked the president, whether any cases of disguised loans, and domestic bills of exchange, had come to the knowledge of the parent bank, in which the branches had received usurers interest?— He replied he had never heard of any, but made a further statement, marked No. 2, in which he states that the usual custom is to charge upon domestic bills of exchange, the rate of interest and the rate of exchange, and if the sums united should exceed six per cent. it is not usury, and gives an explanation in said statement.

On the second ground, the committee will submit document Number 3, and its inclosures, in which the cause and origin of branch drafts will be fully seen.— The president states “the inability of the bank to furnish the amount of circulating medium, which it was created to supply, became apparent at an early period. In a year after its organization, the directors presented a memorial to congress, dated 9th January, 1818, requesting that an alteration might be made in the charter, so as to authorize the *president and cashiers of the several branches*, to sign the notes issued by those branches.” See copy of the memorial marked 3 A, in which it is stated “that, inasmuch as the ‘act to incorporate the subscribers to the Bank of the United States,’ requires that the bills or notes which may be issued by order of the said corporation, shall be signed by the president, and countersigned by the *principal cashier*, it has been found impracticable to supply, in any reasonable degree, the required *circulation* from the bank and its numerous offices of discount and deposite,” it is, therefore, asked of Congress to permit the presidents and cashiers of *branch*



banks to sign and issue bills. The application was not granted. The president states "the subject was resumed by another memorial, dated November 24th, 1820. See ~~copy~~ of the memorial marked 3. 6, in which it is stated, "under the charter it has been doubted whether the bank has power to authorize the issuing of notes not signed by the president, and countersigned by the cashier. The labor and the time necessary to sign notes for the bank and all its branches, are much greater than either of those offices can bestow upon that object; and hence the bank has been unable to put in *circulation* a sufficient amount of notes of the smaller denominations, which the public most want, and which are best calculated to serve the interest of the bank." It then requests that power be given to the parent bank to appoint one or more persons to sign notes of the smaller denomination, which was not acted upon.

The president states the "application was again renewed, and a select committee of the House of Representatives, reported in favor of allowing the appointment of signers, on the 27th of February, 1823; but there was no action of the House upon it." And he refers us to "pamphlet, vol. viii. No. 11.

On the 1st of December, 1826, the president was instructed to endeavor to procure the necessary change. He says, "he reported on the 27th of February, 1827, that no action on the subject would take place at that session of Congress, and, accordingly, the matter was referred to the committee on offices." Sec. Doc. 3. c.

He adds, "the opinion of Mr. Binney, Mr. Webster, and Mr. Wirt, the Attorney General, was taken on the subject of issuing branch drafts." Sec. Doc. 3. c.



the offices, to whom was referred, on the 23d of February last, the report of the president of the bank, stating the unsuccessful result of the application to Congress for an *alteration* of the *charter*, which would authorise the signature of notes by other persons than the president and cashier, report that, in various parts of the Union, but more specially in the southern and western sections, there is a constant and unceasing demand at the offices for the smaller denominations of notes, which it is impossible to supply." They therefore suggest that the "discount offices should be instructed to draw checks on the cashier of the bank for smaller sums than they have hitherto been in the habit of furnishing. In order to save the labor of preparing such checks at the offices, as well for the greater security of the bank and the community, it has been deemed best to prepare the blank forms of *uniform appearance*, and to distribute them from the parent bank. Such forms have been accordingly revised, and are now submitted to the board with the recommendation of the committee, that the experiment be tried, and, if found useful to the community, be *permanently* adopted." See Doc. 3. c.

The document marked 4, d, is a correspondence between the president of the bank and the Secretary of the Treasury, on the character of these bank drafts, which has already been printed and submitted to Congress.

The paper marked 5, E, contains instructions to the branch banks as to the issue of branch orders. On the 21st of April, 1827, the cashier of the parent bank writes a circular to the respective branches, informing them, among other things, that the directors have "deemed it best that blank forms of an *uniform* appearance should be prepared with *skill* and *care* at the parent bank, and thence distributed to such of the southern and western offices as seem to stand most in need of them, or to be able best to employ them usefully. Enclosed I send you a specimen of the 5 and \$10 blank drafts adopted.

After being numbered, registered, and appropriated here to certain officers, a supply of them will be forwarded as soon as possible, with instructions to the cashier of each office to have every four hundred drafts in succession, and



wise, and about the middle of the draft, payable to bearer before they be signed by the president and cashier. When completed, they are to be furnished to the customers of the bank, or other persons who may wish to procure them. The entries respecting them, both here and at the branches, are intended for convenience sake, to be analogous to those of branch notes. Their receipt under the denomination of branch drafts, is to be similarly acknowledged by the cashier, and in duplicate through the respective presidents. They are besides to be reported on the weekly state of the office, as branch draft paper received, used, and on hand.

And whenever they may be transiter between the offices, must be so noticed at the foot of the statement, like other packages."

On the 7th of January, 1831, a resolution passed the board to issue drafts of the denomination of twenty dollars. These branch orders, when discharged by the parent bank, are re-issued by that bank when it has no small notes of its own. The paper marked 6 F, contains a statement of the amount of branch drafts issued, on hand, in circulation, and the offices from whence issued. By this table it will be perceived that \$10,781,635 have issued; \$3,371,544 are on hand; and \$7,410,090 are in circulation.

The foregoing is a succinct history of the issue of branch drafts. Whether it can be justified under the charter of the bank, the committee will leave to the better judgment of Congress.

The third case is the selling coin, and particularly American coin. The attention of the committee was drawn to this subject by the fact that the General Government had, on one occasion, to pay the bank two per cent. on ten thousand Spanish dollars, which it wanted for the benefit of the navy in South America. To an interrogatory put to the President on this sub-



ject, he replied, "The bank is authorized to deal in bullion. It buys and sells bullion. All foreign coins are bullion. Their being a legal tender does not make them the less bullion, and the bank having bought them at a premium, sells them at a premium. The obligation of the bank is, to pay the claims on it in coin, American coin, or legalised coin; and if the foreign coin is worth intrinsically, or commercially, more than the American coin, the difference in value must be worth the difference in specie, and there seems no reason why the bank should sell its bullion any more than its bills of exchange, at less than their value." He then refers the Committee to a correspondence, marked No 4.

Although the bank acted under legal advice, it may be well questioned whether foreign coin is bullion. The Constitution gives to Congress the right to regulate its own and foreign coin: when, therefore, the latter has a value prefixed to it by law, and is suffered to be used, with that regulated value, in like manner with our own coin, it would seem not to have lost the name and character of coin, and is made by force of law what it would be, if carried through the mint and subjected to the condition of our own coin; and, therefore, to deal in it as a commodity, is calculated to disturb its legal value, and render at least that portion of the metallic currency uncertain and fluctuating.



If, however, the committee have taken a wrong view of this subject, so far as foreign coin is concerned, it seems by the statement of the President of the Bank, to be virtually admitted that our own coin is not bullion, and therefore does not come within the objects of trade allowed to the Bank by the ninth fundamental rule of the charter. By reference to the statement of specie sold by the Bank, marked No. 24, it will be found that the sum of \$84,734 44 of American gold coin has been parted with.

The Fourth case is, selling stock obtained from Government under special acts of Congress. They have thought it their duty to present the subject to the consideration of Congress.

It is necessary here to observe, that the charter must have intended some meaning in prohibiting the bank from dealing in stocks. There is, perhaps, no subject so fruitful in speculations as stocks, and none which is so fluctuating and liable to be influenced by the slightest causes, often producing ruin or immense fortunes in the most sudden manner. To prevent such a great moneyed institution, then, as the Bank, from dealing in this article, which its vast means could raise or depress at pleasure, seems to have been a wise provision in the charter. The right of the bank to acquire or sell stocks, is a special one; it must be done by virtue of a law of Congress. The charter itself provided that a part of its capital might be paid in the stock of the Government, and such stock, particularly, might be disposed of. But the committee suggest whether this will apply to other stocks obtained by virtue of a subsequent law of Congress, unless that law specially confers the power to dispose of it. In two important loans obtained from



the Government since the charter was granted, the Bank has parted with a valuable stock: and these cases will illustrate the point now submitted to Congress. While the Committee refer to the transactions of the Bank in the funded debt of the United States, for the purpose above mentioned, they also have in view the presentation of the subject to show, not only the manner of disposing of that stock, but whether it was not contrary to the express understanding with the Government at the time of obtaining the stocks. For the loan of four millions of dollars, of five per cents. made in 1821, and the five millions of four and a half per cents. made in December, 1824, there was strong individual competition, at a premium for a part or the whole, against the Bank; yet the Bank had a preference over the individual offers, upon the principle that it would be more advantageous to give it to the Bank at a reduced rate, and participate as a partner, than give it to individuals at a premium. This was confirmed at the Treasury.

The president of the bank, in a letter dated 15th December, 1824, which will be found among the documentary testimony, after saying he had taken the whole of the \$,5000,000 loan at par, says, "and since we have taken the loan at par, on the distinct ground of our having the means of doing it, it would be advisable, in every point of view, not to sell any of the *Florida loan* in Boston." By a statement of the amount of funded debt sold by the bank, marked No. 6, it will be seen that, as early as June and July,



1825, the year after it was taken, the bank began to sell this stock, and continued to do so, sometimes at a premium, and sometimes at a loss, up to the 27th day of November, 1829, on which day they had disposed of all but \$93,925 92, and that too at a loss of \$4,443 34, notwithstanding offers were made by individuals for a large amount, at a premium, and rejected by the Government, upon the principle before stated. The same document shows that there was, between February, 1829, and October of the same year, sold of the \$5,000,000 Florida loan, \$1,742,261, at a loss of \$17,661 09. For this loan, the committee are not aware of there being any offers by individuals at a premium. The same document shows, that, between February, 1826, and February, 1832, the whole of the \$4,000,000 loan of 5 per cents. of 1821, has been disposed of at a premium of \$136,789 25. The premium paid for which, at the time it was taken, was provided for in a semi-annual appropriation of \$60,000 in the report of the 1st of July, 1831, before adverted to. By these operations, it will be obviously perceived, that, if the bank is allowed to sell stocks acquired by special agreements with the Government, it can secure, by speculations, all the advantage which the Government might possess, in putting up its loans to the highest bidder. It not only destroys competition, but takes the loan of the Government from other individuals, who would have given a premium for it, and which the government refuses, because it expects to derive a greater profit in another way, but in which it may be defeated, by an immediate sale of the loan, and which, if the right to sell by the bank is acknowledged, might have been made directly to those very individuals who had just offered a premi-



um. In relation to the four million loan of five per cents. of 1821, Mr. Cheves, in his report on the 1st Oct. 1822, says: "The four million loan of five per cents. are longer irredeemable, than any other stock of the government of the U. S. and hence probably this stock is more valuable than any other stock of the U. S." He also says, "the more the bank can retain of this stock, the better for the institution." In the whole of which, the committee most fully concur; for, it may be mentioned with feelings of pride, that such is the high credit of the Government, its stock is better than specie, and would be to the bank, in any emergp, precisely the same.

The committee proceed to mention the 5th case, which is making donations for roads, canals, and other objects, the amount of which is, \$4,620 00, as will appear by document No. 8. Two of the largest of these items, amounting to three thousand dollars, are for turnpike roads made, too, after the General Government had declined to make appropriations for similar objects.\*



A question would naturally arise, whether the public funds in the bank, for that institution, is expressly founded upon the principle that it is necessary to, and constitutes a part of the Treasury of the United States, can be appropriated to objects indirectly, by the officers of that institution, when the Government directly refuses to expend its revenues on the very same objects. The committee have looked in vain for any authority in the charter to give away the money of the stockholders. If the charter contains the powers by which the bank is to act, and they are to be strictly pursued, there is then no grant to make gratuities for any object whatever.

The consequences of the exercise of such a right, might be fraught with very great injury to the stockholders; certainly of dangerous interference in the rival trade of different sections of the country, and of pernicious influence upon the operations of Government.

The committee approach the last ground, which is the building houses to rent or sell, and erecting other structures in aid of that object. They will merely present the fact and the law, and leave the House to place their own construction upon the case.

By an extract from the minutes of the board of directors, communicated to the Senate on the 12th day of March last, the following facts appear, viz:

"The committee on the offices, to whom was, this day, referred a letter to the president, from George W. Jones, agent, dated May 23d, recommending to the bank the construction of two canal basins, and the erection of warehouses around one of them, according to the plan submitted by him, recommend to the board the adoption of the following resolution:

"Resolved, That the board approve of the formation of two canal basins at Cincinnati, proposed by Mr. Jones; one of them to be on square number fifty-five; (55,) and the other to be on the square of ground between Walnut and Vine streets, and Canal and St. Clair on Court streets; and that he be authorised to erect forthwith, *warehouses* on the margin of this last mentioned basin, not exceeding six in number, either in one block or separately, as he may deem most expedient for the interest of the bank."

These six warehouses were built. It is also understood, says the same extract, that several other houses have been built by the agent at Cincinnati; but, as they were erected in part by contributions in labor and materials, by debtors to the bank who had no other means of payment, and, in part, by disbursements, no accurate statement of either their number or cost is on the file. The agent has been instructed to specify these details, in order to complete this return.

In reference to the foregoing, the committee believe it enough, merely to quote the following provision of the charter, to wit: "The land, tenements, and hereditaments, which it shall be lawful for the said corporation to hold, shall be only such as shall be  *requisite for immediate accommodation*, in relation to the  *convenient* transaction of its business, and such as shall have been  *bona fide mortgaged* to it, by way of security, or conveyed to it in  *satisfaction* of debts pre-

\* The president furnished this statement without explaining the grounds of these donations, no explanation having been particularly required of him.

loan  
9. T  
other  
large  
cemb  
these  
gran  
with  
At th  
mon  
ladel  
gest  
loan  
sun  
end  
TH  
to th  
first  
affair  
about  
\$200  
2d o  
excl  
two  
the  
of c  
for  
paid  
the  
14t  
cou  
sar  
ed  
till  
tai  
ac  
let  
11  
to  
si  
ne  
of  
de  
ca  
th  
si  
c  
i  
b  
s  
\$



viously contracted in the course of its *dealings*, or purchased at sales upon *judgments* which shall have been obtained for *such debts*."

This closes the view of the committee on the subject of the violations of the charter.

In considering the second general head as to any circumstances of mismanagement of the bank, your committee have fully appreciated the delicate character of some of the duties assigned them, and the high responsibility of the office of inspecting the books, and examining into the proceedings of the Bank of the United States.

It is possible that the improvements were in the neighbourhood of the real estate of the bank, and are made upon the ground that said donations would increase the value of that real estate.

In discharging that trust, they have not felt themselves at liberty to inquire into the private concerns of any individuals, of any denomination, unless the public interest was involved in their transactions with the president and directors of the bank. The investigation was ordered by the House under peculiar circumstances, and in anticipation of a debate on the renewal of a charter of a national bank, whose annual operations amount to two or three hundred millions of money, whose influence extends to the remotest parts of the Union, and whose connection with the Federal Government gives it a public character. Impressed with the importance of the great variety of interests involved, your committee have executed the office assigned them, by inquiring, generally, into the proceedings of the bank, not only for the purpose of ascertaining whether its powers had been violated or abused, to the injury of the private and public interests of the country, but with a view to obtain information for the use of the House, and to suggest, should Congress determine to continue a national bank, such modifications as the proceedings of the existing institution would seem to have rendered necessary.

Adhering to these rules, the committee believed it entirely within their province to inquire whether the influence of the bank, acknowledged by all to be of vast control, and, if improperly directed, of dangerous tendency, had insinuated itself either into the management of the press or the direction of the government. This could only be done by an examination of the transactions of the bank with editors and public functionaries. And here the committee wish it to be distinctly understood, that they do not pretend to set up the absurd idea, that editors or officers are excluded from the right common to the rest of the citizens, of borrowing money when and where they please, from banks or individuals, without being answerable, in the slightest degree, to any person whatever. But while this admission is demanded by the clear rights of the parties to whom it relates, it will not be denied, that if they obtain more favours than the rest of their fellow citizens, it is, at least, a just cause of complaint against the bank, and however they may be innocent of any improper or sinister connection with that institution, it does not, by any means, disprove the fact, that some other influence may have been intended to operate upon their minds wholly unsuspected by them at the time. If, therefore, it should appear that these individuals received larger loans than those who are its usual customers, that they receive these loans without the security usually required under circumstances not known in any other case, it would seem to the committee that, instead of a complaint from those whose transactions with the bank have thus been investigated, the grievance is entirely on the



other side. Whether such cases do exist, the committee will leave to the better judgment of the House to decide, upon the facts which they have collected, and now respectfully submit.

It had been repeatedly alleged that the bank had employed its funds for the purpose of subsidizing the press, and the charge was reiterated during the debate upon the resolution authorising this inquiry.—The attention of your committee was particularly drawn to this subject, at an early period of their examination, by a communication from an editor of a New York paper, who had been accused to a member of the committee, through the president of the bank. The evidence relating to this case will be found in papers 8 and 9, and in which are presented the following facts:—On the 26th of March, 1831, a Mr. Silas L. Burrows applied to the president of the bank, and informed him, to use the language of the president, that “he was desirous of befriending Mr. Noah, and assisting him in the purchase of a share in a newspaper; and he asked if the bank would discount the notes of these parties, adding that, although as a merchant he did not wish to appear as a borrower, or to put his name on paper not mercantile, yet he would, at any time, do so, whenever it might be necessary to secure the bank. I do not recollect (says the witness) whether he then mentioned the time which the notes would have to run. The committee being authorised to discount any paper the security of which they might approve, agreed to do them. As Mr. Burrows was going out of town, I (the president and witness) gave him the money out of my own funds, and the notes were afterwards put into my possession. They remained with me a long time, as I had no occasion to use the funds, nor was it till the close of the year that my attention was called to them by the circumstance that a new board of directors and a new committee of exchange would be appointed: the same committee which made the loan should consummate it. I had seen, also, in the public prints, many reproaches against the bank for lending money to printers and editors, and I was unwilling that any loan made by the bank should seem to be a private loan from one of its officers. Having no use for the money, it would have been perfectly convenient to let the loan remain as it was, but I thought it right that every thing done by the bank should always be distinctly known and avowed, and, therefore, gave the notes to the chairman of the committee, Mr. Thomas P. Cope, who entered them on the books.” This is the account given by the president himself of the transaction in its origin. The money, \$15,000, was advanced on the 26th of March, the notes bear date on the 1st of April thereafter, and were ten in number for fifteen hundred dollars each, with the interest added on as they respectively became due, which was on the 1st of April and October of the years 1832, '33, '34, '35, '36, and amounted, with the interest thus added, to \$17,975. At the time they were entered on the books of the bank, on the 2d of January last, the president received the money for them. These notes were placed on the books of the bank at this time, and it will be seen on the 2d of March they were withdrawn, as will appear hereafter. On the 9th of August last, after the foregoing transaction had taken place, J. W. Webb and M. M. Noah made an application to the bank for a loan of \$20,000, accompanied by a letter from a gentleman formerly a director of the Bank of the United States, to the president of the bank, in the following words:—“I cheerfully forward the enclosed as requested. I see no reason against this application being treated as a fair business transaction.” This was accompanied with sundry letters



action." This was accompanied with sundry letters of Webb and Noah, and the depositions of persons in their service as to their solvency and ability to pay the loan requested, all of which will be found marked No. 9. This loan, at six months, was granted, with no other security but that which is just mentioned, the largest loan made on that day. On the 16th of December following, another application was made, by these same parties, for a loan of \$15,000, which was granted, for six months, by the exchange committee, without any additional security, or recommendation. At this time, there was a considerable pressure in the money market, and many notes of the citizens of Philadelphia were rejected. It was one among the largest loans of the day. These loans, together with the loan made in March to Burrows, amounted to the sum of \$53, 975, which consisted of notes drawn and endorsed by the editors only.

The committee will now submit the facts in relation to the manner in which this loan has been disposed of, first premising that the resolution for inquiring into the affairs of the bank was introduced into the house on or about the 17th of Feb. The loan of August was reduced \$3000 at its maturity, on the 10th of Feb. last. On the 2d of March last, Mr. Silas E. Burrows obtained from the exchange committee discounts to the amount of thirty-two thousand four hundred and forty-six dollars, being the largest sum loaned on that day, and while many notes of citizens of Philadelphia were rejected. That the notes for \$17,975, payable in 1832, '33, '34, '35, and '36, were paid and withdrawn by him on the 2d of March, without the knowledge of Webb and Noah, as they state. On the 14th of the same month, Burrows obtained another discount from the bank of \$14,150, and on the 15th of the same month the note of Webb and Noah for \$15,000, loaned them on the 10th of December previously, and not due till June next, was paid off by two drafts from Webb, obtained at the United States Branch Bank at New York, accompanied with the following remarks, contained in a letter to the president of the bank, dated New York, March 11th, 1832, and found in No. 9, viz: "Although the loans to us by the Bank of the United States are purely of a business character, and made upon statements showing the necessity of the accommodation to our establishment, and of our ability to meet our payments, there can be no doubt but that the enemies of the bank, as also our political opponents, will endeavor to give a false coloring to the whole transaction. The loan, though strictly defensible, is a large one, and the amount may give rise to the charge of indiscretion on the part of the directors. This, it is not only our duty, but our desire, to prevent, if possible; and, therefore, with some little inconvenience to ourselves, we have made arrangements to pay the note of \$15,000 in the course of a few days.

The evidence of the president of the bank explains the character of these various loans, and the circumstances which induced him to be satisfied with the security, and to make these advances; which, together with all the testimony and correspondence on this subject, will be found in the papers marked No. 9.

In that evidence it is stated, by the testimony of Webb and Noah, that they knew nothing of the first 15,000 dollar loan made by the president of the bank to Burrows; that Burrows made them believe the \$15,000 were loaned to Noah by his father, and that he had his father present to carry on that transaction, and for which loan Noah allowed Burrows  $\frac{1}{2}$  per cent, and did not receive it all for some months after giving his notes; that the notes were discounted by the bank, in their names, without their knowledge, and paid off in the same way. It will appear by the testimony of Mr. Webb, that the paper of which he is the editor, made two publications in the latter part of 1829, favorable to the establishment of branches; that shortly thereafter it commenced its opposition to the bank, and was, for sixteen months warmly opposed to it; and that, on or about the 8th of April, 1831, it changed its course in favor of the bank. Connected with this fact, is an admission on the part of one of the editors, that before the first loan was negotiated he held a conversation with



a gentleman, through whom the loan was then negotiated, (who the committee know to be Burrows,) in which he, Burrows, urged the editors, one of whom, Webb, had expressed himself in favor of a modified recharter, to advocate an unconditional renewal, "but expressed great satisfaction at learning that [one] was in favor of a charter under any circumstances."

The committee will state they were anxious to obtain the testimony of Burrows, but were unable to do it. A subpoena was issued for him and sent to New York, to which the marshal returned he was not to be found. It was then sent to Washington City, and the Sergeant-at-Arms made the same return. The marshal of Pennsylvania was directed by the chairman, to make and continue a search for the witness in Philadelphia, having heard of his expected arrival in that place; that the marshal reported to the chairman that he ascertained that the witness had arrived in that place on Thursday, the 5th inst. but he was not able to serve the process, because he could not be found.

To an inquiry whether there were any other instances of notes being discounted for the accommodation of any merchant and trader, at 1, 2, 3 4, and 5 years' credit, unless to secure a debt in jeopardy, there was presented to the committee four other cases.

On the 3d of April, the committee, by resolution, called for the following statements to assist them in the elucidation of certain facts which had appeared in other documents, viz;

1st. A tabular statement, showing the aggregate amount of notes discounted and still due the bank, drawn and endorsed by non-residents of Philadelphia; which will be found marked A.

2d. The aggregate amount of good notes offered for discount, and rejected by the board; drawn and endorsed by residents of Philadelphia, on the following days respectively: 9th of August; 16th December, 1831; 2d January; 10th February; 2d and 14th of March, 1832; 24th September, and 15th October 1830. That statement, marked B, will show the amount of notes discounted; but the officers of the bank state their inability to discriminate between those that are good or otherwise.

3d. The aggregate amount of notes discounted on personal security, and made payable more than six months after date, which appear to be only four in number, besides the case of J. W. Webb, and M. M. Noah.

4th. The aggregate of notes now due the bank, discounted for a firm, or the partners of a firm, without the name of some person not belonging to the firm, as drawer or endorser, distinguishing in each of the above statements the amount loaned to members of Congress, editors of newspapers, or persons holding offices under the general government. To this last resolution were added the following amendments, viz: "1st. A statement of the loans made by the bank and its branches, to members of Congress, editors of newspapers, and officers of the general government, and the terms of such loans." "2d. And the names and amounts of payments to members of Congress, in anticipation of their pay as members before the passage of the general appropriation bill." "3d. And the amount of money due the United States, on the deposits in the bank, after deducting therefrom the sum thus advanced to those to whom the United States are indebted." "And lastly, a statement in detail of the amounts paid to those who are now, or have been members of Congress, or officers of government, since 1816, for services rendered to the bank, stating the nature of the service. For the information sought by these inquiries, see papers marked C. Besides these, there were furnished statements of loans made to five editors or publishers of newspapers, by which it will appear, that the accommodations to those five editors were upwards of \$110,000, previous to the institution of this inquiry.

The various reports which have for a long period past, charged the bank with too frequent intercourse with brokers, and also of undue favoritism to certain individuals, as well as the large transactions which exhibited themselves upon many documents called for by the committee, induced them to examine particularly the accounts of the firms of which Mr. Thomas Biddle was and is the chief partner with the bank, as a broker.



Four subjects of investigation presented themselves in relation to their transactions with the bank.

1st. The allowing and paying interest to them on deposits.

2d. Relates to certain loans upon the pledge of stock, and the discounting of notes made to T. Biddle by the president or others without the knowledge of the board, and on part of them the pledge of stock without interest. The committee would refer for the particulars of these two charges to the papers marked No. 13.

The third subject is the amount of discounts made T. Biddle, and the rate of interest. The document marked No. 14 will show the amount on the 15th of each month from the 15th day of September, 1830, to the 15th day of February, 1832. By this, it appears, that on the 15th of October, 1830, he had discounted upwards of \$1,120,000, and has at no time since been less than \$400,000.

The committee doubt the policy of such large accommodations to individuals or firms, at any time, as it deprives the bank of the power of fulfilling one of the great objects of its institution, which is to facilitate trade by loans in time of pressure, and it may be proper to add, that these large loans, at a low rate of interest, in times when money is plenty, are usually followed by overtrading, which produces pecuniary embarrassment and general distress.

By a statement entitled "Remittances to Europe," marked No. 16, it appears that the foreign purchase of foreign bills, were made of Thomas Biddle and Co., drawn by them, viz:

1831.

|   |             |
|---|-------------|
| Oct. 14, 1 bill 60 days sight, and at a premium of $10\frac{3}{4}$ per cents.             | \$32,399 68 |
| Oct. 14, 3 bills at 75 to 90 and 105 days, and at a premium of $10\frac{1}{2}$ per cents. | 115,411 11  |
| Oct. 22, 13 bills at 40 to 125 days, and at a premium of 11 per cent.                     | 592,000 00  |
| Dec. 10, 9 bills at 40 to 110 days, and at a premium of 10 per cent.                      | 506,250 00  |

1832.

|   |            |
|---|------------|
| Feb. 14, 14 bills at 40 to 105 days, and at a premium of $10\frac{1}{2}$ cents. | 400,000 00 |
| Feb. 14, 3 bills at 50 to 70 days, and at a premium of 11 per cent.             | 148,060 00 |

\$1,794,090 79

By the foregoing statement, it appears that the bank purchased between the 14th of October, 1831, and the 14th February, 1832, of T. Biddle and Co. foreign bills to the amount of \$1,794,000 79.

With regard to these large loans, the committee refer to the statement marked No. 19, by which it appears that on the 9th of April, 1832, the total amount of discounts on bills and notes at the bank in Philadelphia, was \$7,939,679 52. Of that sum more than two-thirds were loaned to ninety-nine persons, to wit, \$5,434,111. More than \$3,000,000 were in the hands of twenty-seven individuals; and nearly seventeenth part in the hands of one person. The committee have already expressed their conviction that these large accommodations, to a few individuals, are injurious to trade generally, and they will add, that they ought always to be made by either the board of directors, or the committees empowered by them for that purpose. For an explanation of this subject, see papers numbered 13 and 18.

Properly connected with this subject is the accommodation extended by the bank to individuals on the pledge of stock. In all the monthly statements of the condition of the bank, prior to the first of March last, there was no column showing these loans. In that month, for the first time, so far as the committee can discover, a new column is exhibited, entitled "loans on other stocks," and which ap-



time, so far as the committee can discover, a new column is exhibited, entitled "loans on other stocks," and which appeared, at that time, to have been transferred from the line called "bills discounted on personal security." This change was made in consequence of a call for stock loans, by the House of Representatives. A statement of the same was called for, marked No. 20, which exhibits a list of stocks pledged, consisting of Theatre shares, Museum stock, Arcade stock, Railroad and Canal stocks, Coal company stock, real estate in Louisiana, &c. &c., amounting to the sum of \$1,713,297 34.

The various transactions in specie, by the bank, has been a subject of special notice by the committee, and various statements called for, show the magnitude of them.

The first statement, marked No. 21, shows the amount of specie exported by the Bank of the United States, during the year 1811:

|                             |         |                    |
|-----------------------------|---------|--------------------|
| To London, in Mexican coin, |         | \$255,000 00       |
| To Paris, in Mexican coin,  | 620,000 |                    |
| To Paris, in gold,          | 247,000 |                    |
| Do, in mixed bullion,       | 150,000 |                    |
|                             |         | <hr/> 1,047,000 00 |

\$1,302,000 00

2d. The amount of specie exported since 1819, will be found in the statement marked No. 22.

|             |              |
|-------------|--------------|
| To England, | 2,598,357 00 |
| To France,  | 2,257,398 50 |

\$4,855,755 50

Of this amount, there was in gold,

|             |              |
|-------------|--------------|
| In bullion, | 2,387,927 50 |
| In silver,  | 596,717 00   |

\$1,871,111 00

\$4,855,755 50

3d. The amount purchased since 1824, marked No. 23, shows:

|               |            |
|---------------|------------|
| Of silver,    | 605,850 00 |
| gold coin,    | 17,596 00  |
| gold bullion, | 438,000 00 |

\$1,061,446 00

4th. The amount of specie sold since 1817, marked No. 24, shows it to be

\$5,184,910 29

Of which there was, *American*

|                              |              |
|------------------------------|--------------|
| gold,                        | 84,734 44    |
| British, French and Spanish, | 48,291 35    |
| Silver,                      | 5,051,884 50 |

\$5,184,910 29

5th. The amount of specie drawn from each of the southern and western offices, since 1820, to the Bank of the United States and New York, marked No. 25, shows the total amount to be

\$22,523,387 94

Of which \$20,925,990 07 has been drawn to those places since the first of January, 1823,

\$20,925,990 07

6th. The amount of specie, (in the same statement,) sent to the southern and western branches, since 1819, is

\$206,472 10

The premium received on the specie sold,

97,140 50

The premium paid on the specie purchased,

19,171 85

\$77,968 71

What profits were made on the specie exported, the committee did not call for documents to enable them to ascertain; it must, however, from the great quantity sent away, have been considerable.

The committee called for a statement of all the specie imported by the bank from abroad, since 1819; but, as none was returned, they presume none was imported.

What proportion of the gold exported was American coin the committee have not before them the means to determine; it was expected to have been given in the statement; but in looking into them the gold exported is without a designatory name; it is believed, however, the amount is considerable.

In examining this subject minutely, the committee find that large amounts of the specie have been drawn from the office at New Orleans. Of this there can be no complaint; it is the principal depot for returns of goods ship-



paid to Mexico, which are almost exclusively paid for in specie, and it cannot be expected that it will remain there. But the committee suggest whether the withdrawal of the specie from most of the other ports of the country, and substituting paper in its stead, might not be highly injurious to those sections of country subject to its operation.

The subject of the bank's furnishing bills of exchange for the trade of India, China and South America, has been brought to the attention of the committee by document marked No. 26; and having been so strongly described as affording great advantages to the country, in the triennial report of September last, as "economising" the specie of the country. The committee have felt it a duty to examine and present the subject to the consideration of Congress and the commercial community, believing, as they do, that there is something delusive in the operation. The result of their examination has led them to the conviction that this new method of dealing in bills of exchange does not "economise" the specie of the country at all. It is a universal law of drawing, that funds must either go before or follow after the draft to honor it at maturity; and whether it goes directly or circuitously, the funds to discharge it must, sooner or later, arrive at the place of payment. These bills are to be paid in England; but they go round the Cape of Good Hope before they reach their place of destination. Instead, therefore, of sending the specie directly to India and China, as formerly, who does not perceive that it must now be sent to England, the country upon which these bills are drawn, there to meet them upon their arrival at the place where they are to be paid; The bank consequently becomes the shipper of the specie, to pay its bills, in place of the merchant to purchase his merchandize in the East Indies. It is simply and purely nothing but a change of the destination of the specie, with only the advantage of its going to London.

The mode in which these bills are drawn and disposed of to the purchasers, having twelve months to run, as will be seen by a copy of the obligation taken by the bank, marked No. 27, the committee consider of doubtful utility to the country. The legitimate object of banks, the committee believe to be the granting facilities, not loaning capital. The supplying of bills appears even more objectionable than loaning capital, for it encourages an operation which commences and ends without the employment of any capital whatever, and is similar in their character to respondentia securities. The buyer is enabled, within the term of credit, to make the voyage, dispose of his goods, and obtain from the proceeds the funds to meet his obligation, and the bank to transmit the same to the place upon which their bills are drawn, (which are at six months sight,) long before they become due. It would seem to produce a greater export of specie eventually, than would otherwise take place if the operations were commenced with specie, and not with bills purchased in the manner described; for the merchant relying upon his immediate resources, would not engage to such an extent in the business, and would combine in the operation much of the produce of the country; whereas, relying upon an extensive credit he hazards every thing on the success of his enterprise. It is a species of speculation in trade leading to great risks, and certainly terminating in overtrading—the evils of which the country is now sorely experiencing. By loans of a similar character by insurance companies, providing funds for traders to China, Government has sustained more loss than in any other branches of trade.

The increase of the number of branches established since 1832, cannot be passed over in silence by the committee, and deserves, as a source of extended influence of the bank, the most serious consideration.

In some few instances where new branches have been established, perhaps they may have been called for by the community, and may have been useful to them and profitable to the bank; but, in most of the cases, the committee doubt whether they were called for from public utility, and their establishment will, in the end, not only prove unprofitable to the bank, but prove very injurious to the communities among which they are established.



unprofitable to the bank, but prove very injurious to the communities among which they are located. Mr. Cheves, in a letter of the 27th of May, 1819, to Mr. Crawford, then Secretary of the Treasury, says: "I am perfectly satisfied that, with the present organization of the bank, it can never be managed well. *We have too many branches*, and the directors are frequently governed by *individual and local* interests and feelings. For a time we must bear with the branches, but I hope they will be reduced."

Again, in the same letter, he observes, "the real and original evil under which the country is suffering is over-banking. This leads to excess in trading, manufacturing, building, and the history of the ill-judged enterprises which have been undertaken in these several concerns, would give a full history of all the distresses of this country, excepting a little agricultural distress growing out of the inordinate expectations which the others excited." These opinions fully accord with the views of the committee, and they consider them as peculiarly applicable to the present time, as exhibiting similar causes now operating with extended force, from which similar effects must follow, augmented in proportion to the increase of its branches.

The stockholders, at the triennial meeting on the 1st of October, 1822, recommended a withdrawal of some of the branches then existing, in these words: "In taking into view the business of the bank, as connected with its offices, the committee think it right to recommend to the continued attention of the president and directors the necessity of withdrawing those branches which are found to be unprofitable, and transferring their funds to the offices which shall seem to require additional capital." Since this period *two* have been discontinued, and *nine* others have been established, as per triennial report of 1831. These opinions of Mr. Cheves, in which the committee have concurred, were approved by the stockholders, as will appear by the following extract from this same report in 1822. They say, "they take great pleasure in unanimously declaring that the circumstances of the bank fully realise their anticipations as expressed at their last meeting in regard to the president, (Mr. Cheves,) who, by his talents, disinterestedness, and assiduity, has placed its affairs in an attitude so safe and prosperous as that the burthen of duty devolving upon his successor will be comparatively light."

The committee cannot but think that, had the succeeding direction of the bank been guided more by the opinions and wishes of the stockholders, as then expressed, and gone on gradually growing with the growth, and increasing with the natural wants of the country, great sufferings to the community would have been avoided.

In the year 1819, great abuses existed in the branches of which Mr. Cheves speaks without reserve, in his last report to the stockholders, as well as in his correspondence with Mr. Crawford, and upon casting the eye over the monthly statements, it is remarkable to observe what losses have taken place at the branches compared with the mother bank. For instance: on the 1st of January last, the loss of the mother bank, on a capital of sixteen millions and a half was, in round numbers, \$328,000; that of the Baltimore branch was, \$1,662,000, on a capital of one million and a half, so that it lost more than its capital. That of the Norfolk branch was \$229,000, on a capital of 500,000, losing nearly one half of its capital, and so with all the rest of the branches, their losses are out



of all proportion to their capital, and ten times greater than the mother bank, according to the amount of their respective capitals. These losses, however, were principally incurred prior to 1819. The proper inference to be drawn from these facts is, that the worst of mismanagement has existed in the branches.

The "Contingent Fund" has claimed the attention of the committee. The object for which it was originally created, and the original amount provided, together with the additional appropriations which have been made to it, and the manner in which the same have been applied at different periods, will all be explained in the following documents.

The report of the board of directors, in July, 1821, published in the gazettes at that time, marked No. 28; the reports of the stockholders at the triennial meeting in October, 1822; the report of the dividend Committee, on the 16th January, 1823, marked No. 29; a statement of the particulars of the debts "considered best," marked No. 30; a statement of the suspended debt and real estate, with the probable loss thereon, marked No. 31; the statement headed "Contingent Fund," marked No. 32; the sales of the forfeited bank stock, marked No. 33; and the dividend reports for July, 1829, January and July, 1830, January and July, 1831, marked No. 34. To these the committee refer for the particulars of the subjects to which they relate, in connection with the "Contingent Fund."

The Committee feel it their duty now to give their views as to the causes of the present distress in the trading community, and which they fear may greatly increase. It is an acknowledged principle, that like causes, in all cases, produce like effects; and as in 1819 contraction followed the expansion of 1817 and 1818, so, by the same rule, must contraction follow the immense expansion of 1830 and 1831, and like effects and consequences succeed. To illustrate more clearly the position, and bring it home to the mind of every one, the following table of the state of the Bank during some of the months of 1818 and '19 and 1831 and '32, are here exhibited, embracing items from which direct calls upon the vaults proceed, and the immediate means which remain to meet them, viz: The first are the deposits, circulation and debts abroad, not on permanent loan. The second, the specie, funded debt, and notes of other Banks. The amount of each will be found under their proper heads, at the various periods mentioned. [The table will be given hereafter.]



The preceding table shows that, at no period in 1819, when the Bank was very near suspending payment, was it less able to extend relief to a suffering community than at the present moment. In April of that year, the month in which its difficulties were the greatest, its means of specie, notes of other Banks, and funded debt, (which could have been turned into specie or notes of other banks,) amounted to upwards of ten millions of dollars; and the whole demands which could come against it in the same month, of circulation, deposits, and debts owing abroad, amounted only to about fourteen millions. But the committee feel bound in candor to state, that this was after a number of months of constant contraction, not only by the Bank of the United States, but also by most of the other banking institutions of the country, where a general exhaustion had been produced. It was on the 6th April, 1819, that Mr. Crawford, then Secretary of the Treasury, writes to Mr. Cheves thus: "It is even doubtful whether it is practicable, with all the exertions which it is in your power to make, to continue specie payments throughout the year." Under the same date he says, "My impression is, that the safety of the Bank can only be effected by withdrawing nearly the whole of its papers in circulation. If the Bank does this all other solvent Banks will be compelled to do the same. When this is effected, gold and silver will be intro-



duced into the country, and make a substantial part of the circulation, and enable the banking institutions gradually to resume their accustomed operations. Whilst this is effecting, the community, in all its relations, will be greatly distressed. Considering the extent of the suffering, it is greatly to be desired that some good may result from it."

The committee believe that the course of operations by the bank, during the years 1830 and 1831, have been nearly of a similar character to those of the years 1817 and 1818. Drafts and notes, payable at distant offices, were then freely discounted at the Bank of the United States, and the different offices. Bank notes were issued by the bank, without regard to the wants of the community, or the effect upon the circulating medium, which became depreciated, driving the precious metals from the country; and, until the reaction had operated to check them, led to extravagant speculations, which ended in ruin; and relief was not obtained until the circulation of the Bank of the United States had been reduced to about 4,000,000 of dollars. Before this was accomplished, the expedient was resorted to, of curtailing loans and, while they were doing that, they continued the issue of bank notes thereby continuing the evil which they were striving to avert.

What is the state of the bank now?

On the 1st of March, (see monthly statement marked No. 35,) the bank had \$6,800,000 specie, \$2,840,000 notes of other banks, and of funded debt none!! making an aggregate of \$9,640,000, to meet its circulation of \$23,717,000, deposits \$17,050,000, and foreign debts owing \$1,876,000, making an aggregate of \$42,643,000; and this evil exists while a reaction or contraction is operating to a considerable extent.

This contraction commenced on the 7th of October last, and is evidenced by the following circular, which indicates, beyond all doubt, that the bank had overtraded.

### CIRCULAR.

BANK UNITED STATES, Oct. 7, 1831.

SIR: The unusually heavy reimbursements of six millions of funded debt, which was, on the 1st instant, advertised by the Government to take place on the 1st and 2d days of January next, but which, according to subsequent notice from the Treasury Department under yesterday's date, may, it appears, be demanded of the bank, by the public creditors, at *any* period of the present quarter, is calculated to press very inconveniently upon the parent bank, and upon the office at New York; the more so, from our uncertainty as to the time when the necessary provision must be made, and from the prevailing active demand for money. Be pleased, therefore, so to shape your business immediately, as that without denying reasonable accommodation to your own customers, or sacrificing the interest of your office, you may throw, as early as possible, a large amount of available means into our hands in Philadelphia and New York, and at the same time abstain, as far as practicable, from drawing upon either of those points; checks and short drafts on the local banks, and on individuals, will prove particularly acceptable for several months to come, and whenever direct claims of that kind, on those two places are not to be procured, you might materially aid us, by taking drafts upon the large cities nearest to them.

I am, respectfully, your obedient servant,

W. McILVAINE, Cashier.



Addressed to the CASHIERS of all the offices.

Since the 1st of September last the bank has diminished its means to meet the demands which may come upon it—

|   |                 |
|---|-----------------|
| First. The whole of the funded debt which it then held  | \$3,497,681 06  |
| Second. The difference between the specie it then held, | \$11,545,116 51 |
| And the amount it possessed on the 1st April,           | \$5,799,753 63  |

---

\$4,745,362 88

Making an aggregate deminution of its means to meet its momentary demands, since the 1st of September, of \$3,243,043 94, whilst during the same period, those demands have increased \$4,197,871 51, viz: the circulation, deposits, and foreign debt, the aggregate of which was, on the 1st September \$38,452,758 67, and on the 1st April, \$42,650,630 18. The measures and the effect appear to be similar to those preceding 1819. The extensive discounting of domestic bills and drafts, payable at distant branches, the amount being on the 1st April, per monthly statement, \$20,354,748 79. The orders for curtailing at the western branches, and the curtailing at the principal offices in the Atlantic cities, and at the Bank of the United States, the amount of which, at the Bank of the U. States, between the 5th day of January and the 29th day of March, is \$1,810,408 37; at the office of New York, between the 4th day of January and the 28th day of March, is \$259,305 43; at the office of Boston, between the 5th day of January and the 29th day of March, is \$167,860 85; (and that too, on a discount line of less than two and a half millions of dollars;) at the office of Baltimore, between the 16th of January and the 2d of April, \$123,741 63, and on a discount line of little more than two millions of dollars, as will be seen by the weekly statement of those offices and the Bank of the United State, marked No. 36.

The most remarkable feature which presents itself to the view of the committee, connected with the present situation of the bank, and the course of operations upon it since the 1st of September last, is the increase in the circulation of its notes, which amounted on the 1st Sept. to \$22,399,447 52, and on the 1st of April to \$23,717,441 14, making the increase of \$1,317,993 62. During this period the bank undertook to check the exportation of specie by supplying bills at such a rate as left no inducement for individuals to ship it; to do which, they exhausted all the funds which they could procure from every source. Over \$5,000,000 were remitted, as per statement marked No. 16, and still left them with a debt of more than 1,700,000 dollars in Europe at this period. The cause which led to this necessity still yet exists, with an increase to the extent of the increase of circulation, and but for a decline in the price of specie in Europe, it would still continue to be exported.

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. Cheves 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 cents. from 1st of July to 1st Oct. and has assumed the payment of one quarter's interest on these stocks, being substan-



one quarter's interest on these stocks, being substantially equivalent to borrowing seven millions of the government's money for three months.

The supplying 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 *invented* 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 1st of April last, as before stated, it was \$23,717,441 14, presenting the astonishing difference of \$10,671,780 43, in less than four years.— Can this be considered, according to the sound doctrine of Mr. Rush, confining its issues of paper to prudent limits, whereby a restraint has been imposed upon excessive importations? That great contractions are injurious, the committee consider they have adduced an authority that cannot well be doubted, & 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 \$726,000; and the amount redeemed in 1831, during the same month, was only \$368,910.



In a letter under date of the 26th of March last, to the chairman of the committee, the president of the bank says, "that the amount of branch notes redeemed at the New York office during the year 1831, was \$13,219,635, and at Philadelphia, \$5,398,800, making a total of \$18,618,435, with an increase of circulation between the 2d of February 1831, and the 2d of January 1832, of more than six millions of dollars, as per monthly statements, and decrease of its means, between the 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              | \$21,756,668 10 |
| And the last to | 9,640,000 00    |

---

\$12,115,668 10

Making, as just stated, a diminution in the active means immediately applied to the extinguishments 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, is bound to make collections of the public revenue, to transfer the same, or any part thereof, from



one point to another, that they may be required, and to make any & all payments for the acct. of the government, whether for principal, interest, civil list, army, navy, pensions, or for any other purpose whatever, free of all and any charges for such services.

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

The government, in its collections through the Bank of the United States, receives nothing but specie, or notes of the Bank of the United States, and makes its payments in nothing else. If the notes of State banks are received by the bank in place of 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, hereafter adverted to in another part of this report;—and also in a report of the committee of the stockholders, at the triennial meeting on the 1st of September, 1831, in the following words: "That the bank, thro' 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



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 them which you shall deem consistent with the public good, you will feel a pleasure in doing so." The Secretary of the Treasury, in closing his answer, under date of the 27th March, 1819, says, "every facility which it is in the power of this department to afford the bank, in its efforts to support specific payments, and to restore the currency to a natural state, may be confidently relied upon."

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

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

The bank, as it collects the revenue, knows, or ought to know, that it will be called upon by the government to reimburse it, and in all cases of 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 operations of commerce could have been disturbed, or the value of pecuniary investments have been affected by the payment of the public debt by the Government.

But if the bank has, as the revenue has accumulated to the Treasury Department, gone on discounting upon it, or loaning it out, disregarding the period when they would be called upon to reimburse it, the committee can readily perceive that when that order arrived, they would be found not only deficient in preparation, but in a state of surprise, and that the payments would first embarrass the bank, and then lead it to press and embarrass the commercial community.

From the observations made, and the examination of the course of this investigation, the



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

The committee believing the subject of the late postponement of a portion of the 3 per cent. stocks, intended as they understood, to have been paid on the 1st of July by the government, to be within the province of their inquiries; and believing, also, that it had a strong connexion with the present state and situation of the affairs of the bank, and for the purpose of enabling them to form a correct and true opinion upon that subject, they made a call upon the president of the bank, for the correspondence in relation to the postponement of that payment in the following words: "Will you please give a copy of the correspondence connected with your application in March last requesting a suspension by the Government of the payment of a portion of its debt intended to have been made on the 1st 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 of March, 1832, informing me that Government was about to issue a notice on the 1st of April, of their intention to pay, on the 1st of July next, one half of the three per cent. stock, and to do it by paying to each stockholder one half of the amount of his certificate.' He added,

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



“Thus invited by the Government to a communication marked ‘confidential,’ to give my opinions on a measure contemplated by the Government, I felt it my duty to express my views of its probable operation; in my reply, therefore, dated 29th 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 situation of the commercial community, and with a very large amount of revenue, (amounting to nine millions,) to be paid before the 1st of July, the debtors of the Government would require all the forbearance, and all the aid that could be given them: and that the payment proposed by creating a demand for the remittance of several millions of dollars to European stockholders, would tend to diminish the usual facilities afforded to the debtors of the Government, and might endanger the punctual payment. For this reason I thought it, for the interest of the Government, to postpone the payment till the next quarter. I further stated, that the plan of paying to each stockholder only one half of his loan, would not be so acceptable as if his whole loan were repaid at once.

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

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

The committee cannot discover any ability which the bank possesses or will possess, to give increased aid to public debtors in the payment of the nine mil-



lions 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 afford 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 seemed to recommend all the forbearance and indulgence to the debtors which can be safely conceded. The inconvenience, then, of the proposed measures is, that the re-payment of six or seven million 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 called upon to advance



outable 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. 36, it will be seen, that the amount of reductions on discounts and loans at those four largest commercial cities, during the last quarter, taking the maximum amount in Janu. 1831, to April, 1832, marked No. 36, it will be seen, that the amounts 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 \$2,498,489 76, or in round numbers, two millions and a half of dollars; this reduction by the bank and its branches, has probably compelled a similar reduction on the part of the State institutions, in proportion to the amount of their loans in each of those places. In this, and in this alone, the committee are fully persuaded is to be found the true secret of the pressure which has existed, and does still exist, operating upon the commercial community.

That this pressure will continue for some time to come, the committee fear; for the expansion has been so great, that the contraction which is now in operation cannot, in the opinion of the committee, be effectually checked or controlled, without a necessary curtailment of discounts.

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

Without a large 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. "Palliations may prolong the existing embarrassments, and by exciting the hopes and fears of the community, aggravate the existing evils, but cannot influence the final result."

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



When an institution, with investments amounting to 75,000,000, commanding the foreign and domestic exchange of the country, monopolizing the government deposits, cannot, at the moment when we are exporting our annual crop of cotton, amounting, by the admission of the president of the bank, to \$20,000,000, (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 authorise an extension of loans in that city, in order to assist the debtors to the government. This was promptly done; this I should desire to do again, as the payment to the government during the next quarter will be very large."

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

The charter positively requires twenty-five directors; for some years past, as appears by the list of 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.

Upon a reference to the weekly statement of the office at New York, from July, 1831, to April, 1832, before alluded to' the committee find no aggregate increase of loans; but, on the contrary, they find that there has been a reduction in the amount viz; the amount on the 29th February, being less than on the 2d, and the 8th days of the same month, and \$140,000 less on the 28th day of March, than on the 29th of Feb. 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 October, 1831, and the 28th of March, 1832, were actually diminished \$468,447 17, while during the same time, the bonds paid at that port, amounted to between nine and ten millions of dollars.



The committee 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 the establishment of the bank, after the year 1817 up to the year 1829, the sum paid for printing, in any one year, has not exceeded \$867 19; and in some years, it has been as low as \$124 and \$165 50. 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 \$3,226 15.

What circumstances occurred or existed during the years 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 is 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 distinct character; that the sums paid to solicitors and counsellors 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 assessors of taxes of that State, 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, 1829, Henry L. Ellsworth, of Hartford, in Connecticut, addressed a letter to me, requesting to be furnished with a list of the stockholders of the bank residing in Connecticut, for the purpose of taxing the stock. The request was declined, for reasons which will appear in the correspondence hereunto annexed," to which the committee refer, marked No. 43.

The committee, in calling for various statements, have collected a number of useful documents, not referable to any particular head, but as containing a mass of useful information, they present them to the House, subject to their future order, and, if found necessary, to be appended to this report, when it, together with the papers to which it refers, shall be published.

The majority of the committee feel authorised to state that they have not been able to give even the parent bank that investigation which its extensive operations deserve, much less the branches—in some of which there have been subjects of complaint, but which they have been compelled to abandon for the want of time.

The committee that investigated the affairs of the bank in 1819, when it had been but two years in operation, with its business much less extended than at present were engaged, as it would seem from the records of that day, from the 30th of November to the 16th of January, before they reported, and then they had not made as thorough an examination as the transactions of the institution seemed to require. At the present time, with a greatly enlarged business of sixteen years' accumulation, and twenty-five branches, whose operations have been charged with signal



operations, and called for all the resolutions and correspondence relating to that subject since 1817, but have only receiving such as related to the three per cent. loan, and the circular of the 7th of October last.

On the subject of specie payments, domestic and foreign exchange, investments in public debt by the Bank in 1824 and 1825, and its ability to make loans to the Government—the influence of the operations of the Bank upon trade—on the increase of the paper circulation of the Bank—its agency in diminishing or enlarging the circulation of local banks, and the means of permanently regulating our general circulation, so as to prevent its injurious effects upon the trade and currency of the country; all matters of vital importance in [the reorganization of the Bank; concerning which the Committee submitted a number of inquiries to the President of the Bank, who has not been able, from the press of other indispensable duties, to answer; and which queries are appended to this report. The investigations, however, which have been made, imperfect as they were, fully justify the Committee in saying, that the Bank ought not, at present, to be rechartered.

It is obvious, from the statements submitted, and the correspondence with the treasury concerning the public debt, and the fluctuations of the revenue of government, that these have hitherto essentially affected the general circulation and operations of the bank of the United States. It would, therefore, seem to your committee to be most judicious not to act upon the question of rechartering that institution, or of chartering any other national bank, until the public debt shall have been paid off, and the public revenue shall have been adjusted to the measure of our federal expenditures.