

U. STATES BANK.

IN THE HOUSE OF REPRESENTATIVES.

FRIDAY, May 11, 1832.

MR. McDUFFIE, from the Select Committee appointed to examine the books and proceedings of the Bank of the United States, submitted the following as the views of the minority of the said committee.

The minority of the committee, appointed to examine the books and proceedings of the Bank of the U. States, dissenting from the report of the majority, beg leave to present the grounds of their dissent, for the consideration of the House.

The majority of the committee have submitted, without expressing any decided opinion on them, six cases which they allege to have become subjects of imputation against the bank, touching the violation of its charter.

The first of these cases relates to usurious loans, and occurred as far back as 1822, during the presidency of Mr. Cheves. The Branch Bank of Lexington, had received a large amount of the notes of the Bank of Kentucky, a portion of them as Government deposits. These notes were considerably depreciated.—The branch having declined issuing any of its own notes, in obedience to orders of the mother bank, an individual applied for a loan of these depreciated bank notes, alleging that he wanted them to pay a debt, & that they would answer his purpose as well as any other bills. The loan was granted. The Bank of Kentucky was, at the time, regularly paying to the branch, interest on these notes, and finally redeemed all that remained, a few months after the loan in question. It thus appears, that these bills were as good as cash to the bank, and the borrower alleged that they were of equal value to him. It is difficult to conceive any solid ground for considering this a case of usury. It would be as reasonable to say, that it would have been usury, for the Bank of Kentucky itself, to make a loan of its own depreciated notes. The utmost fairness was exhibited by the branch bank, in this transaction, the loan was made with reluctance after repeated applications, and yet the directors of the mother bank, many years afterwards, and since Mr. Bidle has been at the head of the institution, refunded to the borrower of the Kentucky notes, the full amount of the difference between their nominal and their real value, at the time of the loan, with interest. This has been also done in another similar case; so that, in the only two cases which have been brought to the view of the directors at Philadelphia for the purpose of having the amount of the depreciation refunded, the application has been granted with a promptness and liberality highly creditable to the institution.

The minority of the Committee will barely remark, upon these transactions, that being free from all imputations of intentional usury, and never having been sanctioned by the Directors of the mother Bank, but, on the contrary corrected, they cannot furnish the slightest ground for alleging that the charter has been violated.

The second ground of imputation noticed by the majority of the Committee is, "the issuing of branch orders as circulation."

On this point, the minority deem it sufficient to remark, that a branch order is nothing more nor less than a draft or bill of exchange drawn by a branch upon the mother bank; and that the charter expressly authorizes, as one of the primary operations of the bank, the buying and selling of bills of exchange. If the bank has a right to issue these drafts at all, it cannot, surely, be made a ground of just complaint against it, that they are used as circulation. That is exclusively the affair of the community. The bank cannot be justly made responsible for the use which the public may choose to make of these drafts. It is the high credit of the bank that gives the character of circulation to this paper; and it is the voluntary act of the community receiving it as such.

In fact, there is no part of the bank which has been so beneficial to the public. It has, in practice, furnished the southern and western States with the means of affecting their exchanges with the north, without any expense whatever.

It may be well doubted, however, whether an extensive and permanent issue of these drafts might not prove very inconvenient to the bank itself, in a certain state of the domestic exchanges, and it would be, therefore, a judicious measure, to supersede the necessity in which these drafts originated, by authorizing other officers than the president and cashier of the mother bank, to sign notes for circulation.

Third ground of imputation, as relates to the violation of the charter, is, "the selling of coin, particularly American coin."

The minority would respectfully suggest, that the majority have entirely overlooked the nature and essential purposes of the bank. It may be well defined to be "an institution established for the purpose of dealing in money." Now money is a current coin; yet, a committee of Congress very gravely bring it forward as a charge, touching the violation of its charter, too, that it has been guilty of dealing in current coins, and, particularly, American coins, the very end for which it was created.

As relates to dealing in current coin, the right to do so is involved in the right of lending money and of receiving it back. The authority to deal in bullion is expressly granted in the charter, because bullion is not current coin, and, of course, the right to deal in it is not necessarily involved in the right of carrying on banking operations.

The fourth ground of imputation is "the sale of stock, obtained from Government, under special acts of Congress."

This is, if possible, more extraordinary than

This charge is, if possible, more extraordinary than the last. If the acts of Congress, which expressly authorized the bank to subscribe for Government stock, had any meaning at all, they certainly meant to authorize the bank to acquire the right of property in the stock for which it was authorized to subscribe. The right to sell this stock at pleasure, is of the very essence of the right of property, and is as clearly conveyed to the corporation by the act authorizing a subscription, as the right to receive the interest.

The *right* to sell, therefore, is indisputable.

But the majority of the committee seem to suppose that the policy which forbids the bank to speculate in stocks, with its immense resources, by which the price might be 'raised and depressed at pleasure,' equally forbade the bank to sell the stock for which it had subscribed by the express authority of the Government. Now it is apparent, that the evil of dealing in stocks, by such an institution, can only exist in cases of *buying and selling stocks at the pleasure of the bank*. To raise and depress prices, the bank must have the right, both to buy and to sell alternately, as may suit its purposes of speculation. But it has never pretended to claim, much less to exercise, the right of buying Government stocks, except under the express authority of Congress, and by an express stipulation with the Treasury Department. And after it has obtained a large amount of Government stocks in this mode, it is difficult to conceive how it could *raise* the price of these stocks by coming into the market as a *seller*, or how it could promote the purposes of a stock-jobbing speculation, by *depressing* the price, the only effect which could result from offering for sale. When these stocks were sold in 1825, there was an extraordinary pressure upon the money market of the whole commercial world. They constituted the very resource which the bank most required in such an emergency; and it is now matter of history, that it was partly by the wise, judicious, and timely use of this resource, that the bank of the United States averted from this country the calamity of a general failure of the banks, and a widely extended scene of commercial bankruptcy.

The majority of the committee seems to regard it as a matter of complaint, that the Government permitted the bank to subscribe for these stocks, in preference to individuals. If this is, indeed, a just cause of complaint, it should be made against the Government, and not against the bank. When Congress expressly authorizes the Secretary of the Treasury to obtain a loan from the bank, and the Secretary stipulates the terms of that loan, it is impossible to conceive how any blame can be imputed to the bank, if it faithfully performs its engagements.

The fifth ground of imputation presented in the report of the majority is, "making donations for roads, canals, and other objects."

In two instances, the directors subscribed small sums to certain internal improvements in the vicinity of the real estate of the bank. This they did in the exercise of their proprietary right, and with a view to the improvement of the value of their property. For this exercise of power, they are responsible to the stockholders alone; and the question is, whether they have or have not made a proper application of the funds of the corporation, with a view to the promotion of its interests? To what extent the value of the real estate of the bank has been increased, by the internal improvements in question, has not been ascertained; but it may be well supposed that it exceeds the sum appropriated by the directors to, and in the construction of, these improvements.

The other "donations" to which the report refers, consist of small sums contributed to fire insurance companies, for the safety of the bank property, and against which it is not pretended that any objection can be fairly raised.

The last ground of imputation, as touching the violation of the charter, is "building houses to rent or sell, and erecting other structures in aid of that object."

The bank is expressly authorized to purchase real estate; which has been mortgaged to secure debts previously contracted, and also such as may be sold under judgments and executions in its own favor. In the exercise of this right, the debtors of the bank are as much interested as the bank itself. For it must be apparent, that if the bank were not permitted to bid at these sales, the property of its debtors would be frequently sacrificed, at a sum greatly below its value. It has been only for the purpose of saving itself from loss, and the property of its debtors from being thus sacrificed, that the bank has ever purchased any real estate except what has been necessary for its banking houses. There is no description property which a

banking institution is so unwilling to own as real estate. Such an institution is entirely unsuited to the management of such property, as much so as a farmer would be to manage the discounts of a bank.

Owing to the extensive failures of the persons indebted to the bank, in the western country, prior to 1817, the directors were unavoidably compelled to take a very large quantity of real estate, as the only means of avoiding still greater losses than they have actually sustained. They have disposed of this estate as rapidly as they could, consistently with the interests of the institution. On a portion of it, they have erected improvements, to prepare it for sale, and by means of which they will save the stockholders from a great portion of the loss which would have otherwise occurred, and will recover a large amount of the debts which were some years ago set down as desperate. If, for this course of conduct, the directors are rendered obnoxious to censure, then will they be condemned for the very faithfulness of their stewardship. It is too obvious to require, or to justify the use of argument, that the right of the bank to improve its real estate, is inseparably connected with the right to purchase—to hold, or to own it. On this subject, the House is referred to the exposition of the President, marked A. The next subject to which the report of the majority adverts, is the loan to James Watson Webb & Co. It is proper to remark, in the first place, that the only sums ever loaned to this copartnership, were the sums of twenty, and of fifteen thousand dollars, the former in August, and the latter in December, 1831. It is also proper to remark, that the first sum was reduced to \$18,000, at the maturity of the note given for it; and that the latter sum was entirely paid off in March last, by Mr. Webb; and, as he expressly states on oath, without being requested by the bank to do so. The whole amount of the accommodations ever obtained from the bank, by Messrs. Webb & Noah, was \$35,000; and the whole amount now due by them is \$18,000.

The grounds and securities upon which these accommodations were granted, will now be stated. Mr. Webb produced to the directors a full statement of the affairs of the copartnership, setting forth the value of their property, and the annual income derived from their paper. From this statement, which was authenticated by the oath of their book-keepers, it appeared that the nett annual income of the paper, from advertisements and subscriptions, was \$25,750, after deducting ten per cent. for bad debts, and defraying all the expenses of their establishment. Upon the whole, it appeared that this was one of the most profitable, as it is certainly the largest commercial newspaper in the Union, with an immense advertising patronage, and a large and rapidly increasing subscription list.

With these exhibits, Mr. Webb produced the letter of Mr. Walter Bowne, Mayor of the city of New York, and formerly a director of the Bank of the United States, a man of wealth and high character, enclosing the application for the loan, and stating that "he did so with pleasure, and saw no reason against this being treated as a *fair business transaction*." Several of the directors, as well as the president of the bank, were examined on oath, in relation to this transaction, and as the clearest mode of exhibiting its true character to the House, extracts from these examinations will be given.

The following is the testimony of Mr. Biddle, relative to these loans:

Ques.—"Did you consider the loans made to James Watson Webb & Co. fair business transactions, such as you could not refuse without subjecting the bank to the imputation of indulging political partiality? State fully the views and considerations on which you voted in favor of those loans."

Ans.—"I certainly considered them as fair business transactions, or I should not have consented to them. At the request of the committee I will explain the reasons of that opinion.

"If in making loans every transaction was perfectly safe, and every borrower perfectly good, banking would be an easy office; but as men generally borrow to employ the funds, in some profitable pursuit, subject, of course, to vicissitudes, all that can be expected in making loans is a fair and reasonable caution as to the situation and prospects of the borrower. Tried by these, the only tests, I think the loans in question are unexceptionable. The first was done by a board of directors, consisting, besides the presiding officer, of six gentlemen, Mr. Lippincott, Mr. Fisher, Mr. Bohlen, Mr. Neff, Mr. Platt, and Mr. Willing, merchants and men of business, with no partialities towards the applicants, with whom none of them had the least acquaintance. The ground of their judgment may be thus stated. In making ordinary loans the board judge by the general standing of parties without any examination of their affairs. But in this case the parties began by an exposition of their whole situation. This was forwarded by Walter Bowne, Esq. the Mayor of the City of New York, where the applicant resided, who, in addition to his being personally known and respected by all the members, had been one of the oldest directors of the Bank of the United States, and for many years sat at the board around which the directors were then assembled. In this letter he says, "I cheerfully forward 'the papers' and I see no reason against this application being treated as a fair business transaction." He does not expressly say it ought to be granted, because he transmits at the same time some of the materials on which the directors were to form their own judgment, to which others were added by Mr. Webb. But when an old director of the bank, forwards "cheerfully" an application to his ancient colleagues, which he says should be treated as "a fair business transaction," it implies certainly no responsibility—but it may be well regarded as a declaration, that were he still a member of the board, he would sanction it. Under these auspices the board proceeded to consider it.

Of the parties had been appointed by the Presi-

consider it. One of the parties had been appointed by the President and Senate of the United States, to a confidential and lucrative post under the Government; the other had already invested \$33,000 in the paper, and his father-in-law, Mr. Stewart, whose letter accompanied the application, was known to be a wealthy man. Both were considered men of talents, and peculiar aptitude for the business in which they were engaged. Then what was that business?

It was the conducting of the largest newspaper in the country, requiring, of course, considerable means, and giving employment to a great mass of active industry. Its situation was represented to be this:

Mr. Webb declared that there were then 3300 daily subscribers at \$10, \$33,000
 2300 others at an average of \$4 50, 10,350
 275 yearly advertisers at \$30, 8,250
 310 days advertising, at \$55 per day, 17,050

Making, 68,650
 Deducting from this 10 per cent. on the daily subscriptions and advertisements (of which about one-sixth is paid in advance) say 5,830
 and 20 per cent. on the other subscribers, say 2,070—7,900

There remains a gross income of 60,750
 The annual expenses are stated at 35,500

Leaving a net annual income of 25,750

This statement is confirmed by the affidavits of the book-keepers and pressmen of the establishment.

The total value of the paper was thus stated:— James Watson Webb had invested in it \$33,000, for which \$40,000 had been offered, provided the other half could be had for \$25,000. This he declined, but it is mentioned to prove that the whole might have been sold for \$65,000

Then it was an improving establishment.

It had owed a debt to the banks of 15,000
 which it had paid off in April and May, 1831, out of the collections of the last six months, which had amounted to 20,000

It had, in 1829, owed a total debt of 29,000
 which it has since paid off.

And at the present moment its outstanding claims were more than its debts by 10,000
 for its responsibilities and means stood thus—

Outstanding debts in the country more than 25,000
 of which could be collected on presentation of bills, 10,000

Due in New York, more than four months subscription, which, with the unpaid arrears of the last six months, may be safely estimated at 20,000

And the property owned by the applicants amounted to 8,000

Making	38,000
While the whole amount of the debt was	28,000
Leaving an excess of	10,000

That they had been deemed worthy of credit in N. York, appeared from two facts.

1. That the banks of New York had lent them \$15,000, which they had repaid.

2. That the respectable mercantile house of J. L. & J. Joseph & Co., a firm well known to the directors, had lent them \$20,000, which had been repaid out of the profits of the establishments, as those gentlemen themselves certify in a document accompanying the papers.

Finally, they had no accommodation, direct or indirect, out of any bank.

The case stood thus: Here are two persons of skill in their profession engaged in an establishment or which the capital is

	65,000
The gross income,	60,750
The expenditures,	35,000
And the nett income,	25,750

In conducting such a business, where the receipts are semi-annual, the payments daily and weekly, they naturally require, like other men in business, some credit. They accordingly apply to borrow \$20,000. They wish to borrow it, not to pay previous debts, not to spend it on objects unconnected with their business, but for the purpose of employing it all in a way to increase the profits of the concern itself, by procuring a new press and enlarging their means of obtaining early commercial information and thus make the paper more valuable.

the most favorable aspect of the case, from the sanguine temper in which men are prone to estimate their own professions and prospects, and yet unless they were wholly fallacious, the board saw enough to warrant the loan. It was further justified by the event; for when the note fell due \$2000 were paid off at a time when the demand for money induced many other debtors to ask for a renewal of their notes.

"So much for the loan of \$20,000."

The other loan rested on the same principles as the first, with this addition. The parties stated, that owing to the part which they had taken in regard to the Bank, they had been deprived of their usual accommodations in their business. Whatever might be the reason, the fact of an abridgment of these facilities furnished a reason for extending the loan in addition to the belief of its safety—which was, that by so doing, any hazard to the original loan might be prevented; and the best evidence of its security is, that *the parties have since repaid the loan.*

In regard to the other loans, which appear in their names, *they were given without any knowledge of their being discounted at the bank.* They were done at the request of a person of undoubted solidity, which has been proved in the most decisive way—by the actual payment of the notes. That they intended to aid Mr. Noah, the drawer of the notes, in purchasing a share in a newspaper, was stated at the time. But that formed no objection to them. He borrowed money as thousands borrow money every day, to employ it in his active business. If Mr. Noah himself applied to the bank for a loan to buy a share in a newspaper, and the security was satisfactory, the purpose of the loan would have made no difference.—Nine-tenths of the loans made of the bank, probably are made to persons to buy something, or to pay for something already bought. Men borrow money to buy a share in a ship—a share in a cargo—a share in a bank—a share in a canal—why not a share in a newspaper? The bank had no difficulty about the loan, because it was thought secure; nor about the object, because that was not the concern of the bank. It does not inquire, and does not care, where its money goes—its only anxiety is, that it should come safely back; and whether, in the interval, it is employed by a merchant, or a farmer, or a lawyer, or an editor, is a matter of which it takes no cognizance."

"In respect to loans generally to editors of newspapers, the bank proceeds on the principle of knowing no class of citizens, and proscribing none. Even with this rule, its situation in regard to such loans is a little peculiar. From the nature of their occupations, editors engaged in the discussion of matters of national concern, have generally expressed opinions in regard to the bank; and their dealings with the bank render it difficult to escape censure. When an editor, friendly to the bank applies for a loan, if it is granted it is ascribed to favoritism; if it is refused, the party naturally thinks it ingratitude. When an editor opposed to the bank applies for a loan, if it is granted, it is deemed an attempt to influence him, while if it is refused, it is called a persecution on account of his free opinions. The bank has endeavored in these matters rather not to deserve reproach than to escape it.

rather not deserve reproach than to escape it. In reply to that part of the question which relates to politics, I believe that, if in granting the loans in question, there was insensibly blended with the mere business considerations any political feeling, it was probably this: that charged, as the bank habitually is, with hostility to the present administration, it was due to the interest of the stockholders to correct so unfounded an impression, when a fair opportunity occurred of giving accommodation to those who were considered as the most strenuous and efficient supporters of that administration. The directors of the bank understand too little of the subject to attempt to adjust the balance of accommodation to political parties, nor have I myself ever had even curiosity sufficient to notice it, until the inquiry of the committee had suggested it. But, undoubtedly, as the committee cannot fail to perceive, by far the greatest amount of loans to editors is the friends of the present administration, and a large portion of that to the decided opponents of the bank."

All the directors who were examined, testified that they granted these loans under the full belief that they were safe loans, and Mr. Cope, a gentleman of intelligence and high character, gave the following explanation of the views and motives by which he was governed in voting for the second loan of \$15,000.

"Documents," said he, "were exhibited to the committee, containing a statement of the names of the parties to the note, by which they appeared to be worth about \$30,000, with a prosperous business, and a large subscription list. The loan was made, as all other loans are made without any regard to the politics or business of the parties, but solely because it was the business of the bank to lend on adequate security."

"I was well aware, at the time, that they were partisan printers, and I knew that if we made the loan it might be ascribed to improper motives, and that if we rejected it, it might be said we persecuted the individuals on account of their politics."

Such are the grounds upon which the directors granted these loans to James Watson Webb & Co.

It will be readily perceived that the directors of the bank were placed in very peculiar circumstances by this application. They had been accused in various quarters of having brought the power of the institution to bear upon the politics of the country, and particularly with having taken sides against the present administration. Having invariably pursued a course in their transactions which recognised no distinction of political parties, it was very natural that, while laboring under the imputation just stated, they should have been scrupulous to avoid giving any color of foundation for it.

As the evidence and recommendation produced satisfied all the directors of the safety of the loan, they could not but feel that, if they refused to grant it, they would give countenance to an imputation which they were laudably anxious to avoid.

James Watson Webb &

It is proper to add, that James Watson Webb & Co. in their paper, the Courier and Enquirer, had declared themselves in favor of renewing the charter of the bank, some months before the application for their first loan; and that they stated to the directors, on making application for the first loan, that the bank of New York had cut them off from their accustomed facilities, as they believed, in consequence of their espousing the cause of the Bank of the United States.

It is also proper to add, in this place, that the loan of \$17,975 which was made in March, 1831, was not a loan to Webb and Noah, or to either of them. The money was borrowed by Silas E. Burrows, a man of large fortune, upon his own responsibility, without the knowledge of either Webb or Noah. They both testify that they had never been apprised that Mr. Burrows had obtained this loan from the bank, until a very short time previous to the visit of this committee to Philadelphia. They had, until that time, been under the impression that the money was obtained for them of Mr. Silas E. Burrows, in Connecticut. The following extract from the testimony of Mr. Biddle will exhibit a clear view of this transaction:

"These notes were discounted by the exchange committee under the resolutions just referred to.— They were done at the request of Mr. Silas E. Burrows, of New York. Mr. Burrows had, some time before, brought me a particular letter of introduction from an old friend, Mr. Monroe, the ex-president. Mr. Burrows had been very liberal to Mr. Monroe in his pecuniary misfortunes, and he had recently received from the President of the United States particular thanks and commendations for his generous conduct towards a Russian ship of war. I understood him to be a very rich merchant of kind and benevolent disposition, and constantly engaged in doing acts of liberality. In one of his visits to Philadelphia, he said, 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 put his name on a paper not mercantile, yet he would at any time do so whenever it might be necessary to secure the bank." "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 gave him the money out of my own funds, and the notes were afterwards put in my possession. They remained with me for 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, as a new board of directors, and a new committee of exchange would soon 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 I therefore gave the notes to the Chairman of the committee, Mr. Thomas P. Cope, who entered them on the books.— On the 2d day of March, Mr. Burrows called at the bank and paid the notes. I ought to add that the loan was made at the request of Mr. Burrows, and that neither I nor any of the committee had ever seen Mr. Noah or Mr. Webb, or had any communication with them direct or indirect about the loan. It was made on the credit of Mr. Burrows, who afterwards paid it.

It appears that Messrs. Webb and Noah avowed themselves in favor of a renewal of the charter of the Bank of the United States on the 8th of April, 1821. It is difficult, therefore, to conceive what possible influence could have been produced upon their cause by a *loan to Mr. Burrows*, of which they had no knowledge. It is equally difficult to perceive how the loans of August and December 1831, could have had any possible agency in producing the change which it is alleged took place in the course of these editors upwards of four months before.

Under all the circumstances of this case, the minority of the committee declare, without any reserve, that there is nothing in these transactions calculated to induce

them to doubt the honor and integrity of the directors, and this, they feel authorised to say, is the opinion of a majority of the committee, from the opinion already publicly expressed of one of its members.* They also deem it to be due to the occasion, and to their own sense of justice, that they should add, that, they do not believe there exists in the United States a bank direction composed of more upright, independent, and honest men, than that which granted the loans in question.

Most, if not all of them, are men of independent fortunes, having no connection with politics, and being entirely independent of banks. They are generally men who are engaged in a safe and successful business, with fortunes, which they have made, not by adventurous speculations, but by steady industry and moderate but certain profits. This is, indeed, the general character of the merchants and capitalists of Philadelphia, a circumstance which renders the location of the bank in that city peculiarly fortunate for the stockholders and for the country.

The next subject brought to the view of the House by the report of the majority, which it is now deemed necessary to notice, is that of the transactions of the bank with Thomas Biddle & Co.

Mr. Thomas Biddle, the principal member of the firm, is a distant relation of the president of the bank, and it was owing to this circumstance, probably, that his accounts underwent a most prying, not to say inquisitorial, examination.

The first thing that struck the attention of a part of the committee, as worthy of scrutiny, was the fact, that this House had obtained from the bank, in August, 1831, loans to the amount of upwards of a million of dollars, on a pledge of stocks,—a sum which had been gradually reduced, however, to about six hundred thousand dollars.

On examination, it was found that this loan had been made at the special instance and urgent solicitation of the directors of the bank; and that the bank, and not Thomas Biddle & Co., was the party accommodated.—The Government having then recently paid off several millions of its stock, which the bank had owned, the consequence was, that a large portion of the money capital of the institution was rendered unproductive, and it became a matter of great importance to have it invested. In this state of things, the directors adopted a resolution, authorising the loan of a large sum at less than the legal interest, upon the security of any good stock. It is to be here remarked, that this was that portion of the capital of the bank which had never been invested, and which it was not deemed expedient to invest, in the routine business of discounts. The loan to Thomas Biddle & Co., on the pledge of stocks, was analogous to a loan to the Government. The stocks could, on any emergency, be sold and converted into cash; so that this investment had, in some sort, the twofold attribute of money in the vaults of the bank, to meet any pressing demands against it, and money, at the same time, drawing interest.

...the were examined on the subject

All the directors, who were examined on the subject, stated that they considered this transaction more for the benefit and accommodation of the bank, than of Thomas Biddle & Co., and the president of the Bank of Pennsylvania stated, on oath, that the bank over which he was president, would have been very glad to have made large loans to Thomas Biddle & Co., at the same time, and upon the same terms—the board of directors of that bank having authorised such loans at $4\frac{1}{2}$ per cent.

There was one occurrence during the examination of the transactions of Thomas Biddle & Co., with the bank, which merits particular notice.

An informer and witness, by the name of Whitney, who had formerly been a director of the bank, was produced, who declared, upon oath, that, in July, 1824, two of the cashiers of the bank, and one of the discount clerks, had informed him that Thomas Biddle & Co. had been in the habit of drawing money out of the bank, on a deposit of stock in the teller's drawer, *without paying interest*; and that the president of the bank had discounted two notes, one for Thomas Biddle & Co., and one for Charles Biddle, without the authority of the directors. This witness stated, that he went with these officers of the bank, and examined the teller's drawer and the discount book, and found the facts which had been stated to him verified by the examination. He also stated, to give additional certainty to his averments, that he made a memorandum at the time, with the dates of the transactions, which memorandum he produced to the committee. Having thus unalterably fixed the date of the transaction, as if by some fatality, he went on to say, that he immediately proceeded into the room of Mr. Biddle, the president, and remonstrated with him against these irregular proceedings; and that Mr. Biddle promised him that they should not occur again.

Mr. Biddle was present during the examination of this witness. On that day, being on oath, he said that he was utterly astonished at the testimony of the witness, and could only oppose to it his solemn declaration, that there was not one word of truth in it from the beginning to the end. He added, that from the relation in which the witness stood to him, he would have sunk into the earth, sooner than he would have dared to come to him with such a remonstrance as he pretended to have made. The officers of the bank, from whom the witness alleged that he derived this information, were examined, and all of them positively contradicted him. They testified and demonstrated from the books, that Thomas Biddle & Co. had never obtained money, in any instance, without paying interest, and that the two notes, which Whitney asserted to have been discounted by the president alone, had been discounted regularly by the directors.

In the interval between the adjournment of the committee, that day, and its meeting the next, a member of the board of directors suggested to Mr. Biddle, that he was, about the time of this alleged transaction, in the city of Washington. On examining the journals of the board and the letter book, it was found by entries and letters, that for several days previous to the alleged interview between the president and Whitney, and for several days afterwards, the president was absent on a visit to this city, on the business of the bank, and General Cadwallader was acting as president in his place!

Thus was this artfully devised story, which was intended to blast the reputation of a high minded and honorable man, through one of those extraordinary interpositions, by which Providence sometimes confounds the contrivances of the wicked, made to recoil upon the hand of its inventor, who must forever stand forth as a blasted monument of the speedy and retributive justice of heaven. It is important here to add, that the president was in this city, not only at the time of the alleged interview, but at the very time when the notes of Thomas Biddle & Co. and Charles Biddle were discounted, which Whitney swore were discounted by the president alone.

The minority of the committee will avail themselves of this occasion to say, that they had the most conclusive evidence, that in all the transactions of the bank with Thomas Biddle & Co. and Charles Biddle, the president has been, not only free from the slightest imputation of partiality or favoritism, but that his conduct has been invariably governed by a nice and scrupulous sense of delicacy and propriety. And this they feel authorized to say is the opinion of a majority of the committee. The following resolution was unanimously adopted by the committee:

Resolved, That the charge brought against the president, of lending money to Thomas Biddle & Co. without interest, and of discounting notes for that house, and for Charles Biddle, without the sanction of the directors, are without foundation; and that there does not exist any ground for charging the president with having shown, or manifested any disposition to show any partiality to these individuals, in their transactions with the bank.

The report of the majority, advertng to the withdrawal of specie from the southern and western branches, and the substitution of paper in its stead, suggests a doubt whether their operation may not be highly injurious to the southern and western States. So far from concurring in this doubt, the minority are of the opinion that there are no portions of the Union so much benefited by the general operations of the bank as the southwestern and western States, and that the change produced by the bank in this system, and in the rates of domestic exchange, has been particularly beneficial to the whole of the southern and western States. Connected with the exchange operations of the bank, the transmission of specie from New Orleans to the northern Atlantic cities, is nothing more than a natural operation of trade, carrying the specie imported at New Orleans to its appropriate markets. This operation is carried on by the bank instead of being left to individuals, to the undoubted advantage of the community.

With a view to connect itself more completely with the commercial operations of the country, the bank has also deemed it expedient to deal freely in foreign exchange. It is obvious that this branch of its business is as important to the foreign commerce of the country, as dealing in domestic exchange is to our internal commerce.

Having heretofore had large funds in Europe, and having still extensive credits there, it has been, and still is, the policy of the bank to afford to the mercantile community every facility for carrying on foreign commerce. At the south, where the staples of exportation are produced, it is constantly in the market as a purchaser of bills on Europe, to the great benefit of the planter; and at the north, where foreign merchandise is imported, it is as constantly in the market as a seller, to the like benefit of the importing merchant. In this way the price of foreign bills is kept uniform and steady, and those injurious fluctuations are prevented, which would otherwise operate as heavy taxes upon the business classes of the community for the benefit only of private dealers in exchange.

The majority of the committee have selected for commentary, a particular branch of the foreign exchange business of the bank—that which is connected with the trade of India and South America. This subject has been already explained in another form, and it will be sufficient to remark here, that it has almost entirely arrested the direct exportation of specie from this country to China, and that it saves to this branch of our trade whole of the interest upon the entire amount of every commercial adventure, for at least six months out of twelve. On the subject of the general facilities which the bank has afforded to the country, in the operations of foreign commerce, the minority of the committee will refer the House to the perspicuous exposition furnished by the president, of the general operations of the institution, which is herewith submitted and marked A.

It will be seen from this document, that during the recent pressure upon the commercial community, produced by the excessive importations of the last two years, the

bank furnished, since September last, "from its own accumulations and credits in Europe, the means of remittances in its own bills, to the amount of \$5,295,746, and parted with its surplus specie to the amount of five millions, making an aggregate contribution to our commerce of \$10,295,746."

The extent to which these operations of the bank must have relieved the country, are too obvious to require comment. Without this temporary relief—and it was only temporary relief the community required—the greatest commercial distress would have probably ensued. The crisis is now nearly passed. The pressure on the money market has, in a great measure, ceased; commerce has had time to correct its own excesses; importations have been diminished; the unfavourable state of the foreign exchanges no longer exists; specie has ceased to flow from the country, and has begun to flow into it. Since March last, the specie in the bank has increased more than a million of dollars, and every thing is rapidly assuming a sound and healthy condition.

The majority, in the concluding part of their report, intimate the opinion that the bank, by its imprudent and excessive issues, has had a considerable agency in producing the over-trading and excessive importations of the last year.

Whatever show of plausibility there may be in this opinion, facts demonstrate that it is entirely erroneous. It will be seen from the statements herewith exhibited, that the domestic discounts of the bank had not increased perceptibly from March, 1829, to March, 1831; but that they maintained an almost uniform level during the whole of the intervening period. The excessive importations, however, commenced in March and April, 1831, and must have had their origin in causes some months anterior. It is apparent, therefore, that these excessive importations were not produced by the excessive issues of the bank, and must have originated in other causes connected with the state of Europe. The more correct view of the subject, is to consider the excessive importations as producing a state of things which rendered it necessary for the bank to extend its discounts, with a view to relieve the community from the temporary pressure to which it was thus exposed.

It so happened, that at the very time the country stood most in need of bank accommodations, the bank had increased means and inducements to extend those accommodations. The government having paid off, within the last eighteen months, ten millions of its stock, which was held by the bank, the directors found that if they did not increase their discounts considerably, some millions of their capital must be idle and unproductive. It thus happened that the wants of the community, the means of the bank, and, it may be added, the obligation of the directors to the stockholders and to the community, all co-operated to call for that extension of bank accommodations, which, so far from having produced over-trading and excessive importations, has been the means of correcting and mitigating the temporary evils and embarrassments which these irregularities of trade would otherwise have unavoidably produced.

The minority of the committee deem it to be their indispensable duty to notice that part of the report of the majority, which institutes a comparison between the resources of the bank and the condition of the country in 1819 and at the present time. They cannot but regard the comparison thus presented by the report as unfair and partial, and calculated to produce impressions on the public mind as absolutely erroneous as they would be positively pernicious.

If it had been the design of the majority to produce a scene of general embarrassment and distress in the commercial community, in the absence of any natural causes for such a state of things, they could not have adopted a more effectual means of accomplishing such an object than they have done in this part of their report.

Fortunately, however, for the country, the commercial community of the United States have too much intelligence to be thrown into a panic by the loose, disjointed, and garbled statements, the crude speculations, and the random conjectures, in which a part of the committee have thought it expedient to indulge. If a general alarm has not ensued, producing a run upon the banks, or curtailment of discounts, and a general scene of failure and distress, particularly among the government debtors in our principal importing cities, it is because the community understand the subject better than a portion of the committee, and have placed a proper estimate on their statements and speculations.

There are no two periods of our commercial history so utterly dissimilar as those which have been selected for the comparison instituted by a part of the committee. In 1819, the bank was engaged in the painful but necessary office of correcting a redundant and depreciated currency, produced by political causes, and having scarcely any connection with the state of trade.

At this moment, whatever may be said to the contrary, our currency is in as sound a state as that of any country in the world; and this is conclusively proved by the state of our foreign exchanges, and the relative value of bank paper and coin in our own markets. The foreign exchange is an infallible barometer to indicate the soundness or unsoundness of our currency. A reference to the state of the exchange between this country and Great Britain, at this time, will furnish a conclusive reply to the charge brought against the bank, of having encouraged overtrading by excessive issues, and a depreciated currency. In fact, specie is now flowing into the country, by the natural course of trade, a phenomenon which is utterly inconsistent with the alleged depreciation of our currency.

After making a partial and imperfect statement of the relative resources and responsibility of the bank in 1819, and at the present time, the report expresses the opinion 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, as [then?] at the present moment."

Now, the very complaint urged by a part of the committee against the bank is, that it has been too liberal in its discounts, or, in other words, that it has granted too much relief to a suffering community already; and yet it is here set down, as a subject of lamentation, that the bank is not able to extend this relief still further! The country has just been laboring under a considerable, but temporary pressure upon the money market, during which the bank, with as much liberality as judgment, has put forth all its resources to sustain and relieve the commercial community.

The crisis of this pressure has already passed by, and the necessities of the merchant for bank accommodations are gradually diminishing; and it is precisely at this point that a part of the committee, having complained that the bank went too far in its accommodations when they were necessary, complain also, that it cannot go still further, now that the emergency is passing away.

of the bank will now be stated,

owned only to the amount of \$2,378,980; whereas it now owns to the amount of \$23,052,972.

The opinion of Mr. Cheves, in 1819, is adverted to in the report, to prove the impolicy of increasing the number of branches; and the fact is stated, that a large proportion of the losses sustained by the bank have been owing to the mismanagement of the branches.

The opinion of Mr. Cheves was founded on the peculiar state of things which existed at the time. He felt the difficulty of controlling these branches, of which, as he stated, the "directors were frequently governed by individual and local interests and feelings;" and he came into the administration at a time when immense losses had been suffered by their mal-administration. But it is very important to remark—what the report does not bring to view—that almost all the disproportionate losses incurred by the branches were previous to 1819; and that, since the extension of the branches, of which the report complains, they have not sustained greater losses, in proportion, than the mother bank; while nine-tenths of the commercial facilities afforded to the country, and nine-tenths of the profits secured for the stockholders, have resulted from the operations of these branches.

The report makes reference to the obligation of the Bank to transfer the funds of the Government, to any point where they may be wanted for disbursement, and seems to have made the extraordinary discovery, that this operation is no burden at all, but an actual benefit to the bank! For the satisfaction of those who might be sceptical, the words of the report will be given:

"The largest portion of the revenue, particularly from imports, as is universally known, is collected in the Atlantic cities north of the Potomac. These 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 they required to be transferred by the government, and the greater the distance, the greater the profit and advantage to the bank.*

If these views of the report be correct, the bank is certainly an invaluable institution. It has not only annihilated time and space, but it has done something more. It has produced such a state of the exchanges, that it is much easier for a man in New York to pay a thousand dollars in St. Louis than to pay it in Wall street; and in which, consequently, the New York debtor actually makes a profit by being required to pay his debt a thousand miles off instead of paying it at his own door! If this be a correct view of the subject, it is undoubtedly one of the greatest of the modern discoveries in finance and commerce.

But the minority are still incredulous. They cannot understand how it is possible for the bank to make a profit by transferring funds, when it is expressly stipulated that they shall transfer them for nothing. Nor can they well conceive how the loss which the bank sustains by the operation of transferring funds for the government, can be less than the difference between the "nothing" which it receives from the government and the profit which it would derive from the same operation, if performed for individuals.

If the government collected its revenue in specie at New York, and had occasion to spend it at St. Louis, as it would certainly cost it something to transport the specie from one place to the other. If, in the absence of a Federal bank, it collected its revenues in the bills of State banks, it would be obliged to do, the operation of transferring these funds to distant places would involve a still greater expense. But under the existing system, the bank is responsible for the safe custody of the government funds, and for placing them wherever they may be required, without any expense whatever to the government.

If, then, the bank has not "aided the fiscal operations of the government," as the report seems to intimate, a uniform currency and a revenue safely kept, and universally transferred at the risk of the bank and without expense to the government, affords no aid to its financial operations.

The report, adverting to a letter from the president of the bank, of the 26th of March last, in which he informs the Secretary of the Treasury, that the collector of New York had requested the "bank to authorise an extension of loans in that city, in order to assist the debtors of the government," and that this had been promptly done, gives a view of the discounts of the office at that place, calculated to make the impression that no extension of loans had taken place.— This is an error. It proceeds from confounding notes discounted with bills of exchange purchased by the bank. It will be seen by the weekly statement of the New York board, that the amount of notes discounted on the first of September, 1831, was \$4,103,134, and that on the 21st March, 1832, a few days before the date of the president's letter, the amount was \$4,834,917, exhibiting an increase of \$731,782, in a little more than six months.

If the amount of domestic bills falling due at a distance, during the same period, were larger than the amount purchased by the bank—this fact has nothing to do with the extent of the accommodation afforded by the bank to the merchants of New York. The true measure of that accommodation is the amount of domestic notes discounted, and not the amount of these notes united to that of the domestic bills purchased.

That the bank has relieved the commercial community of New York, during the recent pressure, is a fact well understood and practically felt by the merchants there; and it will be difficult to reason them out of the convictions of their own experience by artificial statements and conjectural inferences. Upon a review of the whole ground occupied in the examination they have made, the minority are of the opinion that the affairs of the bank have been administered by the president and directors with very great ability, and with perfect fidelity to all their obligations to the stockholders, to the Government, and to the country. They regard the bank as an institution indispensable to the preservation of a sound currency, and to the financial operations of the government, and should consider the refusal of Congress to renew the charter as a great national calamity.

They will add, in conclusion, that they are equally decided in the opinion that Congress is called upon by the most weighty and urgent considerations to decide this important question during the present session. The uncertainty which prevails on this subject, is calculated to exert a very pernicious influence over the industry, enterprize, and trade of the country. If the charter of the bank is not to be renewed; if the tremendous operation of withdrawing from the community fifty millions of bank accommodations, and twenty-two millions of its circulating medium, must take place, it is full time that it should be distinctly known, that the shock of this operation may be mitigated, by timely arrangements on the part of the bank; and that the community may have time to provide the necessary substitutes. Considering the immense extent of the operations of this institution, the time which its charter has yet to run, will be scarcely sufficient for winding up its affairs.

The report of the majority is appended a great number of the bank

To the report of the majority is appended a great number of questions, proposed to the president of the bank by a member of the committee on the general subjects of banking and currency. As the questions alone throw very little light on these matters, the answers are herewith submitted for the information of the house.

GEORGE McDUFFIE,
J. Q. ADAMS,
JOHN G. WATMOUGH.