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AUTHORIZED BY THE BOARD OF TRUSTEES ON THE RECOMMENDATION

OF THE PRESIDENT AND SENATE

EDITED BY A COMMITTEE APPOINTED BY THE SENATE

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/

THESE VOLUMES ARE DEDICATED

TO THE MEN AND WOMEN

OP OUR TIME AND COUNTRY WHO BT WISE AND GENEROUS GIVING

HAVE ENCOURAGED THE SEARCH AFTER TRUTH

IN ALL DEPARTMENTS OP KNOWLEDGE

THE SECOND BANK OF THE UNITED

STATES

THE SECOND BANK OF THE

UNITED STATES

BT

RALPH C. H. CATTERALL

OP THE DEPARTMENT OF HISTORY

THE DECENNIAL PUBLICATIONS

SECOND SERIES VOLUME II

CHICAGO

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PREFACE

In this book an effort has been made to write the history

of the Second Bank of the United States in its various

aspects, laying particular stress, however, upon its relations

to politics, and upon its operations as a commercial bank.

My thanks are due to the Honorable Craig Biddle, of

Philadelphia, the distinguished head of a distinguished family,

whose members for over a century and a quarter have won

honor in the annals of our country as seamen and soldiers,

jurists, bankers, and historians. With a generosity as rare

as it is grateful he has permitted free and complete access

to the papers of his father, Nicholas Biddle, which still

exist in their entirety at his summer home in Andalusia,

Pennsylvania. Without this courtesy much of this history

of the Bank of the United States could not have been written.

I wish also to thank Professor J. Franklin Jameson for

his aid and encouragement

R. C. H. C.

Chicago, August 29, 1902.

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ABBREVIATIONS

B. P. : Biddle Papers. The manuscript oorrespondenoe of

Nicholas Biddle, preserved at Andalusia, Pa.

Ex. Doc. : Executive Document.

F. : State Papers, folio edition. Finance.

H. R. ; House Report.

P. L. B. : President's Letter Book. The letter books of Presi-

dent Nicholas Biddle, kept at Andalusia, Pa.

S. D. : Senate Document.

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CHAPTER I

ESTABLISHMENT OF THE BANK

The Second Bank of the United States owed its origin

to the disasters of the war of 1812, its existence to the

party of strict construction founded by Jefferson and

Madison\* A brief survey of the state of the finances result-

ing from that war will reveal the necessity which impelled

the Republicans to surrender their cherished constitutional

principles and create a " monster " bank.

In 1811 the charter of the First Bank of the United

States expired, and Congress, imbued with constitutional

scruples and actuated by bitter hostility to Secretary

Gallatin, refused to renew it This act was the beginning

of financial confusion and financial shipwreck, and foresee-

ing the result Gallatin fled from the treasury as soon as he

could honorably do so. Thereupon William Jones, secre-

tary of the navy, became acting secretary of the treasury,

and in his person l helpless inefficiency was placed in control

of the government finances. Surrendering the post in

February, 1814, he was succeeded by the equally inefficient

George W. Campbell 2

The result was that the administration of the finances

could not possibly have been worse. In addition, Congress,

after refusing to re-charter the bank, failed to make proper

provision for a war revenue, being convinced that hostilities

could be supported from the proceeds of the peace revenue

supplemented by loans, in spite of the fact that in 1811 the

i\*\* Darin\* the disconsolate interval, from May, 1&1S, till February, 1814, Mr.

Jones imperfectly performed the routine duties of that rital organ."— Inok&soll,

The Second War with Great Britain, Vol. II, p. 252.

t/Md., P.2SS.

1

2 The Second Bank op the United States

ordinary revenue had been not more than adequate to dis-

charge the ordinary expenses. 1 It was presumed that loans

would be easily negotiated, even though Congress failed to

take any measures to provide for their repayment, 2 and

though the moneyed men of the East refused assistance to

the government. A brief experience brought disillusion-

ment The tariff dues dwindled to almost nothing, while the

project of borrowing the necessary funds soon proved utterly

vain, t

(Two methods of raising loans were adopted. The first

was to increase the funded debt by the sale of bonds; the

second, to issue treasury notes. Congress authorized bond

issues during the years 1812-14 to the amount of $61,000,000,\*

but the administration procured only $45,172,581,\* and of

this only the sum of $7,860,000 was negotiated at par, the

rest being taken at rates varying from $88 to $80 in cash

for $100 in stock. 5 The direct loss to the government was

I over $6,000,000, and there was an even more serious indirect

loss resulting from the circumstance that much of the paper

money paid to the government for its stock was depreciated

from 20 to 30 per cent© An excellent example of the

manner in which stock loans were negotiated is presented by

the failure of the $25,000,000 loan of 1814. Secretary

Campbell, despite the most strenuous exertions, was able to

i Sso. Dallas, Deo., 1815, Report\* on the Finance\*, Vol. II, p. 3.

2INGER8OLL, Vol. II, p. 251; Dallab, Dec., 1815. Report\* on the Finance\*\* Vol.

II, p. 6.

s Dallas, ibid., pp. 7-12. \* Ibid.\* p. 15. % Ibid., p. 17.

•The Committee of Ways and Means declared in 1830 that " The government

borrowed, daring the short period of the war, eighty millions of dollars, at an

average discount of fifteen per cent., giving certificates of stock, amounting to eighty

millions of dollars, in exchange for sixty-eight millions of dollars, in such bank

paper as could be obtained But the sum of sixty-eight millions of dollars,

received by the government, was in a depreciated currency, not more than half as

valuable as that in which the stock given in exchange for it, has been and will be

redeemed. Here, then, is another loss of thirty-four millions, .... making, with

the sum lost by the discount, forty-six millions of dollars."— H. R. 958, 21st Cong.,

1st Sess., p. 12.

Establishment of the Bank

secure only $10,400,000 of this sum. In July, in answer to

a request for $6,000,000, he received offers for $2,500,000,

and was compelled to accept $80 in cash for $100 in stock.

The immediate consequence was that the loan of #9,000,000,

negotiated in the previous spring at $88 on the $100, had

also to be granted at the rate of $80 on the $100, since

Campbell had agreed to allow the takers of that sum the

best terms given on any part of the loan. Even then many

subscribers failed to fulfil their contracts. 1 The result had

justified Webster's opinion that the loan for the year would

fail unless a bank could be established. 3 It seemed "that

loans on any terms" were " totally at an end,"\* and that the

"system had at length entirely exploded, .... notwith-

standing the Government had been prepared to accept terms

of the most extravagant and ruinous character. 'Cv

The reliance upon treasury notes had proved equally futile.

Beginning with June 30, 1812, and ending with December

26, 1814, Congress authorized the emission of $35,500,000

in treasury notes, at 5f per cent, interest, reimbursable

in one year from the date of issue, receivable in payment of

all duties, taxes, and debts due to the United States, not a

legal tender, and to be issued only at par. 6 Of this amount

only $17,227,280 were issued, and but a small part of this

sum was in circulation at any one time, since the notes,

though legally not redeemable for one year, were indirectly

redeemable at once because the government was bound to

receive them in all payments of debts and taxes due to it

> Sbc. Campbell, Sept. 23, 1814, Reports on the Finances, Vol. I, p. 528.

\* Webster to E. Webster, March 28, 1814, Correspondence, Vol. I, p. 243.

sSamuxl Ingham, Not. 17, 1814, A. of C, 13th Cong., Vol. Ill, p. 502.

\* Thomas Oaklet, Oct. 21, 1814, ibid., p. 421. Dallas, speaking of April, 1814,

says: "The plan of finance, which was predicated upon the theory of defraying

the extraordinary expenses of the war by successive loans, had already become

inoperative."— Report\* on the Finances, Vol. II, pp. 11, 12.

\* Statutes at Large\* Vol. II, p. 766, Jane 30, 1812, $5,000,000; ibid., p. 801, Feb. 25,

1813, $10,000,000; ibid., Vol. Ill, p. 100, March 4, 1814, $10,000,000; ibid., p. 161, Dec. 26,

1814, $10,500,000.

4 The Sboond Bank of the United States

Moreover, the period of issue was so brief that the treasury

was kept busy redeeming old issues almost as rapidly as new

ones were made. 1 Secretary Campbell calculated that it was

not possible to keep in circulation over $6,000,000 of treas-

ury notes. 2

By May, 1813, Congress had become convinced that some

fixed provision for the payment of loans must be made, and

had begun "to lay the foundation of a system of internal

revenue." Later it largely increased the taxes then laid.\*

But events had now progressed so far that the condition of

the treasury was desperate. The banks of the country, with

the exception of those in New England, suspended specie

payments in August and September, 18l£(xand the result

upon the finances of the United States was immediate and

destructive. Had there existed a national bank, suspension,

though injurious tothe country, might have been beneficial

to the governmeniyi' but without the bank, since the state

banks would neither pay specie nor accept each other's notes

at par, the country was left without any common medium of

exchange, and hence the government was forced to receive

its revenues in state-bapk paper and treasury notes of all

degrees of depreciation^ Notes at par in one section of the

i Amount of treasury notes outstanding Jan. 1, 1813, $2,835,500; Jan. 1, 1814,

$4,907,300; Jan. 1, 1815, $10,646,480.— Dallas, Deo. 1815, Report\* on the Finance\*,

Vol. II. p. 50.

s Campbell, Deo., 1814, ibid., Vol. I, p. 529.

» Dallas, Deo., 1815, ibid., Vol. II, pp. 8, 12.

• The capture of Washington precipitated suspension. The banks of the District

suspended first, and were followed in rapid succession by those of Maryland, Penn-

sylvania, New York, New Jersey, Virginia, Ohio, and Kentucky. The New England

banks did not suspend, though some sixteen or eighteen country banks in that part

of the nation used the suspension as a pretext to pay or not, as circumstances

directed.— Nilbs, Vol. VII, Appendix, p. 175.

• " Suspension mattered little, and had the national bank been in existence, tho

failure might hare been an advantage to the government."— Adams, History of the

United Statm % Vol. VIII, p. 214.

• Sept., 1814, at Boston, Baltimore paper, 20 per cent, discount; New York, 10 per

cent.— Adams, Gallatin » Writing\*\* Vol. Ill, p. 863. Jan. 19, 1815, New York paper.

19-20 per cent, discount ; Philadelphia, 22 per cent. ; Baltimore, 25 per cent. ; Feb. 1, at

Boston, New York paper, 20-24 per cent, discount; Philadelphia, 24 per cent. ; Balti-

Establishment of the Bank 5

Union were at a heavy discount in another, and the rate

varied " not only from time to time, but at the same time

from state to state, and in the same state from place to

place." 1 The result was that the government found itself

burdened with an enormous mass of depreciated paper cur-

rent only in the immediate vicinity of its issue. To dis-

charge a debt in New England it must offer specie or New

England notes, since nothing else was current there ; while

in New York no one would accept anything of less value

than specie, New England notes, or New York notes. In

Pennsylvania, again, New York notes would not be received

at par, and in the rest of the country neither New York nor

Pennsylvania notes were acceptable. Since Congress had

not authorized the treasury to make any allowance for dis-

count in such cases, the government could not employ issues

of one state in another state p^nor would treasury notes

suffice to discharge the debt, for by the law they must be

issued at par, and yet were depreciated in the open market,

often to a greater extent than bank notea? Hence no one

would receive them unless forced to do sdj/ Meanwhile,

more, 90 per cent. ; United States 6 per cents, 40 per cent. ; treasury notes, from 24 to 25

per cent.— Nilbs, Vol. VII, Appendix, p. 176. July, 1815, specie premium, 20 per cent,

in Baltimore ; 11 per cent, in Philadelphia ; 14 per cent, in New York.— Adams,

Gallatin'\* Writing\*, Vol. HI, p. 363.

i Adams, ibid., p. 331.

t " From the suspension of specie payments and from various other causes ....

differences in the rate of exchange arose between the several states ; and the embar-

rassments of the treasury were more and more increased, since Congress had not

sanctioned any allowance on account of the rate of exchange .... wherever the

treasury failed in procuring a local currency, it failed also in making a stipulated

payment."— Dallas, Dec., 1815, Reports on the Finances, Vol. II, p. 25. Eppes said :

" The notes of New York and Philadelphia will not be received in Boston ; the notes of

Baltimore, or of the District of Columbia, will not answer for payments in Phila-

delphia."— .4. of C, 13th Cong., Vol. Ill, p. 378, Report, Oct. 10, 1814.

'Note 2, supra; also Nilbs, Vol. VIII, pp. 422, 423. " Payments in bank paper

were universally preferred during that period."\*— Dallas, Dec., 1815, Reports on

the Finances, Vol. II, p. 25.

\* "Treasury notes, which none but necessitous creditors, or contractors, in dis-

tress, or commissaries, quartermasters, and navy agents, acting, as it were officially,

seemed willing to accept."— Dallas, A. of C, 13th Cong., Vol. Ill, p. 652 Not. 27,

1814.

6 The Second Bank op the United States

I large sums on deposit for the government in southern or

I western banks were almost utterly useless, because they could

not be transferred to the places where they were payable ;

and the future promised no relief, since the taxes were paid,

not in specie, but in treasury notes, which, " almost as soon

as they were issued, reached the hands of the collectors, in

payment of debts, duties, and taxes ; thus disappointing and

defeating the only remaining expectations of productive

revenue." 1 The effect upon the finances was literally anni-

hilating.

Such being the situation, the machinery of government

threatened to come to a disastrous stop. In November,

\ 1814, Secretary Dallas was compelled to announce to the

holders of government securities in Massachusetts that the

treasury could no longer pay the interest on the national

debt held in that section, having neither specie nor New

England bank notes with which to pay. 3 At the same

moment the administration failed to redeem treasury notes

at Boston, Philadelphia, and New York ;\* it actually paid

some of its soldiers in bank notes which were not receivable

in discharge of taxes ; 4 it could not obtain funds " to defray

the current ordinary expenses of the different departments."

The State Department was unable to discharge its stationery

bill ; " the treasury was obliged to borrow pitiful sums, which

it would disgrace a merchant in tolerable credit to ask for;"

the War Department could not pay a bill for $3,500 ; " the

paymaster was unable to meet demands for paltry amounts —

not even for $30 ;" 5 the deficit for the coming year would

probably reach $40,000,000.\* Meanwhile, the government

i Dallas, A. of C„ 13th Cong., Vol. in, p. 652.

\* Dallas to commissioner of loans at Boston, Not. 9, Nilbs, Vol. VII, p. 270.

'Dallas to Eppes, Dec. 2, 1814, Schedule A, A. of C, 13th Cong., Vol. Ill, pp.

767, 768. The amount was $1,902,680.80.

\* Dallas to Eppes, Not. 23, 1814, ibid., p. 717.

\* Hanson, of Maryland, Not. 28, 1814, ibid. % pp. 656, 657.

•Webster to E. Webster, Jan. 22, 1815, Correspondence, Vol. I, p. 250.

Establishment of the Bank

"was subsisting upon the drainings of unchartered banks in

the District," l and on the proceeds of temporary loans pro-

cured from various state banks, as a matter of grace on their

pari\*

These were the events which compelled the Republicans

to establish a bank. Yet long before their culmination

attempts had been made to pass a bank bill\* The history of

the various efforts naturally falls into three periods : (1) the

attempt while the war was in progress, before suspension ;

(2) during the war, after suspension ; (3) after the war.

1. During the war — before suspension. — On January 4,

1814, Mr. Lefferts, of New York, presented the petition of

one hundred and fifty citizens of that state "praying for

the incorporation of a National Bank, with a capital of

$30,000,000." 4 This petition was referred in the House to

the Committee of Ways and Means, whose chairman was

John W. Eppes, son-in-law of Thomas Jefferson, and the

leader in Congress of the Virginia party, which adhered \

tenaciously to the doctrine of strict construction and be-j

lieved firmly in the adequacy of treasury notes to meetj

the existing conditions. 5 The committee shared these views, l

and on the 10th Eppes reported against the proposition

because it was unconstitutional to " create corporations

within the territorial limits of the States, without the

consent of the States." \* Calhoun, who proved himself the

real leader of the bank party in Congress, now suggested

that the constitutional objection might be obviated by estab-

lishing the bank in the District/ of Columbia, and moved

i Hajcsoh , loc. eiU \* Dallas, Dec., 1815, Report\* on the Finance\*\* Vol. IT, p. 19.

'Gallatin, on leaving the treasury in May, 1813, had drawn up the charter of a

new bank.— Adams, History of the Administration\* of Jefferson and Madison\* Vol.

VII, pp. 45, 4A.

\*A.of C, 13th Cong., Vol. I, p. 844. The petition was dated Deo. 18, 1813.— /Wd.,

p. 874. A similar petition from Philadelphia was presented Jan. 20, 1814.— Ibid,\* p. 1058b

\* Jefferson to Eppes, Sept. 11, 1813, Works\* Vol. VI, p. 190.

• A. of C, 13th Cong., Vol. I, p. 873.

I

8 The Sboond Bank op the United States

the reference of this suggestion to the consideration of the

Committee of Ways and Means. 1 His motion prevailed.

As Eppes could not be persuaded to support any bank bill, 21

John Taylor, of New York, reported from the committee a

bill to erect a bank in the District, with a charter for twenty

years and a capital of $30,000,000, the government to sub-

scribe one-fifth of the stock and appoint one-fifth of the

directors. There were to be no branches.\* This last provi-

sion rendered the proposed bank no longer obnoxious to the

strict constructionists, but also incapable of providing a

national currency, and consequently unsatisfactory to all who

desired to meet the existing emergency. " Everyone," said

Fisk, of New York, " . . . . must perceive that a bill contain-

ing such provisions would not, could not, pass." Neverthe-

less, his motion to refer the matter to a select committee

<( with instructions to report a bill to establish a National

Bank, with provisions for branches," 4 was decidedly nega-

tived. 8 Thus ended the first attempt to establish a bank.

On the 2d of April the subject came up again, Felix Grundy,

of Tennessee, the recognized spokesman of the administration

in the House, submitting a resolution for the appointment of

a committee " to inquire into the expediency of establishing

a National Bank." 6 The putative support of the adminis-

tration put a new face on the matter, and the House rallied

to the project. The strict constructionists were completely

routed, a motion to confine the bank to the District receiving

but thirty-two votes and Grundy's resolution being carried. 7

On the committee were appointed Grundy, Calhoun, William

Lowndes, and six others. 8 Only one of the number was

i A. of C., 13th Cong., Vol. I, p. 1235, Feb. 4, 1814. « Ibid., Vol. II, p. 1881.

»/&«\*., p. 1579. 4JWd.,p. I860. • Ibid,, p. 1862. Only 38 ayes.

'/bid., p. 1942. t ibid. % p. 1968. Vote, 76 to 89.

■ /bid. Felix Grundy, Tennessee; John C. Calhoun, South Carolina; William

Lowndes, South Carolina; Samuel G. Ingham, Pennsylvania; Thomas J. Oakley,

New York ; Artemas Ward, Massachusetts ; Jonathan Fisk, New York ; William Gas-

ton, North Carolina ; John G. Jackson, Virginia.

Establishment of thb Bank 9

opposed to a bank, and that on constitutional grounds. 1 But

the session was too nearly ended to permit the necessary dis-

cussion, and four days after its appointment the committee

was discharged on the motion of its chairman. 1 The bill was)

" indefinitely postponed," and thus ended the second attempt

to establish a bank.

2. During the war — after suspension, — During the

recess of Congress the capture of Washington and the sus-

pension of specie payments brought the Union to the verge

of dissolution. Congress met in extra session September]

19, 1814, and immediately took up the discussion of a bank

bill, a bank being now considered absolutely necessary.

Speaker Cheves, though allowing Eppes to retain the chair-

manship of the Committee of Ways and Means, appointed

all of his associates from the ranks of the bank party,\* and

a petition from New York city praying for the establishment

of a bank was at once referred to the committee.

The overwhelming distress of the preceding months had

at last shaken loose Campbell's incompetent grip upon the

treasury department He was succeeded by Alexander J.

Dallas, of Philadelphia, 4 a capable lawyer, whom President

Madison had wished to appoint earlier in the year, but had

been restrained from so doing by the hostility of the Penn-

sylvania senators. The needs of the hour, however, swept

away all opposition. 5 Dallas's appointment was understood

by everyone to mean a national bank. Eppes, who still

desired to pour out untold millions of almost worthless treas-

1 Jackson, of Virginia. He was perfectly willing to have a bank if the constitu-

tional question eonld be avoided.— Inqz&soll, Vol. II, p. 250.

\*A.of C., 13th Cong., Vol. in, p. 2002, April 8.

sIxqbrsoli\*, Vol. EI, p. 253. Members: Eppes, Virginia; Stevenson Archer,

Maryland ; Jonathan Fisk, New York ; Thomas J. Oakley, New York ; William Gas-

ton, North Carolina ; Samuel D. Ingham. Pennsylvania ; William Creighton, Ohio.—

A. of C, 13th Cong., Vol. Ill, p. 303, Sept. 21.

\* Oct. 5. 1814. & IxoutsoiL, Vol. II, p. 253.

I

10 The Second Bank op the United States

ury notes, 1 addressed a letter to Dallas, asking him to express

his opinion to the Committee of Ways and Means on the

subject of the finances.\* Dallas immediately replied, de-

Iclaring bluntly that treasury notes would not meet the

emergency, painting in the most lively colors the distress

of the government, and ending by asserting that a national

bank was " the only efficient remedy for the disordered con-

dition of our circulating medium." 8

This reply was decisive. On the 24th of October the

Committee of Ways and Means reported a resolution declaring

that it was " expedient to establish a National Bank, with

branches in the several States." 4 The House agreed to the

resolution immediately and without debate. 5 Pour days

later it refused to strike out the words " with branches in

the several States," by the decisive vote of 138 to 14, and

gave the committee leave to bring in a bill 8

On the 7th of November Jonathan Fisk reported as the

committee's measure 7 a bill drawn up on lines marked out

by Secretary Dallas. The capital was to be $50,000,000,

$6,000,000 of the amount in specie, the rest in government

stock issued during the war. The United States was to sub-

scribe $20,000,000. The bank could not sell government

stock, was to be bound to loan the United States $30,000,000

as soon as it went into operation, and the president of the

United States was empowered to suspend specie payments

when such suspension seemed necessary. 8

This plan did not contemplate a bank which would restore

i On Oct. 10 Eppes had reported in favor of new issues, saying that u Treasury

notes, combined with a system of taxation, more extended than the one heretofore

adopted, will it is believed, in the present state of bank credit, be found to be a

much better resource [». «., than loans]."— A. of C, 13th Cong., Vol. Ill, p. 378.

2 Ibid., p. 401. \* Ibid., pp. 401-9, Oct. 17, 1814.

\* Ibid., p. 451. Beport brought in on the 21st. 5 Ibid., p. 458.

• Ibid., pp. 498, 499, Oct. 28. u State sovereignty was laid low."— Inqbbsoll, Vol.

II, p. 255. Vote to bring in the bill, 93 to 54.

i A. of C., 18th Cong., Vol. HI, pp. 534, 535.

» Dallas's outline, ibid., pp. 404-6, Oct. 17, 1814.

Establishment of the Bank 11

specie payments, nor even one that would itself pay speciijA

What the administration wished was a machine which should \

assist in restoring the credit of the government, and make it I

possible to raise funds to carry on the waij/ Hence the '

provision confining subscriptions in government stock to that

issued during the war y/ hence the clause allowing sus-

pension, that binding the bank to loan the United States

$30,000,000, and the Bection prohibiting it from selling gov-

ernment stock. In a word, nothing spoke in this plan but

the necessities of the government, and in accordance with

these necessities a specie-paying bank — indeed, any institu-

tion deserving the name of a bank — was an impossibility.

It is not surprising that this monstrous scheme was sav-

agely attacked. Opposition came from three quarters : from .

the strict constructionists, a meager band ; from the Feder- 1

alists, able, noisy, persistent, and bitterly aggrieved by the

provision to limit stock subscriptions to war stock fi)and x

from those members of the Republican party who were )

willing to charter a bank, but wished one of a different char-'

acter. This party was respectable in size, most ably led by \*

Calhoun and Lowndes, and supported by Speaker Cheves. /

Calhoun had at first been selected by the administration

to champion its bilL He had thereupon devoted much time

i Madison's veto, Jan. 90, 1815, second head, Menage\* and Papers, Vol. I, pp.

556, 557. Webster said : " It will be utterly impossible for the bank to pay its notes. No

such thing is expected of it. The first note it issues will be dishonored on its

return."— A. of C., 13th Cong., Vol. Ill, p. 1016. Jan. 2, 1815.

s "The objects of the Government are to place the public credit upon a solid

and durable foundation; to provide a revenue commensurate with the demands

of a war expenditure, and to remove from the Treasury an immediate pressure."

—Dallas to Eppes, Oct. 17, 1814, A. of C, 13th Cong., Vol. Ill, p. 403.

\* Intended also to reward Republicans and punish Federalists, since the latter

held very little of this stock.

\* Ingersoll says : " On the 13th and 14th of November, 1814, came on the battle —

not of the bank, but of the stocks : The prevailing controversy, to which the whole

scheme ultimately fell a victim, was what stocks should compose the capital."— Vol.

II, p. 256. \*\* The project brought in by the new Secretary of the Treasury was calcu-

lated only for the benefit of the holders of the stock, created since the war."— Web-

ster to E. Webster, Nov. 24, 1814, Correspondence, Vol. I, p. 247.

12 The Second Bank op the United States

and study to the project, but, to the anger and dismay of the

president and secretary, had soon concluded that it was

totally unsuited to the crisis and extremely mischievous. 1

On the 16th of November, therefore, he introduced an oppo-

sition bill, which was designed to meet the wishes of all

/opponents to the Dallas plan. There was to be no suspen-

. sion of specie payments; no government partnership; no

1 forced loan. The capital was to be $50,000,000, $6,000,000

in specie and the remainder in specie or treasury notes, a

new issue of which should be made for the purpose of sup-

plying purchasers of bank stock. 3 In this manner the gov-

ernment would provide itself with a loan of $44,000,000,

the advocates of treasury notes would be appeased, and the

Federalist attack based on war-loan subscriptions avoide^

j The Federalists joined Calhoun, and " generally voted for

the amendment in preference to the first plan." \* The admin-

istration Republicans, led by Ingham, Fisk, and Forsyth,

" supported by the influence of the administration, backed

by the money power, and the Committee of Ways and

Means," \* contended for the treasury plan, especially for the

provision authorizing a suspension of specie payments. 6

But the South Carolinians swept all before them, and on the

jday after its introduction Calhoun's plan was substituted for

'jthat of Dallas by "a majority of about sixty votes." \*

No sooner was this done than it was found that Calhoun's

supporters were by no means unanimous for his measure.

" The opposition, the adherents of the administration, and

those who had constitutional scruples " combined against it,'

i Calhoun, Works, Vol. in, p. 126; or C. Z>., Vol. XIV, Part I, pp. 481, 482.

2 A. of C, 13th Cong., Vol. HI, pp. 587, 588, 594.

\* Webster to E. Webster, Not. 21, 1814, Corretpondence, Vol. I, p. 247.

♦ Calhoun, Work$ % VoL HI, p. 127; C. P., Vol. XIV, Part I, p. 481

(See Ingham's speech, Nov. 17, A. of C, 13th Cong., Vol. Ill, p. 601. Hera ha

declares that provision for suspension ought to be made, and that not to make it

seems " a species of frantic enthusiasm." Also Inqbbsoll, Vol. II, p. 256.

« A. of C, 13th Cong., Vol. Ill, p. 613.

7 Calhoun, Work$, Vol. HI, p. 127; C. 2>., Vol. XIV, Part I, p. 482.

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while Lowndes, his ablest lieutenant, desired a smaller capi-

tal, and moved to reduce the sum to $35,000,000. l Calhoun

opposed with " much zeal," and Lowndes's attempt failed,

though motion followed motion, amendment amendment,

forcing back into the bill many of the objectionable features

of the treasury plan, while leaving the nature of the capital

stock untouched.\* So numerous were the changes that when

the bill was reported to the House from the committee of

the whole, it was " so interleaved and interlined with amend-

ments .... that the clerk himself could scarcely arrange

them or the Speaker state them to the House." \*

After a week of arduous and acrimonious debate, Lowndes

declared that in his opinion there was no " prospect of the

final passage of the bill " as it stood, and moved its refer-

ence to a select committee. The House agreed with him,

and the bill was referred " without a division." 4 The Feder-

alists had consistently supported Lowndes's attack on Cal-

houn's plan, just as they had voted with Calhoun against

Dallas. They advocated a specie-paying bank with a capital

of $20,000,000. 5

The select committee consisted of Lowndes, chairman,

and Calhoun, Fisk, Forsyth, Ingham, Gaston, and Oakley,\*

all favorable to a bank and representing the different shades

of favorable sentiment Lowndes appealed to Dallas for an

opinion on the advisability of having a capital composed

of treasury notes. This was Dallas's opportunity, and he

returned an answer which annihilated Calhoun's position,

asserting that his plan could not succeed, and that to

attempt it would involve the loss of the necessary loan for

1815 and the failure to restore the nation's credit. 7 The

result was disheartening. Lowndes reported the bill back

to the House precisely as it stood when it was referred to his

1 A. of C., 13th Cong., Vol. Ill, pp. 621, 622, Nov. 19. \* Ibid. % p. 622.

3 Ibid. « Ibid. , pp. 643, 644. & Wbbstbb, ibid., pp. 642, 643.

• Ibid., p. 644. \* Dallas to Lowndes, Nov. 27, 1814., ibid., pp. 652-4.

14 The Sboond Bank of thb United States

committee, declaring that they had not u been able to dis-

cover any means of uniting the conflicting opinions on the

subject." \* His motion to reduce the capital to $30,000,000

was then adopted, 2 the Federalists supporting it But, hav-

ing gone so far, they would go no farther. When the

speaker put the motion to read the bill for the third time, it

was lost by a vote of 104 to 49 ; ' and so ended the third

;ttempt to secure a bank.

The House having failed, the Senate took up the task.

On the 2d of December a bill was reported there substan-

tially incorporating the provisions desired by Dallas. 4 The

Federalist senators offered a feeble opposition, in the face of

which the bill was pushed relentlessly forward, no amend-

ments being permitted, and in one week's time it passed the

Senate 6 and went to the House.

Here the debate began on the 23d and was continued

along the same lines as before. Slight amendments were

made, but it seemed that the Republicans, fearing to risk

the bill, had decided to waive their individual preferences. 6

The Federalists, under the lead of Webster and Gaston, of

North Carolina, exhausted all parliamentary means to defeat

the bill, but were unsuccessful. The 29th of December,

says Ingersoll, " was the stormiest bank day of the session," 7

the fight being waged over the nature of the government

stock to be subscribed to the bank's capital When this

matter was determined against the Federalists by a vote of

73 to 72,\* the passage of the bill seemed inevitable, and the

alarmed Federalists made a bid for the support of the Cal-

houn wing of the Republican party by declaring themselves

i A. of C., 13ih Cong., Vol. Ill, p. 651, Not. 28, 1814.

3 Ibid., p. 655. \* Ibid., p. 686. \* Ibid., p. 119.

\*Ibid., p. 126. Vote: yeas, 17; nays, 14.

• " The details of the bill being nearly the same as those of the bill originally

reported in this House, were not proposed to be changed."— Ibid., p. 968.

1 Ibid., Vol. H, p. 259. « Ibid., Vol. Ill, p. 998.

Establishment of thb Bank 15

in favor of a bank, though not of this bank. 1 Webster pro-

posed a plan which, he asserted, was the Federalist idea of a

bank, saying that for an institution of this nature he should

"at any time be willing to give" his "support." 2 The

motion on the Dallas measure was then put to a vote,

Lowndes voting for the bill, Calhoun against it, and the result

being 81 ayes to 80 noes. Cheves, the speaker, had not

voted. He arose, declared his conviction " that the bill pro-

posed a dangerous, unexampled, and, he might almost say, a

desperate resort," and cast his vote in the negative. The

bill was lost\* For the fourth time the House had failed to

enact a charter. Dallas was so incensed that he expressed

" his determination to withdraw from the treasury." \*

But the bank Republicans refused to be thwarted. No

sooner was the vote announced than a motion to reconsider

was made and, on the 3d of January, 1815, carried by

107 votes to 54. 6 The bill was then recommitted to a

select committee, 6 which reported on the 6th of January.

The Calhoun-Lowndes-Federalist compromise measure reap-

peared. The capital was to be $30,000,000, composed of

$5,000,000 in specie, $10,000,000 in war stock, $15,000,-

000 in treasury notes. There was to be no compulsory

loan; no suspension; no government partnership, though/

i Oakley and Stockton " pledged themselves to vote " for a modified bank bill,

and believed that " a majority of their political friends " would do so.— Ibid., p.

1081, Jan. 3.

\* Ibid., p. 1014, Jan. 2, 1815. (1) Capital, $25,000,000, with privilege to government

to subscribe $5,000,000 more at some future time. (2) No suspension. (3) No obliga-

tory loan to government. (4) Bank to commence operations within a specified time

or forfeit its charter. (5) A certain per cent, penalty to be exacted on all notes not

paid in specie on demand. (6) Capital to consist of $5,000,000 specie; $20,000,000 in

any 6 per cent, stock, or treasury notes. (7) Bank to be permitted to sell govern-

ment stock.— Ibid., p. 1012, or first speech, Work\*, Vol. I.

\* A. of C, 13th Cong., Vol. HI, pp. 1025, 1026, Jan. 2.

\* Dallas, Life of Dallas, pp. 138, 139. \* A. of C, 13th Cong., Vol. HI, p. 1030.

\*/bid., p. 1031; Samuel McKee, Kentucky; Wm. Findlay, Pennsylvania; Rich-

ard Stockton, New Jersey ; Timothy Pitkin, Connecticut ; John W. Taylor, New York ;

Alfred Cuthbert, Georgia; Bartlett Yancey, North Carolina.— Ibid., p. 1031 All

bank men.— Ingebsoll, Vol. II, p. 200.

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Congress was to reserve the right to allow the government

to subscribe $5,000,000 later. 1 The committee's report was

accepted, and the bill was passed on the 7th of January by

a vote of 128 to 38, a most of the Federalists supporting it

Their narrow escape from the Dallas Senate bill had served

.as a lesson to them.\* Thus the House, having lacked only one

vote of passing a measure utterly at variance with the pres-

ent one, after having overwhelmingly defeated a similar bill,

now, by a more overwhelming vote, adopted this measure.

The bill went at once to the Senate, which attempted

amendments. 4 The House, however, refused to agree to any

of them, the Federalists declaring that the bill as it stood

was a compromise beyond which they could not and would

not go. 4 The Senate receded in every particular, and the

bill went to the president, who kept it for ten days and then

returned it to the Senate with his veto. In doing so he

explicitly waived the constitutional question. The proposed

bank, he asserted, would not fulfil the purposes for which a

bank was then needed; it would not enhance the public

credit, provide a circulating medium, "furnish loans, or

anticipations of the public revenue .... during the war."

For the sixth time everything was recommenced. The

Republicans held a meeting to determine on a bank which

would conform to the president's wishes. 7 This meeting

Calhoun and his supporters were "especially invited" to

attend. They did so. A compromise between the adminis-

tration plan and Calhoun's was suggested, but it was still

i A. of C, 13th Cong., Vol. HI, pp. 1089, 1040. \* Ibid., p. 1044.

»" We were obliged to make a bank or let Dallas's plan go." — Webster to B.

Webster, Jan. 22, 1815, Correspondence, Vol. I, p. 250.

\* Capital increased to $35,000,000; shares of $400 instead of $100; suspension to be

allowed— these the most important.— .4. of C, 13th Cong., Vol. Ill, p. 106, Jan. 13,

1815.

» Stockton, of New York, Jan. 18, 1815, ibid., p. 1081.

• Messages and Papers, Vol. I, pp. 555 f .

7 Johnson, of Virginia, A. of C, 15th Cong., 2d Sess., Vol. IV, p. 1248.

Establishment of thb Bank 17

unsatisfactory to the South Carolinian and his adherents.

He thereupon "required further concessions, which were

refused," the administration Republicans asserting that they

could carry the bill without his assistance. 1 Against the

determined opposition of this little knot of the party, Sena-

tor Barbour, on February 6, introduced the new measure

drawn mostly along the lines of the original Dallas bill. 2

A few days 9 debate ended in its passage by the Senate

substantially unaltered.' Two days later it came up for dis-

cussion in the House, but the news of peace, promising an

end to the most urgent necessities of the government, gave

the whole question pause. On the motion of Lowndes the

bill was indefinitely postponed. 4

3. After the war. — The close of the war put an end to^

the opposition between Dallas and Calhoun, for it was no »

longer necessary to erect a bank for the purpose of procuring I

loans. The prime necessity now was to settle the currency^

which remained in the utmost disorder, and to resume specie ,

payments. Had it been possible to persuade the state banks

to take steps looking to resumption, it is conceivable that the

administration's advocacy of a national bank would have

ceased\* But this was not possible. Dallas, therefore, again

proposed that a national bank be established, and President

Madison now broke silence and in his annual message sug-

gested such an institution^

i Calhoun, Work\* % Vol. m, p. 127 ; C. D., Vol. XIV, Part I, p. 482.

\*A.of C., 15th Cong., Vol. Ill, p. 226. $50,000,000 capital ; $20,000,000 in treasury

notes ; $15,000,000 in 6 per cent, stock ; $5,000,000 in specie ; $10,000,000 to be subscribed

by the United States ; specie payments might be suspended by Congress ; daring and

for one year after the war government was to be empowered to borrow $30,000,000

from the bank at 6 per cent, interest. The bank was not to pay specie until the first

Monday in April, 1816.

\* By a strict party rota -Ibid., p. 232, Feb. 11. « Ibid., p. 1168.

\* Dallas to the state banks. March 13, 1815, Dallas, Dallas, pp. 285-7. Also letter

of Feb. 20, 1815, ibid., p. 273.

\* " If the operation of the State banks cannot produce this result [i. e., the estab-

lishment of a general medium of exchange], the probable operation of a National

Bank will merit consideration."— Measagei and Paper\*, Vol. I, p. 566, Dec 5, 1815.

18 The Sboond Bank op the United States

When Congress met, Speaker Clay appointed Calhoun

chairman of a select committee to consider " so much of the

President's message as relates to an Uniform National Cur-

rency." \* Calhoun applied to Dallas for the treasury's views

on the subject, and in a letter of December 24 the secre-

tary outlined the plan of the future bank. It was on pre-

cisely the same lines as the old Bank of the United States,

with additions and modifications, and it left the Federalists

no opportunity for offering an ingenuous and effective oppo-

sition. 3 On the 8th of January, 1816, Calhoun brought in

the bill, 1 and on the 26th of February opened the discussion.

His argument was to the effect that resumption was absolutely

necessary, and comparatively easy, yet impossible without a

national bank, since the state banks found too great a profit

in the unsettled condition of the currency ever to resume.

" Those who believe that the present state of things would

ever cure itself," he asserted, " must believe what is impos-

sible ; banks must change their nature, .... before they will

aid in doing what it is not their interest to do." \*

The Federalists and the irreconcilables among the strict

constructionists fought the bill pertinaciously, Webster head-

ing one and John Randolph the other party. The attack of

the Federalists was concentrated on two points: the size of

i Committee: Calhoun; N. Macon, North Carolina; James Pleasants, Virginia;

Joseph Hopkinson, Pennsylvania ; Thomas B. Robertson, Louisiana ; H. St. George

Tucker, Virginia ; Timothy Pickering, Massachusetts.— .4. of C, 14th Cong., 1st Sess.,

p. 877.

21. Principal provisions: (1) An exclusive charter for twenty-one years; (2)

capital, $35,000,000, with a proviso that Congress might increase it to $50,000,000 ; (3)

United States to subscribe one-fifth of the capital; (4) capital to consist three-

fourths of funded debt, one-fourth of specie.

II. Government of bank: (1) To be at Philadelphia and have branches; (2)

twenty-five directors, with thirteen for each branch; (3) president of the United

States to appoint five of the twenty-five directors; (8) the resident stockholders,

being citizens, alone to vote for directors ; (10) frequent statements to be furnished

to the treasury.

III. Privileges and duties: (2) Notes receivable in all payments to government;

(3) government transfers to be made without charge to government.

IV. Bonus: $1,500,000.— Ibid., pp. 512 f.

s Ibid., p. 494. \* Ibid., p. 1064.

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the capital l and the connection of the government with the

bank 8 The power of the bank was also represented as mon-

strous, " almost irresistible." 8 Calhoun answered with the

assertion that it was desirable to have a capital large enough

" to prevent undue profit," yet small enough to " prevent a

loss to the stockholders," and held that a capital of $35,000,{

000 met these conditions. 4 The government's connection

was considered essential because the bank was to be inti-

mately associated with the finances, was to keep the public

deposits and to transfer the public funds, was to pay pen-

sions and to receive the government dues from the col-

lectors. The power of appointing directors was held to be

peculiarly fitting, because onlvso could an upright adminis-

tration of the bank be assured^

There was a variety of other objections: The state banks

found some defenders, 8 but the abuses of these were so gross

that their supporters were compelled to adopt an apologetic

tone. The constitutional question was hardly touched,

everyone seeming to think that if Madison could waive it

there was nothing further to be said, while the rights of the

states passed almost in silence.

The Federalists struggled in vain- On the 28th of Feb-

> They wished a reduction to $20,000,000.— Sbrqkant, ibid., p. 1006.

\* HOPKXNSON , ibid., p. 1009. \* Ibid., p. 1101, and RANDOLPH, p. 1111.

«IMd., pp. 1006, 1067.

ft " The National Bank ought not to be regarded simply as a commercial bank.

It will not operate upon the funds of the stockholders alone, but much more upon

the funds of the nation. Its conduct, good or bad, will not affect the corporate

credit and resources alone, but much more the credit and resources of the Govern\*

ment. In fine, it is not an institution created for the purposes of commerce and

profit alone, but much more for the purposes of national policy, as an auxiliary in

the exercise of some of the highest powers of the Government. Under such circum-

stances the public interests cannot be too cautiously guarded, .... The right to

inspect the general accounts of the bank may be employed to detect the evils of a

mal-administration ; but an interior agency in the direction of its affairs will best

serve to prevent them."— Dallas to Calhoun, Dec. 24, 1815, ibid., p. 506. This quota-

tion is of interest as throwing light on the conception of the position of the govern-

ment directors, which was afterward so much disputed under Biddle.

• HOFKIHSON, toid., p. 1101 ; F0B8YTH, ibid., p. 1143.

20 The Second Bank of the United States

ruary it was decided not to reduce the capital; 1 in March,

that the government should hold stock in the bank, 2 and

that the president and the Senate of the United States

should appoint a number of the directors.\* On the other

hand, the power of Congress to order a suspension of specie

payments was recalled, 4 as was also the power permitting the

president of the United States to name the president of the

bank, 6 that allowing the increase of the capital to $50,-

000,000,\* and the right of subscription to the capital in treas-

ury notes. 7 So much in the way of concession was granted,

and properly granted, but in regard to those details of the

bill which the Federalists were pleased to consider vital

defects the Republicans would not yield an iota. They

were encouraged to stand firm by the dissension which

existed in the Federalist ranks. Webster was apparently in

irreconcilable opposition, but many members of his party

from the middle and southern states, where the evils of the

financial situation appealed even to the dullest, refused to

follow him, and a keen and galling exchange of criminations

and recriminations between these two wings closed the fined

debate in the House. 8

On the 14th of March the bill passed by a vote of 80 to

71. 9 It went to the Senate the next day and was debated

there on the 25th. Jeremiah Mason, of New Hampshire,

and Rufus King, of New York, led the opposition. But the

Senate, in those days a body of much speedier action than

the House, would not suffer any amendments touching the

essentials of the bill, though slight and unimportant changes

i A. of C, 14th Cong., 1st Sess., p. 1106. Motion to reduce— vote, 49 to 74.

\* Ibid., p. 1119. Motion that government should not hold stock— vote, 38 to 61.

March 1.

\*Ibid., p. 1139. Motion against power to appoint— vote 64 to 79. March 5.

\*Ibid., p. 1158. M By a very large majority." March 7.

\*Ibid., p. 1152. Vote, 80 to 46. March 6. • Ibid., p. 1109. Feb. 29.

T2Wd M p. 1136. March 4. « Ibid., pp. 1839-43. • /Md., p. lflfc

Establishment of the Bank 21

were made. The Republicans feared that the measure would

be lost if anything further was done. 1 The Senate passed

the bill on the 3d of April; 8 the House, with little debate,

concurred in all the amendments \* and forwarded it to the

president, who signed it on the 10th. Thus, after seven!

attempts, after more than two years of almost constant

endeavor, the bank was established, in its final form

resembling the old Bank of the United States and that

project which Madison had vetoed a little more than a year

before. 4

iIMd.,p.23& Bibb, of Georgia. »IMrf.,p.281. Vote, 22 to 12. •7&id M p.l8U.

\* Calhoun was the deciaiy© agent in securing the charter: "I might say with

truth, that the bank owes as much to me as to any other individual in the country ;

and I might even add that, had It not been for my efforts, it would not have been

chartered."— Calhoun in the Senate, 1834; Bsntov, Thirty Year\*, Vol. I, p. 414.

See Appendix I for the charter.

CHAPTER II

THE ADMINISTRATION OF WILLIAM JONES

On the first Monday of July, 1816, the subscriptions to

the capital stock began at twenty different places throughout

the Union and continued for twenty days. No particular

eagerness to; secure the stock was shown, 1 and when the

returns were made it was found that over $3,000,000 were

still unsubscribed. Hereupon Stephen Girard, much to the

relief of the president and the secretary of the treasury,

subscribed for the entire amount. 2

Organization immediately followed. It was the general

expectation that the bank would be Republican, and the

administration hoped to make it sck\* Accordingly, President

Madison named all the government directors from his own

party, 4 and both Madison and Dallas strove for the election of

a Republican politician as president of the bank. This was

William Jones, recently secretary of the navy and secretary

pro tempore of the treasury^ The stockholders, less par-

tisan than the administration, named ten Federalists and ten

Republicans. 8 Jones was then elected president, and Jona-

i Dallas to Madison, July 7, 1816, Dallas, Dallas, p. 459.

2 Nilbs, Vol. XI, p. 16, quoting a Philadelphia paper of Aug. 27. Dallas writing

to Madison, same date, says : " The bank subscription is filled. The deficit of the

general returns ($3,000,000) was taken by Mr. Girard in a single line, to the great dis-

appointment of the brokers and speculators. I congratulate you upon this event."—

Dallas, Dallas, p. 471.

s " There is little doubt of the organisation of the bank being Republican, and

friendly to the government."— Dallas to Madison, Aug. 27, 1816, ibid.

^ They were Wm. Jones, Stephen Girard, and Pierce Butler, of Philadelphia, Jas.

A. Buchanan, of Baltimore, and John Jacob Astor, of New York.— Nilbs, Vol. X, p.

196; Dallas to Madison, July 7, 1816, Dallas, DalUu, p. 459; Madison to Dallas,

July 18, 1816, ibid., p. 462.

6 Dallas to Madison, July 23, 1816, ibid., p. 464; same to same, Aug. S, p. 466. " I

am very glad to learn .... that his prospect of being at the head of the institution

had become favorable."— Madison to Dallas, Aug. 7, ibid., p. 468.

• Nilbs, Vol. XI, p. 176.

22

Administration of William Jones 23

than Smith, of Philadelphia, cashier. 1 By the 7th of Decem-

ber, 1816, directors were appointed for offices at Boston,

New York, Baltimore, Charleston, and New Orleans, 2 and by

March sixteen cities had been selected as sites for offices in

addition to Philadelphia\*^

The bank's immediate task was to secure the resumption

of specie payments. At first the government had believed

itself capable of compelling the state banks to resume. As

early as March, 1816, Dallas had made to these banks

proposals, which were very advantageous to them 4 but

were nevertheless promptly declined. The establishment of

the bank and the passage of Webster's joint resolution of

April 30, 1816, requiring that after the 20th of the succeed-

ing February all payments to the United States should be

made either in gold and silver, "or in treasury notes, or in

the notes of the Bank of the United States, or in notes of

banks payable and paid on demand in specie," 5 gave the

government further hope of making its will effective. Con-

sequently, on the 22d of July, Dallas issued a new circular

proposing that the state banks, beginning with October, should

resume to the extent of paying specie for all their notes of a

smaller denomination than $5. e The banks again refused,

declaring that they would not resume until July 1, 1817. T

Dallas despaired, writing to Madison that the success of the

state banks in postponing resumption was " not a little to be

apprehended.'" Crawford, who succeeded Dallas in Octo-

ber, made a final attempt, issuing a circular to the banks on

\Jbid. 2/Wd M pp. 238,239.

\* Besides those named above, Washington, Richmond, Savannah, Norfolk, Lex-

ington, Ky., Cincinnati, Portsmouth, N. H., Providence, Middletown, Conn., Chilli-

eothe, O., and Pittsburg.

\* Dallas, Dallas, p. 285, March 13, 1815.

» A. of C, 14th Cong., 1st Sess., Vol. I, pp. 1440, 1919. • Niles, Vol. X, p. 876.

\* Aug., 1816, ibid., p. 423, quoting The National Intelligencer •, stating the action

of the banks of New York, Philadelphia, and Baltimore. The other banks took

equally discouraging action.— Secretary Dallas's Report, Dec 3, 1816, F. % Vol. Ill, p. 182.

a Dallas, Dallas, p. 472, Sept. 6, 1816.

24 The Sboond Bane of thb United States

the 20th of December, proposing substantial inducements if

they would resume by February 20, 1817. 1 "This advan-

tageous proposition was declined without hesitation. " \* Craw-

ford concluded that the government could not compel the

banks to resume by the 20th of February, and therefore

remitted the undertaking to the bank.\*

The situation was extremely critical for both the govern-

ment and the bank. Without the consent of the state banks

the government could not possibly collect its revenues after

February 20, 4 because it could not evade the joint resolution;

and yet that resolution would be of no effect in securing

specie or specie-paying paper. The bank for its part was

legally bound to incur considerable risk, since it was

necessitated, under penalty of forfeiting its charter, to go

into operation by the first Monday in April, 18 17. 6 Between

this date and July 1 it was quite possible that the state

banks would draw from it so much specie as to embarrass

the bank and thwart the policy of resumption. It was neces-

sary, therefore, to make substantial concessions to the state

banks, if the government's plans were to be carried out

On the 1st of February, 1817, at the invitation of the Bank

of the United States, the representatives of the associated

banks of Philadelphia, New York, Baltimore, and Richmond

met in convention with its agents and discussed the subject

The result was that on the same day these representatives

agreed to recommend to their directorates to resume on the

i At this time state banks held oyer $11,000,000 in public deposits. For Craw-

ford's circular see F., Vol. IV, p. 283.

s Crawford to the Senate, Feb. 25, 1823, ibid., p. 286. See answers to the proposi-

tion by the state banks, ibid., pp. 974-80, pasaim. Crawford thought this refusal

meant that the banks did not intend to resume.— To Jones, Jan. 6, 1817, ibid., p. 496.

\* Crawford to Jones, Jan. 16, 1817, ibid.

\* " It is manifest that, without the State banks can be brought into an arrange-

ment by which their paper can be received in payment of taxes, there will be no

medium upon the 20th of February next in which those dues can be paid."— Craw-

ford to Jones, Jan. 24, 1817, ibid., p. 497 ; see also ibid., p. 767.

\* Section 22 of charter, Appendix I.

Administration of William Jones 25

20th of February in return for the following inducements on

the part of the Bank of the United States:

1. Any of these banks indebted to the Bank of the United

States might liquidate the indebtedness by checks on other

banks, parties to the agreement.

2. The Bank of the United States would be responsible to

the government for the public deposits held by the state

banks, but the actual transfer of the funds, oyer $8,800,000,

was not to be made until July 1, when the state banks should

pay them with interest

3. Other balances accumulating against the state banks

were not to be called for until the Bank of the United States

had discounted for individuals ("other than those having

duties to pay"), in New York and Philadelphia, $2,000,000

each; in Baltimore, $1,500,000; in Virginia, $500,000.

4. The amount of these discounts not taken by individu-

als might be taken by the banks of the respective places.

5. The Bank of the United States and the state banks

would mutually support each other in any emergency. 1

The agreement was gladly sanctioned by the secretary

of the treasury, since its principal object was to furnish a

currency in which to pay taxes. In so far as the state

banks were concerned, the articles were also very satisfac-

tory, giving them time to reduce in order to pay public

funds whose immediate payment might have ruined them. 2

For the Bank of the United States, however, the articles

were not so favorable. They bound it to meet government

demands on funds still held by the state banks, and not to

collect balances arising in the ordinary course of business

until it had loaned $6,000,000 to individuals, not having

duties to pay, or to the state banks. This stipulation forced

the bank to make large loans, whether it was justified in

i Appendix II.

\* President State Bank of Boston to Crawford, Jan. 25, 1817, F., Vol. IV, p. 962;

President City Bank of New York to same, Feb. 19, 1817, ibid., p. 967.

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doing bo or not, and at the same time estopped it from secur-

ing specie from the state banks, while giving to them the

power to draw specie from it, since a large amount of its

notes would be put in circulation in discounting $6,000,000.

The article guaranteeing mutual protection would have pre-

cisely the same effect; for, since the Bank of the United

States was strong and the state banks weak, the clause

simply meant that the national bank should support them.

It is obvious, in short, that the entire agreement might prove

extremely embarrassing to the bank, no matter how pleasing

it was to the treasury and state banks. The bank, however,

had secured what the treasury could not — an agreement to

resume specie payments on February 20, and this was its

one notable service to the country in its first years. The

resumption of the banks in the large cities, and the pressure

of the treasury and the Bank of the United States, forced

the banks of the interior to resume as well; and thus resump-

tion was general

The most pressing question after resumption was that of

the transfer of the government deposits. The arrangement

of the 1st of February had fixeu the 1st of July as the date

on which the transfer should take place from the banks along

the Atlantic coast, but it was felt that in the case of the

interior banks more leniency was necessary, if numerous

failures were not to result. 1 The bank therefore proposed to

the state institutions of the interior to be itself responsible

to the United States for the public deposits held by them, on

condition that they would pay these off on the 1st of August,

interest to be charged from the first day of April, 1817. Or

the banks might pay in seven monthly instalments, begin-

ning with the month of May, 1817, with interest from April

l. 2 A number of the banks willingly accepted these condi-

i Crawford to Jones, March 17, 1817, F., Vol. IV, p. 509.

2 J. Smith to Committee of western Pennsylvania, Virginia, and eastern Ohio

Banks, April 3, 1817, ibid., pp. 788, 789.

\*^

Administration op William Jones 27

tions. Some, however, in the eastern part of Ohio and the

western parts of Pennsylvania and Virginia, scornfully

rejected them because they did not perceive "that any

advantages could result to the banks " of that portion of the

Union. 1 A refusal so impudent of what was purely a favor

on the part of the Bank of the United States exhibits its dif-

ficulties and the boundless claims of these petty institutions^

The success of the bank in the agreement of the 1st of

February and in its dealings with most of the banks of the

interior was intensely gratifying to Secretary Crawford, who

expressed his pleasure to President Jones. At last the gov-

ernment had a common medium in which the people

" might discharge their taxes," in which to collect its dues

and pay its debts, while the country was in possession of a

sound currency\*\*' It was now presumed that the course of

public finance and of business enterprise would be easy and

plain. Yet there was much to show that the bank was still

confronted with enormous difficulties. The business situation

was not one to beget confidence. The changed conditions

resulting from the cessation of the war with Great Britain

had led to enormous importations of English goods, to over-

trading in all lines, to excessive issues of bank paper, and to

a consequent inflation of prices. Conservative management

was therefore absolutely necessary.

i Jones to Crawford, April 30, 1817, ibid., p. 787; Committee of western Pennsyl-

vania, Virginia, and eastern Ohio Banks to Smith, April 14, 1817, ibid., p. 788.

Various arrangements seem to have been made with the western banks. Some of

them did not pay interest on the balances until the 1st of July. "The western

banks, which have enjoyed an immunity from the payment of interest from the 20th

of February to the 1st instant."— Crawford to Chillioothe Bank, July 23, 1817, ibid.,

p.544.

\* Most of the public money was with the banks of the middle states. Slight mis-

understandings occurred even with eastern banks, as in the ease of the State Bank of

Boston, ibid., p. 770, and the Kennebec Bank of Maine, ibid., p. 813.

s " The great objects which the supporters of the bank charter expected from

that institution have already been realised. The vitiated state of the currency has

been restored, the rate of exchange has been equalized in every part of the nation,

and the great interests of commerce substantially promoted."— Crawford to Jones,

July 3, 1817, ibid., p. 539.

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In these circumstances the directorate showed little dis-

cretion. It is true the government urged as early a partici-

pation in business as possible, sanctioned the agreement of

the 1st of February, and itself secured the first of all the

bank's loans in December, 1 while, largely for its benefit, indi-

viduals were accommodated early in January. 9 In so far the

government must share the responsibility with the bank. In

March discounts were $9,436,000, while the circulation was

$4,565,398.\* The agreement of February 1 was now in

effect, but the figures prove loans far in excess of what was

demanded by that agreement The Bank of the United

States had, in fact, started on a career of rapid expansion,

urged thereto by the government, and by the briskness of

trade and the opportunities for favorable investment In

April, with six branches in operation, its productive funds

amounted to $46,879,679, half of which, however, was in gov-

ernment stock. Though the discounts were undoubtedly too

extended, the action of the government in July led to a

further expansion, for in that month the treasury redeemed

over $13,000,000 of the public stock in the possession of the

bank. 4 The directors complained bitterly that they were

thus forced to grant further discounts, apparently being of

the opinion that they were bound to secure large dividends,

a most remarkable criterion by which to regulate the busi-

ness of a bank. 6

There were several circumstances in the bank's situation

at this moment which should have warned all concerned that

it was not running a safe course. The amount of specie in

its vaults was excessively meager. Yet at no other period

i Smith to Crawford, Jan. 4, 1817, F. % Vol. IV, p. 764. The sum was $500,000.

2 Jan. 7, 1817, ibid., Vol. Ill, p. 307; report of committee of 1819; Lowndes, A, of

C, 15th Cong., 2d Sess., Vol. IV, p. 1296.

«F.,Vol. ni, p. 819.

« $13,043,767.13. — Report of the treasurer of the United States, ibid., pp. 228, 229.

^ In July the bank paid its first semi-annual dividend. The rate was 2.6 per

cent.— 76 id., pp. 380, 381.

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of its existence was it more bound by the exigencies of the

situation — by the over-issues of the state banks, by the

inflation of the currency, by the almost total lack of coin

outside its own vaults — to keep on hand a large stock of the

precious metals. Nevertheless, in April, 1817, the amount

was only $1,811,839, while as late as July, after the pay-

ment of the third instalment to its capital, it aggregated

only the pitiably inadequate sum of $2,129,368. At this

moment the bank should have held at least twice the amount 1

At no time, however, during the first two years of its exist-

ence did its specie holdings reach $3,000,000.' The location

of its loans ought also to have caused suspicion. Although

twelve offices were doing business in July, 1817, three-fifths

of the loans were made at Philadelphia and Baltimore, 1 and

the same state of affairs existed in October, when these two

offices discounted over $21,000,000 out of a total of $33,000,-

000. 4 If the other thirteen offices then in active operation

had discounted to anything like this extent, the loans of the

bank would have been far in excess of $100,000,000.

Nevertheless, no check was attempted, and the close of

its first year apparently left the bank in a very flourishing

condition, a semi-annual dividend of 4 per cent being

declared in January, 1818. ' In March the investments were

i Under the charter $7,000,000 of the capital should have been in specie, and at

least $4,500,000 should have been in its possession in January, 1817, before beginning

active operations.

'Specie held (cents omitted) :

1817 Mil 1819

January - • - $1,160,072 $2484,068

April - - - 1,811,839 $2,357,187

October - - - 2,129,388

December - • 2,271,611 2,666,696

-F., Vol. Ill, p. 845.

• Total discounts, $25,770,120; discounted at Philadelphia, $10,533,120; at Balti-

more, $5,224,041.— Ibid., p. 352. The offices then in operation were those at Phila-

delphia, New York, Baltimore, Boston, Washington, Bichmond, Savannah, Norfolk,

New Orleans, Cincinnati, Lexington, and Charleston.

«At Philadelphia, $12,686,601; at Baltimore, $8,405,902.— Ibid., p. 353. Offices

had been added since July at Portsmouth, N. H. ; Providence, B. I. ; and Middle-

town, Conn.

\* Ibid., p. 382.

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still mounting, being then $50,657,683.64, over $41,000,000

of which consisted of loans and exchange. In July the

number of active offices was nineteen, 1 and the "total loans"

had increased to $52,078,203.58; the circulation to $9,045,-

216.35.

At this point, however, the forward movement was

checked, the bank's business began to diminish, and it was

evident that something was wrong. In November the total

accommodations were $44,115,078.59, about $8,000,000 less

than in July, while circulation had fallen to $7,286,069.49,

almost two millions less than in July. The bank was, in

fact, plunged into the most serious embarrassments, and was

struggling to save itself. The situation was the result of

certain causes which had been steadily at work from the

first. Three of these were of prime importance: mismanage-

ment, the state of the currency in 1817-19, and speculation

and fraud at Philadelphia and Baltimore.

Blind ignorance was probably the chief factor in putting

the bank in peril. President Jones's conception of the bank's

management was essentially mistaken. Though he rightly

regarded the bank and its branches as one system, to be admin-

istered as a unit, he did not think it necessary to fix the capi-

tals for the branches and keep them fixed, compelling the

offices to settle their accounts periodically and to furnish

funds by bills of exchange or transfer of specie when they

drew for funds by the issue of bank notes or the selling of

drafted The attempt to manage the institution in accordance

i Fayetteville, N. C, Chillicothe, O., Louisville, Ky M and Pittsburg, Pa., had

been added.— F., Vol. Ill, p. 354.

a " The Bank of the United States is integral in its organization, but indivisible

in its interests. Its offices, although distantly located, have no analogy to institu-

tions established by local authority, and the apparent interest of any particular

office must necessarily be subordinate to the general interest."— Jones to the Savan-

nah Branch, Dec. 5, 1817, ibid., p. 335.

" Your board will please observe, sir, that it is no part of the system of the

parent board to give a definite capital to the respective offices, to be employed for

the benefit of their several districts ; but to extend or control their operations, as the

exigencies of commerce, the requisitions of the Government, and the general interest

Administration of William Jones

31

CHART I

Feb Oct. March July

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Operations of the Bam, February, 1817, to Jaituary, 1819

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with this conception left the bank without a rational plan of

operations. There was " a perfect want of system." l

It need hardly be added that Jones did not stand alone

in his ignorance, the directors both at Philadelphia and at

the branches being his peers in this respect. Moreover, the

officers and the boards of the southern and western branches

were incompetent and disobedient. All were swayed by

local interests in making discounts \* and did not understand

the proper rules of safe banking, renewing notes over and

over again, 1 loaning on mortgages, inventing "race-horse"

bills,\* and issuing notes and drafts without furnishing the

means for their redemption. The losses at the branches

resulting from improper management were enormous^

A flagrant example of culpable ignorance or worse was

the system of stock loans. The board at Philadelphia dis-

counted on the bank's stock at 25 per cent, in advance of its

par value. 6 This was certainly objectionable, and the stock

loans were reprehensible for several additional reasons:

of the institution shall from time to time direct."— Jones to Charleston Branch. Feb.

6, 1818, F., Vol. in, p. 335.

i James C. Fisher to Rufus King, Jan. 11, 1819, Life and Correspondence of Rvfus

King, Vol. VI, p. 150.

s " We have too many branches, and the directors are frequently governed by

individual and local interests and feelingB."— Cheves to Crawford, May 27, 1819,

Cheves, Exposition, Oct., 1822, p. 73.

i " It was proven that this note had been sent to the office at Chillicothe, to

renew a note which had been five or six times previously renewed by the same par-

ties."— 11 Wheaton, 433. See a similar case of a note renewed " every 60 days " from

Dec., 1817, to Feb. 1, 1820, 1 Peters, 615.

\* That is, the payment of one bill of exchange by the purchase of a new one.

Thus a bill sent from New Orleans to Nashville for collection would not be col-

lected ; but instead the Nashville office would allow the debtor to draw a new bill on

another office. The bills kept running to and fro without being paid, and hence

were called \*\* racers " or " race-horse " bills.

\* " A different management of several offices would in the business of each have

saved and gained more than would have paid five thousand dollars per year to each

president of the branches. Nay there is no calculating the actual loss and the loss

of gain the bank has sustained by the want of competent and confidential men at the

head of the branches."— Cheves to Crawford, May 27, 1819, Exposition, p. 73.

\* It was necessary, however, to have collateral security for the excess of 25 per

cent.— F., Vol. Ill, pp. 341, 342.

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They were frequently renewed, 1 and renewed by the presi-

dent and cashier without the intervention of the board, the

directors not only granting this power, but placing the sum

of $2,000,000 at the disposal of the executive officers for the

purpose of making new stock loans. 2 The granting of such

loans tied up the capital of the bank and placed it in peril

in case of a fall in the price of the stock. Finally, the dis-

counts thus made were most commonly to speculators and

brokers, 1 and were frequently excessive in amount, loans

being made to individuals for sums of $365,000, $400,000,

and $1,800,000.\*

The western and southern offices were suffered to extend

their discounts at pleasure, since under Jones's " system:"

their capitals were not fixed, and they traded without any

limit in that respect This was bad enough ; but worse fol-

lowed, for every restriction on their operations was removed

by the adoption of a plan to regulate the currency, com-

mendable in itself, but impossible of execution in the exist-

ing state of business. This was the attempt to pay the

notes of all the branches wherever presented. The object

was to establish a currency of uniform value — a currency

which would not be depreciated, no matter how far it wan-

dered from its place of issue, because convertible wherever

the bank had a branch. For a time this result was secured.

Unfortunately a depreciated state-bank currency, universal

over-trading, and the course of exchange did not permit this

laudable measure to be successfully continued. The state of

> Oat of stock loans for $8,046,932.64 at least $5,231,267.60 was constantly renewed.

—Ibid., p. 337.

\* Sums of 1800,000 were voted at various times for this purpose, from Aug. 12 to

Sept. 9, 1417.— Ibid., p. 346. The loans on bank stock ran from $9,913,277 in Oct., 1817,

to $10\*335,211.46 in Oct., 1818, when the resolutions were rescinded. For authority

to president and cashier to loan, see ibid., p. 341.

• Trim, A. of C, 15th Cong., 2d Sess., Vol. IV, p. 1311.

\*Ttlkr, ibid., p. 1316. Lowndes, a consistent friend of the bank, condemned

these large loans : " the discounts, with a pledge of stock, were, many of them,

.... excessive in amount."— Ibid., p. 1292.

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the currency and the business of the country determined

that the course of exchange should be almost constantly in

favor of the East and North, and against the West and Souths

Under these circumstances the notes of the southern and

western branches would not be returned upon them. Hence

they could issue their paper without check. This they did^

and consequently piled up enormous loans. The Cincinnati

branch discounted over $1,800,000 in June, 1818; that at

Lexington, Ky., $1,619,000 in the same month, and $1,712,-

000 in November of that year. These cases will serve to

illustrate what was going on at every western branch of the

bank.\* The discounts at Boston and New York were scarcely

larger than those at one of these comparatively insignificant

western towns. Like extravagance characterized the deal-

ings of the southern offices. But their notes had to be

redeemed somewhere, namely, at the eastern offices, to which

the course of exchange carried them. The result was that

the business of the eastern offices was almost destroyed,

discounts being low and the issues very inconsiderable.

They were denuded of the little specie left by speculators

l " The exchanges between the West and the Atlantic are always against the

former, .... The exchanges between the North and the South run for one portion

of the year against the latter, and for another in its favor."— Report of Bank Com-

mittee, Dec. 7, 1820, F., Vol. Ill, p. 589.

2 See Report, Aug. 26, 1818, ibid., p. 825. Lowndes said, Feb. 20, 1819 : " It was no

unfair aocount of the practical operation of the system of which he was speaking [of

paying the bank notes indiscriminately] to say, that it gave to the branches, where

the exchange was unfavorable, the entire disposition of the specie of those branches

where the exchange was favorable."—^, of C, 15th Cong., 2d Sess., Vol. II, p. 1288.

14 The bills of the corporation, instead of circulating as currency, are converted into

a medium of equal exchange, payable at sight, in any of the Eastern cities."— Report

of Bank Committee, Aug. 26, 1818, F., Vol. Ill, p. S25.

'Discount and exchange (cents omitted) :

" Cincinnati

1817

Laxington

1817

ChlUicoih.

LouUrUU

July

• • - $ 713,415

$ 947,924

October •

- • • 1,052,615

1818

1,084,148

1818

June

- . - $1,836,620

$1,619,969

$565,054

$ 938,552

November

- - - 1,867,383

1,712,023

632,256

1,229,580

—Monthly Statements of the Bank, F. % Vol. IV, pp. 351-9.

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and state banks, 1 and finally the capital of the bank shifted

to the South and West, and could not be recovered.

The consequences of mismanagement were such that,

when at last, in July, 1818, the central board awoke to a

consciousness of the situation, confusion had become so

great that they were absolutely unable to check the offices.

No attention was paid by the southern and western branches

to the reiterated demands that they should diminish their

business. In spite of this disobedience, the parent board

" never removed one of the offending directors, and took no

effectual step to control them, until the adoption of the

general resolutions of August 28, 1818.^

Up to July, 1818, the bank permitted the state banks to

over-trade and to inflate the currency by the extension of

the loans of the branches. 1 Yet, even had the bank man-

aged its own offices with foresight and according to correct

principles, it could not have effected the principal purposes

for which it was established, in the southern and western

states, because it lacked courage to insist upon the payment

of debts due to it from the state banks. These had always

large balances against them at the Bank of the United

States, constituting loans without interest to these amounts. 4

Not being called on for balances, they continually inflated

their issues and expanded their discounted Moreover, a

i To the end of Deoember, 1818, Boston received in specie $1,622,800; New York,

$6,293,302.— P., Vol. Ill, p. 831. Yet the capital of these offices " united was, at some

periods, less than nothing.'\*— Memorial, Bank of the United States, Dec. 7, 1820, ibid.,

p. 580.

2" And such was the want of firmness or of foresight in the parent board, that,

after finding its repeated remonstrances disregarded, it never removed one of the

offending directors, and took no effectual step to control them, until the adoption of

the general resolutions of August 28, 1818, forbidding the offices to draw on each

other." — Report of Investigating Committee, 1819, ibid., p. 308.

• Ibi<L, p. 307.

«1817, July, $2,424,900; Oct., $2,518,009; 1818, March, $1,203,874; July, $2,483

1819, Jan., $2,024,797; July, $2,908,160.-5. D. 128, 25th Cong., 2d Sess., p. 308.

& In 1818 " silver could hardly have been more plentiful at Jerusalem in the days

of Solomon, than paper money was in Ohio, Kentucky, and the adjoining regions."—

Gocob (Cobbett's edition), p. 90.

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leniency was shown tha state banks which was not extended

to the national one\*\*' ^ So many influential people were

interested in the former as stockholders that it was not

advisable to give offense by demanding payment in specie,

and borrowers were anxious to keep the banks in the humor

to lendr ^Thus the Bank of the United States, even when

it attempted to press its claims, found insuperable obstacles

to collecting in coin^ Hence the state banks enjoyed a

virtual immunity from the payment of the vast majority of

their notes. In striking contrast to this favor shown the

state banks was the attitude toward the national bank.

Banks, brokers, and traders made a business of extracting

coin from its vaults-/ an operation facilitated by its faulty

management in permitting exceesive discounts. Brokers

and bankers constantly bought up its notes and presented

them for redemption, drew specie, sold it at an advance,

bought bank notes, presented them, drew specie, sold it, and

so on ad infinitum^

It will consequently be perceived that the bank could

neither keep the little specie it began with nor draw any

i The bank was aware that, " as it was professedly a specie bank, liable, under a

penalty of 12 per cent, per annum to pay its notes on demand, the same delicacy and

forbearance would not be extended towards it as to the state banks."— Raoubt,

" A Treatise on Currency and Banking," p. 904, Report to Pennsylvania Senate, Jan.

29,1820.

2 Cbawfobd, Report to H. R., Feb. 12, 1820, F. % Vol. Ill, p. 496. See also Craw-

ford to Eppes, Dec. 29, 1818, ibid. % pp. 394, 395. The city banks were " sensible that

their power over the community was so great, that few individuals would have the

boldness to make large demands upon them for coin."— Ragubt, " On Banking," pp.

802, 303, Report to Pennsylvania Senate. Jan. 29, 1820.

a "The banks, our debtors, plead inability, require unreasonable indulgence,

or treat our reiterated claims and expostulations with settled indifference."—

Jones to Crawford, May 29, 1818, F„ Vol. IV, p. 845.

\* " The fact is, that the bills of the bank are sought after with aridity by banks,

brokers, and India traders, in order to draw the specie, which they find it imprac-

ticable to procure elsewhere but in a partial degree and with great difficulty."—

Jones to Crawford, June 23, 1818, ibid., p. 854.

& So laudable was it considered to aid state banks against the national bank

that even government collectors occasionally used their powers for this purpose

— Letter from Savannah to cashier of the Bank of the United States, quoted by

Cheves to Crawford, July 12, 1819, ibid., p. 890; and cashier at Cincinnati to cashier

of United States bank, ibid.

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from the state banker It was, therefore, compelled to

import specie, if it wished to continue paying specie. To

this foolish task it gave itself with something like enthu-

siasm — foolish because the bank bought at an advance in

Europe and Bold at a loss in the United States. This was

bailing water with a sieve.

The censure due to mismanagement can be measured

only by taking into account the state of the currency during

the early days of the bank. When it began operations,

specie was at an advance of 14 per cent in Boston and New

York, and of 6 per cent, in the West 1 This premium should

have ceased on the 20th of February, and, if resumption had

been complete, it should have ceased everywhere. In May,

however, Niles declared that, " though our banks ostensibly

pay specie, it is almost as rare as it was some months

ago to see a dollar. \* Paper does the business 9 still." ' In

July the prices of bank paper show greater variation than

in February. 4 In October Spanish silver dollars were at a

premium of 1J per cent, in New York city, and Niles

declared that, though the Bank of the United States had

helped the exchanges, Baltimore was still " inundated with

paper called bank notes, at almost every depreciated rate

from J to 75 per cent." \* On the 25th of the same month,

President Jones asserted that the paper of the banks " of

the interior of Pennsylvania " had " as little of the quality

i M The facts which have boon stated prove that the Bank of the United

States has no domestic resource by which to replenish its vaults with specie.'— Jones

to Crawford, May 29, 1618, F., Vol. IV, p. 845.

tlbid.. Vol. Ill, p. 834, Exhibit 20. ' Nilbs, Vol. XII, p. 185, May 17, 1817.

\* In New York city Boston notes were at H per cent, and 1 per cent, discount;

Baltimore, H per cent. ; Virginia, 1 and \% per cent. ; North Carolina, 8 per cent. ;

Sooth Carolina, 1% per cent. ; Georgia, 2 per cent. ; Louisiana, 8 per cent. ; New Eng-

land, 1 to 2 per eent.-/oid., p. 847, July 19, 1817.

\* New Hampshire, m to 2 per cent, discount ; Massachusetts, par to 2 per cent. ;

Connecticut, par to 1 per cent. ; Rhode Island, 1 to 3 per cent. ; New York, par to 75

per cent. ; PennsylTania, incorporated, par to 12 per cent. ; unincorporated, 15 to 25

per cent. ; Delaware, 2 to 10 per cent. ; Maryland, Baltimore, par ; others, 4 to 20 per

it. (in Baltimore itself others were 2 to 5 percent, discount) ; District of Columbia,

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of money or credit at this time as it had twelve months

ago." l In March, 1818, Spanish dollars bore a premium of

from 4 to 4J per cent, in New York and Boston. 2 In Octo-

ber specie was at 6£ to 7 per cent, advance in Boston, and

7 per cent, in New York.\* By this time the commercial

panic had fairly started, and all through 1819 bank notes

went from bad to worse. In 1820 Crawford came forward

with the honest confession that in " several of the States the

great mass of the circulation is not even ostensibly convert-

ible into specie at the will of the holder," and that, during

" the greater part of the time " since specie resumption, " the

convertibility of bank notes into specie has been rather,

nominal than real in the largest portion of the Union^y

There are two conclusions : first, while many of the banks

actually paid specie for their notes, the specie was more

valuable than the notes; secondly, most of the banks only

pretended to pay specie.

Yet by the very conditions of its existence the Bank of

the United States was compelled to act as if specie resump-

tion was complete: it had to pay specie for its notes under

penalty, if it refused, of forfeiting 12 per cent, on the amount

demanded; and to fail in restoring specie payments was to

lose the very reason for its existence. Under these circum-

stances the bank should have kept its dealings as restricted

as possible, for, unless it did this, it could not enforce restric-

Bank of, par ; others 2 per cent. ; Virginia, chartered banks, par ; unchartered, 15 to

25 per cent. ; North Carolina, State Bank, 1% to 2 per cent. ; Newborn and Cape Fear, 3

to 4 per cent. ; South Carolina, 1 per cent. ; Georgia, 2 per cent. ; Kentucky, 4 to 7 per

cent. ; Tennessee, 7 per cent. ; Ohio, 8 to 25 per cent. ; Louisiana, 5 to 10 per cent. ;

specie, 1 to 1H, per cent, premium in New York.— Nrx.ES, Vol. XIII, p. 97, Oct. 11, 1817.

l Jones to Crawford, F., Vol. IV, p. 820. 2 Same to same, March 9, ibid,, p. 832.

» Nrxss, Vol. XV, p. 125, Oct. 17, 1818.

\*2\*\, Vol., Ill, p. 496, Report, Feb. 24, 1820. Baoubt, p. 303, Report to Pennsyl-

vania Senate, Feb. 29, 1820, says : " Specie payments were accordingly nominally

resumed on the appointed day. We say nominally, because in point of fact, a bona

fide resumption did not take place as is evident from the well-known circumstance,

that for a long time after that period, American as well as foreign coins would

command on the spot a price in city bank notes above their nominal value."

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tion upon the state banks, and without such restriction no

effective resumption was possible. The over-issues of the

banks would drive specie out of the country and compel

suspension.

To mismanagement and the wretched state of the cur-

rency were added speculation and fraud. When the bank

was established the country was passing through a period of

reckless inflation and speculation, in which gambling in bank

stocks was one of the most marked features. Banks were

being chartered all through the states, and from 1815 to

1818 there was a perfect mania for them. " Wherever there

is a 'church, a blacksmith's shop and a tavern 9 seems a

proper site for one of them!" says Niles. 1 This passion for

stock speculation was unusually violent in Philadelphia and

Baltimore, and at these places the opportunity for speculating

in stock of the Bank of the United States was seized at once.

At Baltimore 40,141 shares were taken in the names of

15,628 persons, while at Philadelphia twice the amount was

subscribed for by 3,566 persons. 3 Most of these shares,

however, were actually bought by a few individuals, who

placed them in the names of others in order that they might

increase the number of their votes and thus control the bank. 1

In this way some fifteen persons in Baltimore held about

three-fourths of the stock there, and probably three-fourths

of all the bank's stock were in possession of less than one hun-

> Nxlbb, VoL XI, p. 180,

S Number of Names in which Votes Number of Share\* Taken

Share\* Taken Authorised by Attorney

Boston 24,028 864 4,355 8,615

New York 20,012 2,641 6,450 12,044

Philadelphia - - - 88,530 &506 19,260 37,330

Baltimore .... 40,141 15,628 22,187 86,230

Baltimore thus subscribed for about one-seventh the stock, and had one-fourth

the total number of votes. Philadelphia had nearly one-third of the stock, two-

ninths of the votes.— F. % Vol. Ill, p. 849.

\* George Williams, of Baltimore, took 1,172 shares in 1,172 names.— Ibid., p. 872.

By the charter no stockholder could cast over thirty votes, no matter how much

stock he held.— Sec 11, Art. 1. See Appendix L

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dred persons. 1 The consequences of these tactics was that a

clique of Philadelphia and Baltimore stock-jobbers controlled

the bank as soon as it was organized, Baltimore alone sup-

plying within 115 of a majority of all the voters present at

the first election for directors. 1 This little band of gamblers

attempted, with only too mnch success, to direct the bank's

business so as to manipulate the price of the stock in the

open market.\* The men who took the principal part in this

action were directors of the bank, notably James Buchanan,

George Williams, and Dennis Smith, of Baltimore, assisted

by the complicity or incapacity of the president of the bank

and the cashiers at Philadelphia and Baltimore. Jones's

contemporaries considered him a man of integrity, 4 but it is

painfully evident that he was absolutely powerless to check

the schemes of the gamblers and totally blind to his duty in

the premises. He was so weak as to permit Buchanan,

Smith, and Williams to make him a present of some $18,000

profits on a speculation in the stock. 6 In addition he himself

i The subscribers at Baltimore were " 225 or 230 all told," about fifteen control-

ling three-fourths of the stock.— Nilbs, Vol. XTV, p. 35, March 14. 1818.

s/Md., p. 22, March 7, 1818.

> The price of stock during the early days of the bank will show with what suc-

cess: April 1, 1817, 118 on a 100; May 12, 125; May 28, 130; June 9, 131 ; July 10, 140.5;

Sept. 1, 137; Sept. 30, 151; Oct. 16, 150.59; Nov. 4, 150; Dec. 1, 154; Jan. 1, 1818, 146;

March 11, 145; April 15, 142; May 4, 137; June 1, 141; July 1, 136; Aug. 8,127.25; Sept.

24, 128; Oct. 24, 114. After this it went steadily down, until in June, 1819, it was as

low as 92.5.— See "Exhibit of Losses at Baltimore,'\* Conspiracy Cases, pp. 97-9.

4 But " he had so completely involved himself in the policy of the Baltimoroans,

so completely was he taken in their toils, that he obeyed no other impulse."— Craw-

ford to Gallatin, July 24, 1819, Adams, Gallatin's Writings, Vol. II, p. 113; see also

Sergeant, A. of C, 15th Cong., 2d Sess., Vol. IV, p. 1384.

6 One thousand shares were purchased for Jones without his knowledge in slay,

1817, at $132 a share. Somewhat later he was informed of this, and the stock was

transferred to him in July at the price originally paid, though stock was then selling

at $140.50. The next month he sold it to D. A. Williams, one of those who had first

bought it for him, at $150 a share. Had there been any loss, " the company " of stock-

jobbers had resolved that Jones should not share it. The whole transaction was

purely speculative, no stock being transferred from beginning to end.— Jones's testi-

mony before Investigating Committee of 1819, F., Vol. Ill, p. 364; Williams's testi-

mony, ibid., p. 372; Smith's testimony, ibid., p. 374; McCulloch's testimony, ibid., p.

876 ; Jones's Memorial to the House, Feb. 5, 1819, ibid., p. 413.

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bought and sold to a considerable extent 1 Most of the board

were as culpable as Jones, not over f our of the number consis-

tently opposing the measures to inflate the price of the stock. 1

The attempt to inflate stock values was evident in almost

all the acts of the directors. Of this character was the reso-

lution of the board to discount on the security of the bank's

stock in order to furnish stockholders with facilities to pay

the second instalment\* By this action the specie part of

the instalment was for the most part left unpaid, the bank

receiving instead its own notes, or notes of the state banks.

" Thus," wrote King indignantly, " tho' the Law says a sum

in specie double the first payment shall be made at the sec-

ond period or Instalment, the Directors feel no scruple with

a dispensation, which will prove so seriously mischievous in

the early resumption of Cash Payments." \* Another measure

whose prime motive was to enhance the price of the stock

was the resolution of the 26th of August, giving stockhold-

ers the privilege of discounting on their stock at an advance

of 25 per cent on the par value thereof, the directors naively

alleging, as a defense for their action, that it was neces-

sary "to extend the discounts of the bank, .... in order

i He dealt in 1,575 shares from Oct. 7, 1817, to Aug., 1818 (not counting the above

1,000) at prices ranging from $139 to $153 a share— in all oyer 1200,000 worth of stock.

-Ibid., p. 864.

\* J. C. Fisher to Boras King, Jan. 25, 1819, Life and Correspondence of Rvfu»

fin?. Vol. VI, p. 197.

> Resolutions of 18th and 27th of Dee., 1816, F. t Vol. Ill, pp. 835, 336. It is true, how-

ever, that, resolution or no resolution, the bank would have secured very little specie

for the second instalment, for, as specie was then at a heavy premium, it would

have been profitable for the stockholder to refuse payment and forfeit the first

dividend. Moreover, since the bank was already in operation, its own notes could

be presented for specie with which to pay the instalment, as could also the notes of

specie-paying state banks.— Jones to Crawford, Nov. 11, 1818, ibid., p. 288. It was

recognised, when the charter was granted, that this method of paying instal-

ments after the first would be adopted (Mason's remarks, A.ofC, 14th Cong., 1st

Seas., Vol. I, p. 236), and, indeed, every bank chartered in that day began operations in

precisely the same way.— Calhoun, Jan. 7, 1817, A. of C, 14th Cong., 2d Sess., p. 431.

Nevertheless, the directors were culpable in so far as they gave facilities for evading

the requirements of the law.

\*Life and Correspondence of Rufu\* King, Vol. VI, pp. 38, 39.

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to afford a reasonable dividend to the stockholders." 1

This was undoubtedly a laudable ambition, and just as

undoubtedly the highest price the stock ever bore followed

immediately upon the resolution. 3 A third measure designed

to meet the same purpose was that creating a market for the

stock in England by the establishment of an office in London

to pay the dividends of foreign holders "at the par of

exchange, at the risk and expense of the bank." The com-

mittee which recommended this measure did so on the ground

of the " advantage to be derived by enhancing the value " of

the stock.\* These efforts were only too successful, and for

some time the stock commanded a premium of from 50 to 56

per cent, in the market, an advance for which there was abso-

lutely no justification.

The principal scene of mismanagement and fraud was the

office at Baltimore, of which James A. Buchanan was presi-

dent and James W. McCulloch cashier. Baltimore at this

time was the center of airy speculation and of all sorts of

characterless and illegitimate business. 4 The great mercan-

tile firm of Smith and Buchanan was the leading one in the

city, and for twenty-five years had formed and controlled the

"moral, political, and commercial character" of Baltimore.\*

Remembering this, one may easily imagine that it boded little

good to the bank to have Buchanan at the head of the branch.

McCulloch, the cashier, was a penniless clerk of the house.\*

It has already been pointed out that the Baltimore stock-

holders almost controlled the bank by the scheme of buying

names in which the stock could be held. The next step of

IF., Vol. Ill, pp. 841, 842.

3 Philadelphia, Aug. 80, 156.50; Baltimore, Sept. 7, 155; New York, Sept. 2, 155.

Later in September the prices fluctuated between 148 and 153.— Ibid., p. 347.

> For resolution, ibid., p. 843, Nov 28, 1816. The vote was 11 to 10. Report of

committee, ibid., p. 342, Nov. 26. See also letter of John Donnell, ibid., p. 343.

\* J. Q. Adams, Memoirs, Vol. IV, p. 383.

\*Ibid. Smith was United States senator from Maryland. Buchanan managed

all the business of the firm. He was one of the first government directors.

^ Ibid., Vol. IV, p. 382. See also 2 Whkaton, 61.

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the interested parties was to form a company to deal in

the stock. Smith and Buchanan, Cashier McCulloch, and

George Williams, all of Baltimore, composed this company. 1

This little band of speculators had one prime object in

view: to manipulate the price of the stock in order to make

fortunes. As means to attain this end, they had possession

of the Baltimore office and unusual influence at Philadelphia,

where Williams and Buchanan were directors.

The methods employed by the general management to

inflate the price of the stock have been already related. At

Baltimore the business of the branch was swollen to an

enormous extent with the same object in view. In the first

two years the Baltimore discounts ranged from five to twelve

and a half millions; the drafts on other offices, particularly

those in the North, were frequent and excessive. Specie

was always limited in amount, and once in 1818 fell as low

as $26,714. The debt to the bank and branches was

astounding, being for the most of the time over $8,000,000.

a

i George Williams, in his testimony before the committee of the House, stated

that "he was concerned in a company who purchased largely; Smith A Buchanan,

and Mr. McCulloch, of Baltimore, together with himself, composed the company."—

F. % Vol. Ill, p. 372. Williams was the man who took 1,172 shares of the stock in the

names of 1472 persons in order that he might exert a great influence in the election

of directors.— Ibid, The company also purchased 1,000 shares in 1,000 names for the

tame purpose.— Ibid., p. 376, McCulloch's testimony.

\* Business done at Baltimore (cents omitted) : fuunca

On Ix- Owing Dua by

111? Dtooanta Bank Stock changa Iaauaa Branch\* State Banki Dapoaita Spacia

July 5,182,031 42,000 418,470 3.300,420 322,220 448,766 219,794

October 7,923,739 2,743,283 482,162 532,340 7,232,072 228,039 421,019 90,057

1611

July 9,289,349 3,358,349 5,264 8,363,630 210,938 584,376 95,634

November 7,350,577 2,420,235 5,264 8,571,554 84,438 26,714

—Ibid., pp. 327, 351-7.

Drafts drawn on Bank of the United States and branches from April, 1817, to Nov.,

1818:

On Philadelphia $3,684,157

On Boston 1,072,008

On New York 1,831,514

On all others 1,294,000

Total $7,881,679

—Ibid., p. 828.

The issues were not very extended, but that was not the fault of the Baltimore

managers. Cashier McCulloch complaining that the office had " never had a suffi-

cient supply of its own notes."— Ibid., p. 377.

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While working to increase the price of the stock, the

manipulators bought still larger quantities. In April and

June, 1817, Buchanan and McCulloch purchased 19,940

shares in different lots from D. A. Smith at 19, 20, and 36

per cent, advance, and in December 12,000 shares at 155. 1

The total was 31,900 shares, for which they paid $4,451,376.

How much more extensive their dealings were cannot be

determined, but they held 15,490 additional shares in March,

1819, 2 making the sum of their purchases at least $6,397,626.

Purchases so extensive demanded considerable ready

money, and this Buchanan's business could not furnish. The

plan adopted, therefore, was to borrow it from the bank,

which had agreed to accept bank stock at an advance of 25

per cent, above par as security for loans.\* Buchanan and

McCulloch consequently borrowed the money to buy more

stock on a pledge of the stock they already held. At the

bank in Philadelphia they borrowed $1,957,700 in this way.

At Baltimore they procured $1,629,436.12/ but here, though

the loans were presumably secured by stock, there were

actually only 2,558 shares in the office to cover the entire

debt. 6 At an advance of 25 per cent, these shares secured only

$329,750 out of this total of over $1,600,000. The con-

spirators loaned themselves the remainder without giving

any security whatever. As the cashier was the keeper of all

stock pledged, none of the directors could know that no stock

was given in by them. That they might draw these sums from

the office without security, and without the knowledge of the

board of directors, Buchanan and McCulloch declared to

1 Testimony of D. A. Smith, March 28, 1823, Conspiracy Cases, p. 137.

«/Md., pp. 91, 92, Paper X.

3 Aug. 26, 1817. "It is expedient that the loans on the stock of the bank bo

extended to the rate of $125 a share, upon notes to that amount, with two approved

names"— Ibid., p. 26.

♦ For the debt at Philadelphia see ibid., p. 91, Paper X; for that at Baltimore,

pp. 77-83, a list of loans upon stock at the office at Baltimore, March 8, 1819.

5 Ibid., pp. 91, 92, Paper X.

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the Baltimore board that the making of stock loans was

executive business, and that they had authority from Phila-

delphia to make such loans without the consent of the board. 1

At other times, to conceal their designs from outside parties,

they claimed that they had this authority from the Baltimore

board. These declarations were absolutely false. 3 Neverthe-

less the Baltimore directors acquiesced, and their acquiescence

shows reprehensible slackness and almost criminal neglect

At this point active fraud begins, for it was only after

the president and cashier had arrogated to themselves this

power that their debts assumed the vast proportions already

noted. On the 11th of August, 1817, the discounts on

bank stock were only $314,850.\* On the 12th, however,

immediately after the usurpation of authority by Buchanan

and McCulloch, the sum rose to $857,350, the result of the

discount of a note for Smith and Buchanan, 4 and by the 11th

of September Buchanan, with the aid of his accomplice,

McCulloch, had loaned himself $798,301.77 on stock secu-

rity.\* McCulloch borrowed $574,001.03\* in the same man-

ner, though he was absolutely without means, and George

Williams secured $169,833.34/ the total amount owed by

the three together on bank stock securities being $1,542,-

136.14.\* These notes, moreover, were constantly renewed,

i '\* B. L. Colt was next examined. He proved .... That after some time early

in August, 1817, he thinks the 10th or 11th, no stock notes, to the best of his recollection

and belief, were ever submitted to the Board, for discount or renewal ; until some

time in January, 1819, when an order of the Parent Board was received, forbidding

them to be made without the consent of the Directors : And that on making enquiry

at the Board, on the subject of such loans, he was told by both James A. Buchanan

and Jas. W. M'Culloh, the President and Cashier, that it was executive business,

with which he, as a Director, had no concern."— Conspiracy Cases, p. 48. Also testi-

mony of A. B. Bankson, p. 46; John White, p. 46 ; Jas. Beatty, p. 47 ; George Hoffmann,

p. 48; John Hoffmann, John McKim, Jr., Jos. W. Patterson, p. 49; Wm. Gilmore,

p, SO; Thos. Finley, p. 119.

\* Ibid., pp. 23, 24, by-laws of the bank ; testimony of Baltimore directors, pp.

119, 129, ISO.

' Ibid., p. 139. \* Ibid., p. 29. \* Ibid., pp. 29-32.

• For details, ibid., pp. 33-7. 7 Ibid., pp. 37, 38.

\*Ibid., pp. 40, 41. This differs slightly from the figures already given, because

there were several stock loans made to them which were not counted as being for the

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without the payment of interest, and without the knowledge

or consent of the board; 1 nor did their loans cease when

the parties were absolutely certain that they were ruined,\*

Thus on January 11, 1819, the stock was at 107 , s and the

loss of the stock company by this decline in price, counting

in brokerage, commission, and other incidental charges, was

$1,444,074. Yet they renewed their notes and added to

them. 4

Though Buchanan and McCulloch had evaded the super-

vision of the local board by usurping the power to make

stock loans, yet the loans had to be entered on the books of

the bank, and thus the chances of discovery were enhanced

to such a degree that continued concealment seemed impos-

sible, since the directors had the right, and it was their duty,

to examine the books. Yet these immense stock loans were

recorded and caused no comment. 5 Obviously the directors

neglected their plain duty, though it must be remembered

that many of them believed that they had no authority to

inquire into the business of loaning on stock. Moreover,

there was at first glance little ground for suspicion, since

the loans were entered on the books merely as loans on stock,

without any mention of what the stock was, how much it

was, or in what manner secured. 8

use of the company. Stock loans did not comprise the whole of their debt. They

secured loans on personal security for small amounts. Each overdrew his account,

and in several other ways added minor sums to the great mass of the debt. The

whole amounted to $497,723.40 (ibid.), which, added to the sum already given, made

a total of $1,982,098.66.

l Conspiracy Case\*, pp. 29-99. \* Ibid., pp. 68-71, 77-63.

'See Colt's statement, ibid., p. 98.

\* Harper's argument, ibid., pp. 193, 194.

6 "They [the books] no doubt disclosed the fact, that such notes, to such

amounts, of such dates, payable at such periods, and drawn and endorsed by such

persons, had been discounted for the Traversers, as stock notes."— Idem, ibid., p. 178.

• " They [the books] were wholly silent on all these heads. This is fully and unde-

niably proved, by the present Cashier and the Clerks, and by the books themselves

now lying before me, and open as they have been for a fortnight, day by day, to the

inspection of the Traversers and their counsel. They simply speak of the notes as

stock notes ; but make no mention whatever of the stock pledged ; its nature, ite

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To evade the vigilance of the Baltimore directors was a

trifling task; to evade that of the central board was none at

all. Jones, said Crawford, was completely in the possession

of the Baltimoreans, and there can be no doubt that Cashier

Smith was quite as much so. But when the panic fell, in

the autumn of 1818, this state of affairs could no longer con-

tinue. On the 20th of October a call was sent out from

Philadelphia, asking for lists of the stock loans at all the

branches. 1 There were three points included in this call, on

each of which full information was required: (a) a separate

list of notes discounted on stock security was to be for-

warded to Philadelphia; (6) with the names of the drawers

and indorsers; (c) and a description of the stock pledged.

Discovery stared the unhappy wretches in the face, and for

a moment they seemed to abandon all hope. On the 26th

of October McCulloch wrote to the officers at Philadelphia,

saying that the information desired would soon be forwarded. 3

It seems that he then carried to Philadelphia a list of the

stock loans, which he intended to present to the board, and

which would have revealed at once in all its nakedness the

fraud which had been practiced. Cashier Smith, however,

dissuaded him from doing this.' He then returned to Balti-

more, and on the 9th of November sent a second letter to

Philadelphia, 4 which was intended to pave the way for a

falsification of the records of the Baltimore branch. Loans,

amount, or the manner in which the pledge was secured. All these matters were

within the sole cognisance of the Traversers, Buchanan and M'Culloh, as President

and Cashier; and to the latter exclusively belonged the custody of the Stock itself.

All this is undeniable."— Idem. See testimony of John White, ibid., p. 47.

l Ibid., p. 27.

2 "I have directed the list of discounts granted here upon the pledge of stock

and personal security, to be made up, and as soon as it can be conveniently fur-

nished ; it shall be forwarded to you."— 76 id., p. 58.

'Testimony of D. A. Smith, ibid., pp. 62, 63.

\* " I am preparing a list of borrowers upon stock at this office, .... the delay in

furnishing this list correctly, arises from a necessity to examine these loans for some

time back, as entries have been sometimes debited to loans on stock, which should

have been to bills on personal security, and vice versa."— McCulloch to Smith, ibid.

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he asserted, had been mistakenly entered as loans on stock

instead of as loans on personal security. 1 McCulloch fol-

lowed up his letter by rectifying the presumably false entries.

This he did by transferring to the account of notes on per-

sonal security $852,683.64 from the stock list, and of course

diminishing that list by this amount. 9 With this substitu-

tion Buchanan and McCulloch were able to show enough

stock to secure $645,400, and the stock list thus manufac-

tured on the 14th of November showed precisely that

amount as owed by them.\*

For the time the speculators were saved, but not for long.

In January President Jones resigned, and steps were imme-

diately taken to correct abuses everywhere, and especially at

Baltimore. On January 22, 1819, an order was issued from

the bank at Philadelphia forbidding any discount or renewal

of any discount on the security of stock without the consent

of the board of directors.\* This put an end to any further

manipulation of the funds of the Baltimore office by the

president and cashier. On the 1st of February another

i " The court will recollect that the books have been produced and inspected :

That they have laid on the table three weeks, open to the Traversers and their Conn"

sel : . . . . and that no attempt has been made on the part of the Traversers, to point

out any such errors as this entry and the letter of November 9th import, nor indeed any

intimation that such errors exist. On the contrary it fully appears, by the inspec-

tion of the books themselves, as well as by the testimony of the clerks and the present

Cashier, that no such errors exist. Thus it is established, and indeed admitted, that

the entry is absolutely false."— Harper's Argument, Conspiracy Cases, p. 212. For

the evidence see pp. 67-73, testimony of clerk and the genuine stock list of Nov. 13.

2 "Mr. Butter then proved, that on the 14th of November, 1818, James W.

M'Culloh wrote and handed to him, an entry in relation to loans on stock, with

directions to enter it in the day book of that day, which he accordingly did ; from

whence it was posted into the ledger on the same day, and made part of the stock

account of that day."— Ibid, p. 64.

'See the list, ibid., pp. 60-62. The sums given are as follows: Smith &

Buchanan, $97,875 and $137,500; George Williams, $221,875 and $188450; total, $645,400.

Whether it was ever presented to the directors at Philadelphia is doubtful, but

probable, since a letter of precisely the same date mentions that a stock list has

been forwarded. See two letters of this date. — Ibid., pp. 58, 59. Both are from

McCulloch. In one he says . " I send you herein a statement of the existing loans

made at this office, upon pledged stock and personal security."

\*Ibid.,v. 27.

Administration of William Jones 49

resolution prohibited any further new loans on stock. 1 On

the 19th of February came an order directed to Baltimore

demanding a specific account of the loans at the office made

on stock security. 3 Concealment could be continued but a

little longer. 8 Before the 16th of March the gentlemen had

confessed that they could not pay their debts, and about

the same time they handed in a paper to the directors at

Philadelphia purporting to show precisely how their affairs

stood.\*

In addition to these acts of the speculators as a body,

each of them kept his account continually overdrawn, even

after they knew that they were ruined and that exposure

must be at hand. 1 The mismanagement of the branch was

flagrant in this respect, for when McCulloch was removed

the sums overdrawn footed up $200,759.60.\* Nor was this

all, for the cashier seems to have made loans without the

knowledge of anyone else, and to have kept no record of the

Boms. The amount so loaned was over $84,000. 7 Finally,

the first teller, J. S. LaReintrie, was found to be a defaulter,

to the extent of $50,000.'

Thus, by arrogating to themselves the sole right to dis-

count loans on pledges of stock, by indorsing for each other,

by lying to the local board of directors, by false entries in

the books of the branch, by false reports to the bank at

l/Wd., p. 28. 2 ibid.

'They, howerer, attempted farther deception by handing in another fraudulent

fiock list and another fraudulent personal security list on March 8. The false

•lock list of March 8 gives the debts of the parties on stock security as follows:

Smith & Buchanan, $97,875 and $137,500 ; Williams, $221,875 and $188,150 ; total, $645,400.

McCulloch was credited with a loan on stock of $3,400, but this was no part of the

so-called stock loan. The true list of the same date showed them debtors for the

following sums: McCulloch, $592,201.01; Smith 6 Buchanan, $870,801.77; Williams,

$160,83384; total (omitting $3,400 on McCul loch's private account), $1,629,436,12.—

Ibid., pp. 77-83. The false discount list, pp. 84, 85.

\* Ibid., pp. 91, 92, Paper X. \* "An Exhibit of Losses Sustained,\*' etc., ibid., p. 12.

• Of this sum Buchanan was debtor for $39,916.24, McCulloch for $28,944.54, and

Williams for $13^39.12.— Ibid.

1 Ibid., p. 11. » Ibid., p. 12.

50 The Second Bank of the United States

Philadelphia, the speculation was kept going. But it was

impossible that it should continue when once the panic of

1818-19 swept over the country. When the crash came,

the parties to this shameless fraud failed to pay $1,401,-

685.32 of their debts. 1

i Smith 6 Buchanan's debts unsecured .... $844,212.43

J.W.MeCulloch'sdebts 429,049.80

Goo. Williams's debts 628,423.09

$1,401,685.32

— " Exhibition of Losses," Conspiracy Ca\*a % pp. 21-4.

CHAPTER III

THE ATTEMPT TO SAVE THE BANK UNDER JONES

When the conviction that the bank was in straits finally

took possession of the directory at Philadelphia, strenuous

efforts were made to rescue it These began July 20, 1818,

when it was resolved to curtail $5,000,000 in discounts at

Philadelphia, Baltimore, Richmond, and Norfolk. In addi-

tion, the Washington office was instructed to call for the

payment of balances due by the other banks in the District,

and the Cincinnati office to collect the balances due from

the Cincinnati banks at the rate of 20 per cent, a month. 1

The reduction was to be mainly in the South. In the\* North

and East, outside of Philadelphia, none was expected. 3 At

this moment the immediate demand liabilities of the bank

were $22,372,000, the specie fund to meet them $2,357,000.

It was soon evident that these measures would not be

effective in putting a period to the most serious drain upon

the bank's resources, namely, the drafts of the southern

and western offices. Consequently, on the 28th of August

i (1) "That the redaction of the discounts at this bank, and its offices at Balti-

more, Richmond and Norfolk, be forthwith commenced, and continued at the average

rate of at least twelve and a half per cent, on the amount of the income on each dis-

count day." Philadelphia, $2,000,000; Baltimore, $2,000,000; Richmond, $700,000;

Norfolk, $300,000.

(2) \*\* That the president be required to demand of the Bank of Columbia, ....

a satisfactory assurance that the large balance which is now and has long been due

from that bank to this institution be discharged, .... so that the whole shall be

liquidated by the 15th day of October next ; . . . .

(8) "That the cashier of the office at Washington city be directed to demand

payment of the balances which may be due to that office by the other banks of the

District of Columbia, ....

(4) "That the cashier of the office at Cincinnati be directed to demand the

reduction of the balances which may be due by the State banks in that place, at the

rate of at least 20 per cent, per month, until the whole shall be extinguished."—

r., Vol. Ill, p. 887.

sChzvzs, p. 14; Niles, Vol. XXIII, p. 90.

51

52 The Seoond Bank of the United States

a second series of resolutions was adopted forbidding the

offices to receive any notes but their own, except in pay-

ments to the United States, prohibiting the further sale of

drafts at par, and restricting the purchase of bills of domestic

exchange. 1 If these orders were faithfully executed, the

bank would be relieved of its most formidable difficulties.

In October it was found that the attempt to curtail had

not been as successful as desired, though a material reduc-

tion had been attained. 3 The branches in the South failed

to reduce to the amount assigned by $1,077,500. A com-

mittee of the bank reporting October 30, 1818, therefore

advised that these offices be required to complete the reduc-

tion, and that $1,500,000 more in discounts should be

curtailed: $100,000 at Middletown, Conn., $400,000 at Rich-

mond, and $1,000,000 at Baltimore. Once more the bulk

of the reduction was to fall upon the South, and particularly

upon Baltimore, which had already been called upon for a

reduction of $2,000,000 and had failed to make that reduc-

tion by $763,000. In addition, the orders of the 30th of

October prohibited the offices from drawing on each other ;

called upon the southern and western branc^ps for $700,000

in specie; authorized President Jones to arrange for the

importation of $1,500,000 more; forbade the offices' taking

the notes of any banks which did not redeem them in specie

on demand; and insisted that no further credits be given to

the Cincinnati banks until the balances already due were dis-

charged.\* Nothing could proclaim louder the distress of the

bank than this report. Nor, if it were obeyed, could anything

IF., Vol. Ill, pp. 825, 326.

sin discounts the redaction was $4,252,441.17; foreign exchange had been

diminished $302,472.10, and funded debt had been sold to the amount of $2,006,376.48.

>(1) "That the President be authorized and requested to order the additional

sum of one million and a half of dollars, in French coin, to be shipped on account of

the bank.

(2) \*• That the branches which have not reduced their discounts, as required by

the resolution of the 20th of July last, be required to complete said reductions.

(3) "That in addition .... the following offices be required to reduce thai?

Attempt to Save the Bank under Jones 53

be more effective, since it would not only directly reduce

discounts, but indirectly, by the prohibition of selling drafts,

go far toward putting a stop to all the southern and western

business. On the other hand, it spelled ruin for thousands,

and, had the bank been strong, would have been the most

damning evidence of a total incapacity to handle a monetary

stringency as it should be handled. What the country

had a right to expect at such a time from a bank holding

the position held by the Bank of the United States was an

extension of credit, the granting at a fair rate of all legiti-

mate demands for loans.

The measures seemed to be effective. Jn March, 1819,

total loans had fallen to $40,640,236.65, a reduction of over

$3,900,000 since October, almost entirely in discounts.

The whole reduction from July 20, when the contraction

began, was $7,505,760.55. The discounts had been espe-

cially aimed at, the particular effort being to reduce them

by $7,000,000, and the difference in this item in the eight

months of contraction was $6,530,159.49. The circulation

diseoonto at the average rate of twelve and a half per cent, each discount day."

(N aides of offices and sums follow.)

(4) (An order to Charleston to hold specie ready for Savannah, and to ship

$150,000 to Philadelphia.)

(5) "That the offices reciprocally refrain from drawing on each other, or upon

this bank, until further orders."

(•) (Cashier to draw for specie.)

M Bkh^A™ 1 , in specie or bills at sight on this city, New York or Boston $ 50,000

Lexington, in specie 100,000

Louisville, in specie 100,000

Cincinnati, in specie 50,000

Pittsburg, in specie 50,000

Chillicothe, in specie 100,000

Fayetteville, in specie 100,000

Total $550,000"

(7) (Only notes paid on demand in specie, to be received everywhere. Not to

credit as cash notes of banks which shall be indebted to the bank after demand for

payment has been made.)

(8) "That when the banks at Cincinnati shall have made arrangements with

the cashier of this bank for the payment of their respective debts, the cashier of

the office at Cincinnati may receive the notes of any such bank as cash, provided

the said bank shall thereafter pay its notes in specie on demand."— Ibid., pp.

54 The Second Bank op the United States

fell away at a proportionate rate, the reduction being

$2,500,000 from July, 1818, to January, 1819. To secure

this decrease in circulation the most stringent measures had

been adopted, culminating in the order of August 28, which

forbade the offices to take any notes but their own, even on

deposit. 1

In appearance, therefore, the bank had done what it

wished to do, but actually it had done nothing of the sort.

The attempt had been directed against the southern and

western branches, and here it was almost absolutely futile.

In fact, the western offices, instead of diminishing, increased

their loans to the extent of $500,000.' Moreover, loans in

the West frequently changed their form only: the branches

ceased to discount, but increased their purchases of bills of

exchange, in most cases as a species of renewal of notes or

bills drawn on them, 8 and frequently this change resulted in

transforming an interest-paying debt into a non-interest-

paying one. 4 In addition, the southern and western offices

could not be "restrained from issuing their notes, which

they did most profusely." \*

The curtailment, therefore, fell almost entirely upon the

offices in the East, where curtailment was not desirable.

Philadelphia alone reduced to the extent of $3,600,000, 6 or

i ' Sir : I am directed to inform you thai notes of this bank which are made pay-

able at its several offices of discount and deposite will not be received at this bank

after this day, except in payment of debts due the United States. Such notes, how-

ever, of the offices as your bank may have received during this day, will be received

in exchange to-morrow morning."— J. Smith, cashier, circular to city banks ; issued

to the offices also, F., Vol. Ill, p. S67. The office at Boston had ceased receiving

southern branch notes in March (Gray to Jones, March 19, 1818, ibid., pp. 324, 825), and

the offices in Savannah, New Orleans, and Charleston had never taken any baft their

own notes.— Report of committee of August 26, 1818, ibid. % p. 325.

2CH2VZ8, p. 15; Niles, Vol. XXIII, p. 90.

> Ibid. These were the so-called race-horse bills, which ran from office to office

without being paid.

\*" The curtailments in many instances resulted merely in a change of debts

bearing interest for debts due by local banks, or the notes of local banks, on neither

of which was interest received."— Ibid.

tlbid. •Chkves, p. 14, and Niles, ibid.

Attempt to Save the Bank under Jones 55

over half the entire reduction in discounts; Boston and

New York, which were not required to reduce, were forced

to follow the example of Philadelphia, the discounts at Bos-

ton in April, 1819, being only $94,584.37.' In like manner

it was the eastern offices which reduced circulation, the notes

of the western banks having to be redeemed in the East\*

The result was that the bank was actually worse off than

wtfen it began the reduction, because the offices which needed

strengthening became weaker, while the branches of the South

and West could not be checked. After " these immense and

rapid curtailments," says Cheves, " the most sensible and

vital points (Philadelphia, New York and Boston) were

infinitely in worse condition than when the remedy was

devised." ' The business of the eastern offices was almost

destroyed. On the 19th of March, 1818, the Boston office

had ceased receiving southern branch notes. It had made

no discounts worth mentioning for many weeks, its whole

time and capital being employed in the redemption of south-

ern branch paper. 4 The office at New York suffered in the

same manner. Both branches were depleted of their specie,

though large quantities of the precious metals were sent to

them. 1 At times their capital was "less than nothing." 6

The general condition of the northern branches corresponded

to that of the offices at Boston and New York. The entire

capital of the institution was rapidly being shifted to the

South and West Out of the total capital stock of $35,000,-

000 the office at Baltimore held $5,646,000 in May, 1819;

i Cbxvm, p. 15, and Nilbb, ibid,

'From Sept. 1, 1818, to May 24, 1819, $5,100,000 in southern and western notes had

been received at the eastern offices, u nearly all .... at Philadelphia, New York,

and Boston."— Cheves to Crawford, May 24, 1819, F., Vol. IV, p. 881.

\*Chxv», pp. 14, 15; also Nilks, Vol. XXIII, p. 90.

• Letter of President Gray to Jones, March 19, 1818, F., Vol, III, p. 824.

• Ibid., p. 831. Amount furnished office at New York from May, 1817, to Dec., 1818,

J.01 ; to office at Boston from Jan., 1817, to Dec., 1818, $1,622,800.09.

• Memorial of the bank directors, Dec. 7, 1820, ibid., p. 589.

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Richmond, $1,760,000; Savannah, $1,420,000, and Charles-

ton, $1,935,000, while the offices in the West were in an

equally prosperous condition, controlling a capital enor-

mously out of proportion to their legitimate needs. Lex-

ington had $1,502,000, Louisville $1,129,000, and Cincin-

nati $2,400,000, while New York had a capital of $245,000,

and Boston had none whatever. 1

From what has already been stated of the manner in

which the specie of the bank was drained from it by the

state banks and speculators, it will easily be conjectured

that the frantic attempts to secure specie would be of little

avail. During the eight months of contraction the bank

could procure after the most strenuous efforts only $2,617,-

440.63, while from the beginning of its existence to the 5th

of December, 1818, it imported $6,500,458.42. After that

date no more could be secured. To get this specie over

half a million dollars was expended, 2 and this half million

represented only the direct cost of buying and importing.

Cheves declared that a debt of $1,586,345.47 owed by the

bank in 1818 grew " principally if not entirely " out of its

specie operations. 8 The only result of any consequence,

therefore, was to diminish the bank's resources by over

) Capital of the bank, showing the effect of the note issues and drafts of South

and West, May, 1819:

Portsmouth

Providence

Middletown

New York

Baltimore -

Washington

Richmond •

Norfolk -

Fayetteville

Charleston

Total

$ 117,678.70

835,208.54

255,985.11

245,287.81

5,646,325.28

555,787.97

1,760,562.88

861,764.16

677,963.81

1,935,042.35

Savannah

New Orleans

Lexington

Cincinnati -

Louisville

Chillicothe -

Pittsburg -

Philadelphia

Deduct due to Boston

$1,420,548.45

1,664,596.47

1,502,388.44

2,400,987-30

1,129,009X0

649,858,83

769,031.36

13,418,742.961

372,825.79 J

$13,045,917.1?

$34,973,828,63

The capital given for Philadelphia was merely nominal.— F., Vol. Ill, p.

Chxvbs, p. 34, Appendix II.

\* F., Vol. ni, pp. 338, 339. Cost $525,297.35.

\* Kxpoeition y p. 15; also Niles, Vol. XXIII, p. 90.

Attempt to Save the Bank under Jones 57

$2,000,000. The sale of public stock was an operation of a

similar nature. Specie purchases and the sale of United

States stock ended by reducing " the productive capital of

the Bank, within the period of eight months," by " eight

millions of dollars and upwards." 1 The efforts to secure

balances due from the state banks were perhaps more hope-

less still In the West these banks when called upon

remonstrated, and when pressed were forced to declare their

insolvency. State banks had nothing with which to pay,

and hopes of relief from them were vain from the begin-

ning.

Such were the efforts of Jones and his coadjutors to

secure the bank, and such were the results. After a reduction

of about $7,000,000, the offices in the North and East were

almost prostrated; the specie funds there had vanished;

its debts abroad had been increased enormously ; its imme-

diate demand liabilities were in excess of $13,168,000, its

means of meeting them only $2,666,000; the capital had

been shifted to the South and West, and was tied up there

in notes and bills constantly renewed; debts could not be

collected; the orders of the central board could not be

enforced upon the branches; and at Baltimore a gang of

thieves was looting the office and striving with might

and main to bring about a suspension of specie payments.

The final blow was given when the government demanded

$2,000,000 of its deposits in specie in order to make a pay-

ment in redemption of the Louisiana purchase stock.\* For

a moment the bank trembled on the verge of insolvency:

"the Directors .... did not know what answer to give — "

but finally made an arrangement whereby they furnished

bills on London in lieu of the specie, a substitution " which

saved the Bank." \* But no one conversant with its situation

i Chxvks, p. 16, and Nilbs, ibid. \* Redeemable Oct. 21, 1818.

• James C. Fisher to Rufua King, Jan. 30, 1819, Life and Corrttpandence qf

R\*/m» King, Vol. VI, p. 201.

58 The Seoond Bank of the United States

expected that it would be able much longer to weather the

storm.

The stringency of 1818 at once brought down the popu-

lar wrath upon the bank, and popular feeling was soon felt

and reflected in Congress. On the 25th of November, 1818,

John C. Spencer, a representative from New York, intro-

duced resolutions demanding investigation by a committee of

the House. 1 After a brief but spirited debate, these were

adopted on the 30th, 3 and the committee was appointed with

Spencer as its chairman. 8 The committee investigated

laboriously, collected a vast amount of formless material,

and on the 16th of January, 1819, reported, censuring the

managers of the bank for mismanagement, speculation, and

violations of the charter. These violations consisted in buy-

ing $2,000,000 of the public stock for the government of

the United States, in assisting the stockholders to evade

payment of the coin and funded-debt part of the second

instalment, in paying dividends to stockholders who had

not paid up their subscriptions, and in allowing stockholders

to cast more than thirty votes in the first and second elec-

tions for directors. 4

Despite the really flagrant mismanagement and fraud at

the bank, and despite the amount of this which was revealed

by the committee, the report was exceedingly weak, being

constructed hastily and imperfectly, contradictory in its

charges, and in places incomprehensible. The author of it

had too feeble a grasp on the complicated questions before

him, and consequently failed to make the most of his

advantages. He felt called upon, indeed, to apologize for

the report, admitting inaccuracy and confusion. 6 The

1 A. of ft, 15th Cong., 2d Sess., Vol. Ill, p. 817. 2 Ibid., p. 335. \* Ibid. t p. 552.

• J. C. Spencer, New York; William Lowndes, South Carolina; John Tyler, Vir-

ginia ; Bnrwell Bassett, Virginia ; Louis McLane, Delaware, constituted the eon\*

mittee.— J6td., pp. 335, 340.

& u Mr. S. proceeded to make explanations of some expressions in the report.

The remark, that ' the principal business of the bank certainly has been to discount

Attempt to Save the Bane under Jones 59

minority of the committee, the only members of it who

possessed anything like an adequate knowledge of banking

and currency questions, clearly demonstrated that the charges

of charter violation were of slight moment. Thus in the

purchase of government stock the bank had acted as agent

for the government, and consequently had committed no

breach of the charter. 1 The failure in respect to compelling

the payment in specie and funded debt for the second instal-

ment was regrettable , but it was not a violation of the char-

ter, was probably inevitable, and had been condoned by

Congress in advance. 2 The payment of dividends to delin-

quent stockholders was for trifling amounts, and made by

subordinate officers of the bank without the knowledge or

consent of the central board.\* The bank had no control of

the judges of election who had permitted the casting of

more than the legal number of votes, and there was no

method specified in the charter by which these judges could

hinder such violation. 4 In explaining the mismanagement

of the bank's affairs its supporters were not so successful,

but they forcibly argued that these acts were the result of

ignorance, or of a difference of opinion with regard to cor-

ob notes secured by a pledge of stock,' was liable to misconstruction. The expres-

sion used does not convey the meaning of the committee : it was either an inadver-

tence in the draught, or an error in copying ; . . . . and it was intended to confine

the remark to the business of the bank at Philadelphia, .... With regard to the

expre ssion, in the close of the report, that, 4 whatever differences of opinion can

sMEt among them (the committee) as to the result and inferences to be drawn from

the facts stated, they unanimously concur in giving to the preceding statements of

facts, and abstracts of documents their sanction. 1 Mr. S. observed that ho thought

the expression sufficiently precise, but he understood it was liable to a misconstruc-

tion. When inferences were mingled with facts, the unanimous sanction did not

extend to these inferences ; but that, in all cases wherever a fact was definitely

stated, the committee meant to sanction it. Mr. S. remarked, that the report had

been prepared at a time of severe indisposition, and when the committee had been

fatigued and almost exhausted with labor, and he should not be surprised if many

erroneous expressions were found in it."— Ibid., Vol. IV, p. 124L

i Lowndes, pp. 1306, 1306; McLane, pp. 1338, 1340.

\* /did., Lowndes, pp. 1306, 1307; McLanb, pp. 1340-43; Sergeant, pp. 1389-91.

\* Ibid., Lowndes, pp. 1306, 1309 ; Sergeant, p. 1991. The sum was only $1,400.

\* Ibid., pp. 1344, 1345, 1391, 1392. See the summary of all these arguments in the

pamphlet by Aegles.

60 Thb Seoond Bank op thb United States

rect policy, and consequently did not establish criminality.

Indeed, criminality was not charged, the Baltimore frauds

being unknown until later. Under the circumstances it was

urged that the policy to be pursued should be that of cor-

recting abuses, not the destruction of the ignorant and inno-

cent offender.

So complete was the victory of the bank's advocates in

Congress that neither house could be persuaded to take any

step except that of passing an act additional to the charter

by which in the future it would be impossible for stockhold-

i ere to cast more votes than they were entitled to cast. 1 The

House rejected, by large majorities, motions to sue out a

scire facias and to repeal the charter, besides a number of

others contemplating less stringent measures. 1 The Senate

did nothing until January, 1820, when it decidedly repelled

resolutions to compel the bank to secure the consent of the

states for the establishment of branches and to expose its

accounts with private individuals. 8

The investigation of 1819 had its results, however: the

stock of the bank immediately fell below par; 4 President

Jones, entirely discredited, fled in affright from the bank,

and on the 25th of January, 1819, James C. Fisher became

president pro tempore, until a man could be found to save

the wreck. 5

Fortunate would it have been for the Bank of the United

States had it been compelled to undergo no more serious

punishment, but the consequences of mismanagement and

crime were to be severely felt for the rest of its exist-

ence, not only in the depletion of its capital, but even more

i A. of C., 15th Cong., 2d Sess., Vol. IV, p. 2522.

a/6td., p. 1409. Only 28 ayes for the scire facias. See for measures proposed

ibid., Vol. Ill, pp. 922, 923; Vol. IV, pp. 1411-16.

\*Ibid., 16th Cong., 1st Sess., Vol. I, pp. 58-68. Vote, 24 to 12, Jan. 4, 1820.

\* To 93 at Philadelphia ; 97 at New York— Nilss, Vol. XV, p. 401.

a F. % Vol. IV, p. 868, and Nilss, Vol. XV, p. 417.

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seriously in the hatred and hostility of the people. The

almost universal conception of the situation in 1818-19 is

summarized by Gouge in a single sentence: "The Bank was

saved and the people were ruined." \* The evidence of this

conviction is apparent in Niles, who breathed nothing but

threatenings and slaughter against all banks, but especially

against the Bank of the United States, upon which he

directed the whole weight of his clumsy artillery, declaring

that it had degenerated into a machine for the shaving of

notes and the oppression of the middle classes, and that it

had caused the panic. Its curtailments had, indeed, precipi-

tated the panic, for which, however, it was hardly more

responsible than was Noah for the flood. The popular bit-

terness was infinitely increased by the restrictive orders

which compelled the payment of debts precisely when it was

most difficult to pay them, the climax of dissatisfaction being

reached on August 28, 1818, when the bank issued its order

to the offices to cease receiving each other's notes. The

measure was one for which the country was quite unpre-

pared, and occasioned suffering and embarrassment Notes

of distant branches were current only at a discount, and

Niles complains bitterly of the inconveniences imposed upon

individuals, testifying to his own, when, with "more than

one hundred dollars in small notes of the Bank of the United

States" in his pocket, he "could not pay the postage of a

few letters." a

The keenest distress fell upon the West. In that section

there never existed the slightest justification for the prepos-

terously large loans of the bank, and, as the state banks had

been equally generous, the inflation and over-trading were

unparalleled. Worse yet, much of the indebtedness had

been created by loans to farmers, who had no security to

i Cobbett's edition of 1833, p. 71.

»Nilm, Vol. XV, p. 61, Sept. 19, 1818. The notes depreciated slightly, about

H of 1 per cent.— Lowndes, A. of C., 15th Con\*., 2d Seas., Vol. IV, p. 1301.

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offer excepting mortgages on real estate, absurdly overvalued,

and absolutely unsalable during a commercial crisis. A

moment's reflection should have convinced anyone that these

new and insignificant towns of the West could not possibly

pay debts as vast as those contracted in New York and Bos-

ton, and should never have been permitted to borrow such

enormous sums. Of course, the money had been mostly

expended on permanent improvements, and could not be

repaid on demand. The borrowers never expected to pay

when the notes came due, the usual custom being to renew

over and over again.

When, therefore, on the 20th of July, 1818, the parent

board demanded the collection of the balances from the

Cincinnati banks at the rate of 20 per cent, every month, 1

the inhabitants of Ohio were extremely indignant, and com-

plained of the action as being diabolically oppressive. The

orders of July were aggravated by the prohibition of the

receipt of the branch notes of other offices. The Cincinnati

banks could not pay, 2 and, so far from discharging their

indebtedness, owed more in October than they had owed in

July.\* Nevertheless they had striven to reduce their debt,

and as a consequence had inflicted great distress upon their

debtors, who were absolutely unable to pay, having neither

specie nor bank notes with which to pay. The Cincinnati

banks protested, therefore, against the acts of the Bank of

the United States as a " grievance unprecedented." \* The

bank, however, could not and would not yield, and, instead

of offering more favorable terms, prohibited the receipt

of the notes of these banks. 5 This act precipitated a

i F., Vol. Ill, p. 326, par. 8.

a Cincinnati committee to Bank of United States, Aug. 20, 1818. — F., Vol. IV,

pp. 859, 860.

« The sum was $721,006.12.— Jones to Crawford, ibid., p. 859. See also Nxlm, Vol.

XV, p. 59.

\* Protest of the Cincinnati banks, F., Vol. IV, p. 860.

ft Resolution of Oct. 16, 1818, ibid., pp. 861, 862.

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disaster, the three Cincinnati banks stopping payments in

November. 1

To detail the events in regard to the other western states

would be merely to repeat, without essential variations, the

story of the Ohio banks. The Bank of the United States

pressed for the payment of its dues. The local banks could

not collect their own debts, and consequently could not pay.

They suspended, and ruin fell upon thousands. In Kentucky

the Bank of the State ceased specie payments November 20. 3

By January, 1819, the remainder of the Kentucky banks

had suspended, and their notes were at a discount of from

20 to 30 per cent. 8 Most of the banks of western Pennsyl-

vania had ceased payment by December, 1818/ Since the

initiatory impulse came from the Bank of the United States,

everyone held that institution responsible.

In the South there were difficulties of like nature. In

South Carolina there was constantly a balance of from $500,-

000 to $800,000 due by the state banks to the Bank of the

United States.\* The bank called upon the banks of Charles-

ton to pay $130,535.50, whereupon there was intense excite-

ment, and the exasperated local banks threatened to get a

state law passed hostile to the Bank of the United States,

and also to suspend specie payments. They complained that

the " monster " was iniquitously draining the South of its

specie/ The same conditions existed in North Carolina,

where the balances against the State Bank were also large. 7

As early as March, 1818, a hint was given that payment of

balances would be agreeable, though no demand was made/

The State Bank offered to pay in notes of other offices of the

l ibid., p. 864.

\* Though compelled to partial resumption immediately afterward and continu-

ing until Jan. 1, 1820.— Nilks, Vol. XV, p. 283; Gouge (Cobbett's edition), p. 90.

» NrLEa, Vol. XV, p. .m 4 Tbid., p. 283.

& Jones to Spencer, Dec. 23, 1818, F., Vol. Ill, p. 323; letter from Charleston to

M, Dee. 4, 1818, ibid.

• Ibid. t Jones to Crawford, May 29, 1818, F., Vol. IV, pp. 844-7.

•Grove of branch bank to Polk, of State Bank, March 14, 1818, ibid., p. 848.

)

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Bank of the United States, in notes of other banks, or in

drafts upon other banks in places where the bank had offices, 1

but the proposition was brusquely refused, to the extreme

embarrassment of the State Bank, which repeated the angry

charges that the bank was attempting the ruin of the people

by deliberately and wickedly trying to draw away the specie

of the state. 8

Under these circumstances the hatred and enmity of

states and state banks to the Bank of the United States

mounted higher and higher. From the first these had been

keen and persistent. Thus the earliest constitution of Indi-

ana, adopted in 1816, had prohibited the establishment of

the branch of any bank chartered outside the state.' In

February, 1817, Maryland laid a tax of $15,000 per annum

upon the office at Baltimore; 4 in November Tennessee fol-

lowed this example with a tax of $50,000 upon any bank

settled in that state under any but a state charter, 6 and in

December Georgia imposed an annual " tax of thirty-one and

a fourth cents on every hundred dollars of bank stock oper-

ated upon or employed within " the state, a resolution of the

legislature in November, 1818, declaring that this tax " was

only intended to apply" to branches of the Bank of the

United States. 6 When the panic began, the indignation of

the people found vent in further acts of the same character.

The first constitution of Illinois, framed in August, 1818,

prohibited the existence of any but state banks within the

state. 7 In December North Carolina laid an annual tax of

i Polk to Grove, March 11, 1818, F., Vol. IV, p. 848.

a Grove to Polk, March 14, 1818, ibid., and March 19, p. 849.

3 Poors, Charters and Constitution\*, Vol. I, p. 509, Art. 10.

\*Laws of Maryland, 1817, chap. 156, p. 174.

\*Laws of Tennessee, Scott's edition, Vol. II, pp. 889 ff. ; Laws of 1927, chap.

132, sec. 2, Nov. 22,1817.

• For statute see Lamar, Laws of Georgia (1810-19), pp. 889-91; for resolution,

ibid., p. 1206.

7 Poors, Vol. 1, 447, Art. 8, sec. 21.

Attempt to Save the Bank under Jones 65

$5,000 upon the branch at Fayetteville ; \* in January, 1819,

Kentucky imposed the largest tax of all, compelling each of

the branches to pay $60,000 yearly, 2 and the next month

Ohio rivaled Kentucky by enacting that the tax in that

state should be $50,000 upon each branch.\* Even in Penn-

sylvania, the supposed stronghold of the bank, the legisla-

ture warmly discussed the policy of a tax, 4 and in 1819

petitioned Congress to take steps to amend the constitution

so as to confine national banks to the District of Columbia. 6

The subject was also debated in the legislatures of Virginia 6

and South Carolina, 7 and DeWitt Clinton, of New York,

urged action upon the legislature of that state.\* It was only

the decisions of the Supreme Court in the cases of McCul-

loch vs. Maryland and Osborn vs. the Bank of the United

States which saved the bank. Had it lost either of these

cases, there can be no doubt that it would soon have been

taxed out of existence in all of the southern and western

states.

More immediately disastrous were the losses suffered in

1817-18. These were so enormous that the bank was crip-

pled in its dealings for six or seven years. In 1822 its sus-

pended debt was in excess of $10,000,000, that amount of its

capital being tied up in unavailable assets, while the actual

loss was calculated in October of that year as $3,743,899. 9

> NilhuVoL xv, p. am.

iSlauohto, Acta of Kentucky, p. 637, chap. 843, Jan. 28, 1819.

•Chasm, Statelet of Ohio, Vol. II, pp. 1072 ff., chap. 450, Feb. 8, 1819.

\*Nilbs, Vol. XIV, p. 64.

\*A.of C, 16th Con\*., 1st Seas., Vol. I, p. 70.

• Nilis, Vol. XIV, p. 23, note. 7 Nilbs, Vol. XV, pp. 289, 290.

sQodob (Cobbett's edition), p. 59.

•Expected loaa in 1822:

BDBPBNDKD DEBT

Personal and other than stock securities $6,401,255.90

Loans on stock securities 4,017,060.76

$10,418,306.66

of which it is calculated that $3,743^99 will be a loss.— Report of Committee of Stock-

holders, Oct. 1, 1822, Chbvbs, p. 4, and Nilbs, Vol. II ITT, p. 88.

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The profits of the first two years had been $1,100,000, so that

in this period the management' netted a loss of $2,600,000.'

The principal loss was -aC- Baltimore, the amount being

over $1,$00,000. The four western offices came next.

Cheves declared in 1824 that from 10 to 15 per cent of the

capital loaned there had been lost, 1 and on the 1st of

April, 1819, the sum due and unpaid at these offiees was

$6,351,120.80, which was reduced by less than $1,000,000

on August 30,1822. s In the South the offices most offending

after Baltimore were Norfolk and Charleston, but there were

considerable losses in addition at Washington and Savannah.

The final loss in the South was $2,234,138.61, while in the

West it was only $552,576.78.\* The explanation of this

small loss in the West is to be found in the appreciation of

western real estate which the bank had been forced to accept

i For the profits see report of stockholders, Nov. 5, 1819, Nilks, Vol. JLVll, p. 16S.

»F., Vol.V, p. 96.

3 ''On the 1st of April 1819, the sum due to the Bank in Ohio and Kentucky,

including balances due by local banks, was 6,351,120 dollars, 80 cents; on the 80th of

August 1822, the sum due, including also real estate taken in payment, was 5,389,477

dollars, eighteen cents, being a reduction of 961,653 dollars sixty-two cents," —

—Cheves, p. 27, and Niles, Vol. XXIII, p. 94.

« Sums lost to Aug. 30, 1822 :

Philadelphia $ 177,057.02

Portsmouth • - ' 3,708.33

Boston 2.807.48

Hartford 6,299.02

New York 29,939.79

Baltimore 1,696,643.09

Washington 70,794.85

Richmond 38,057.20

Norfolk --- .... 191,082.66

Fayetteville 21,481.88

Charleston 100,428.13

Savannah 78,041.29

New Orleans - • .... 87,609.51

Louisville 205,446.83

Lexington 165,846.64

Cincinnati 94,156.17

Chillicothe 28,579.45

Pittsburg 58,547.69

Total $3,005,527.08

-H. £., 460, 22d Cong., 1st Seas., p. 244.

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in liquidation of its debts in 1818-19. This property had

been taken at a low figure, but its value increased with sur-

prising rapidity, largely owing to the phenomenal growth of

Cincinnati^ fiad it not been for this enormous and unex-

pected increase in values, the bank's total losses in the

West would hardly have been less than $2,000,000. As a

consequence of the transfer of real estate the bank owned a

large part of Cincinnati: hotels, coffee-houses, warehouses,

stores, stables, iron foundries, residences, vacant lots;

besides over 50,000 acres of good farm land in Ohio and

Kentucky. 1 Its possession of this vast property maddened

the former owners, now impoverished by a recklessness

which they would not acknowledge, believing instead that

the bank''jfas responsible, as if it had taken possession

by violence\*. Moreover, the situation gave to the politicians

an opportunity too tempting to be neglected, and by a

slight effort of the imagination one can almost hear the

reverberations of "Old Bullion" Benton's voice startling the

drowsy Senate as he thunders: "I know towns, yea, cities,

.... where this bank already appears as an engrossing pro-

prietor." \* " All the flourishing cities of the West are mort-

gaged to this money power. They may be devoured by it

at any moment They are in the jaws of the monster! A

lump of butter in the mouth of a dog! one gulp, one swallow,

and all is gone!"\*

» 8. 2>., 96, 22d Con\*., 1st Sess., pp. 22-36.

\* Thirty Yean, Vol. I. p. 198. » C. Z>., Vol. VIII, Part I, p. 1008.

CHAPTER IV

THE ADMINISTRATION OF LANGDON CHEVES

"A ship without a rudder or sails or masts, on short

allowance of provisions and water, on a stormy sea and far

from land, will afford a figure by no means too strong to

express the hapless condition of the Bank of the United

States, when I undertook the government of it." So asserted

Cheves many years later, 1 and with truth, for when he came

into office he found an appalling state of affairs. There was

a general expectation that the bank was about to suspend

specie payment, and that the nation would once more be

plunged into all the difficulties of the period just before

its establishment. 3 As already seen, the situation of the

eastern offices was particularly serious. Elsewhere the

attempt to curtail had frequently ended merely in changing

the form of the debt, while the notes of the southern and

western branches were still pouring into the northern offices

in an overwhelming flood.\* The spirit of the offices is

evidenced by the act of the Baltimore directory, which

would not attempt to make a new curtailment required in

1 Cheves in answer to President Thomas Cooper, of South Carolina, Aim. tt»

1837, Niles, Vol. LIII, p. 8, quoting the Charleston Mercury.

\* " My memory deceives me much if I found any one in or out of the Bank, who

entertained a sanguine belief of its being able to sustain its payments much longer.

On the contrary there was .... a public and general expectation that the nation

was about to suffer the calamity of a currency composed entirely of irredeemable

paper."— Chbvbs, p. 19, and Nileb, Vol. XXIII, p. 91.

44 The chief difficulty, probably, now will be if the Bank cannot continue to pay

specie, and consequently incur a liability to be called upon by its creditors for twelve

per cent, per annum interest We fear there is too much cause to calculate upon

the Batik being placed in this unhappy situation before many months"— Bank direc-

tors to Cheves, Feb. 1, 1819, Exposition, p. 99; also Smith to Crawford, Feb. 2, 1810,

' «F„ Vol. IV, p. 889.

\* " And when in this wretched state, the southern and western circulation was

pouring in upon these weak points."— Chevbs, p. 15, and Niles, Vol. XXIII, p. 90.

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February, though, in order to keep the strict letter of

instructions from Philadelphia, the notes of debtors were

renewed "without the formality of discount." 1 An insig-

nificant attempt to reduce the excessive loans on stock at

Philadelphia was being met with violent and sometimes

successful opposition by the stockholders. 3 The government

stock held by the bank had been sold and the proceeds

exhausted without bringing any relief.' The bank was .

almost without specie, and actually without sufficient in its ■

vaults to meet the possible demands of the Philadelphia

banks, while a still greater sum was owing and immediately

due for money borrowed at home and abroad. 4 Meanwhile

the receipt of government dues embarrassed the bank to an

almost ruinous extent, the duties being paid by the mer-

chants in branch paper, and the debentures for these same

duties being demanded by the government and paid by the

bank in specie — or paper immediately redeemable in specie/

There was no specie to be procured at home, aftd the I

i\*\*That, after protesting, by letter, without success, against the curtailing

order of the Parent Board, bearing date the 19th February, 1819, it was agreed to

renew thenotes without the formality of discount, in order not to Tiolate the instruc-

tions of curtailment."— Cotupt racy Case\*, p. 114.

\* " At the close of this period [of curtailment] the discounts on personal security

at Philadelphia, had been so long the subject of curtailment, that but a small por-

tion of them admitted of further reduction, and, after great efforts, a rule had been

established to reduce the discounts which had been granted on the stock of the

Bank, at the rate of 5 per cent, every 00 days Even this small reduction was

the subject of loud, angry, and constant remonstrances among the borrowers, who

claimed the privileges and the favour which they contended were due to stockhold-

ers, and sometimes succeeded in communicating their sympathies to the Board."—

Chxvxs, p. 10; Nilss, Vol. XXIII, p. 90.

8 "All the funded debt which was saleable, had been disposed of, and the proceeds

exhausted."— Chjevxs, p. 18; Nh.es, ibid.

\*Cmmts, p. 17, and Nilbs, ibid.

• "The sums which were collected daily on account of the revenue, in branch

paper, were demandable the next day in Philadelphia, and, at the same time, at

every office of the establishment, at the discretion of the officers of the Government.

The revenue was principally paid in Branch paper ; . . . . and while the duties were

thus paid at one comptor in Branch paper, the debentures, .... were demanded

and paid at the other in specie, or its equivalent,— money of the place."— Chevbs,

ibid., and Nilxs, ibid., p. 91. See also Cheves's letters to Crawford April 8 and 13,

1\*19, F. t Vol. IV, pp. 873, 874.

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yattempt to procure it abroad had broken down early in

[February ; l the bank was receiving little aid from the South,

land none from the West, 2 while its own slender stock of the

precious metals was still being drawn into these parts of

the 'Union. 8 "All the resources of the Bank," declared

Cheves, "would not have sustained it in this course and

mode of business another month ! ! " \* Nothing but disaster

and wreck could be expected. Even Secretary Crawford

abandoned hope. " The stoppage of specie payments by the

bank and by the State institutions is inevitable," he wrote to

Cheves. 5

The new president, however, was the man to save the

wreck, if it could be saved; for what was required before all

things was decision and firmness, and these Cheves pos-

v sessed to an extraordinary degree. He clearly perceived

(that the essential cause of the bank's embarrassment lay in

the business of the southern and western offices, and these

" were immediately directed not to issue their notes," while

the bank itself " ceased to purchase and collect exchange

n the south and west." e This measure was the vital one

'in rescuing the bank from its immediate difficulties. 7 Alone,

however, it would have been effective only after a lapse of

i Smith to Crawford, Feb. 2, 1819, F. % Vol. IV, p. 809.

a " The Southern Offices were remitting tardily, and the Western not at all."—

Cheves, p. 17, and Niles, Vol. XXIII, p. 91. See also letters of March 20 and

April 2, 1819, from Cheves to Crawford, Exposition\* pp. 42, 51.

\* " The Bank itself continued .... to purchase and collect drafts on the south-

ern and even western Offices, though almost the whole active capital already lay

in these quarters of the Union, and though the great object of the curtailments was

to draw funds from these points."— Cheves, p. 15; Niles, ibid., p. 90.

\* Exposition, p. 17; Niles, ibid., p. 91.

\* " Langdon Cheves and the United States Bank," by Miss Louisa P. Has-

kell, Report American Historical Association, 1896, Vol. I, p. 306. See also Craw-

ford to Cheves, April 6, 1819, Cheves, p. 59.

\* Cheves, p. 20; Niles, Vol. XXIII, p. 92.

7 " The great cause which has given security to the bank, and without which it

certainly could not have sustained itself, has been the restraint put upon the offices,

with which the exchanges were adverse, in the issue of their notes."— Cheves to

Crawford, Sept. 15, 1819, F., Vol. IV, p. 90S.

fi

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more time than the bank had at its disposal. Hence it was

necessary to seek immediate relief in other directions.

Cheves consequently brought forward a number of addi-

tional measures having this end in view. The curtailments

already ordered were to be continued, though not increased;

the balances due from the state banks were to be collected;

the government was to be requested to give the bank time

to make transfers of public funds from the places where

they were collected to the places where they were to be

disbursed ; ! to allow debentures to be paid in the same cur-

rency in which duties were paid; finally, as a temporary

relief of absolute necessity, the bank borrowed $2,000,000/

in Europe, payable in three years. 2 "These measures,"

said Cheves, " lifted the Bank in the short space of seventy

days, .... to a state of safety and even some degree of

power." In fact, the storm was not only weathered, but

the curtailments were in part abandoned, the state banks

assisted, suspension averted, the currency improved, and

the capital of the bank to some extent localized.'

i Hitherto the government had been allowed to call for its deposits at any

office, no matter where the funds might be. This arrangement was no longer possible,

as it led to infinite embarrassments and might prostrate the bank in a single day.

See resolution of board of April 12, 1819, ibid., p. 874; Cheves to Crawford, May 8,

1819, ibid.\* p. 876. Confined to the offices at Philadelphia, Boston, New York, and Bal-

timore.

\* "(1) To continue the curtailments previously ordered. (2) To forbid the Offices

to the south and west to issue their notes when the exchanges were against them.

(3) To collect the balances due by local Banks to the Offices. (4) To claim of the

Government the time necessary to transfer funds from the Offices where money was

collected to those where it was to be disbursed, as well as like time (until the difficul-

ties of the Bank were removed) to transfer funds to meet the notes of Offices paid

in the Bank or other Offices than those where they were payable according to their

tenor. (5) To pay debentures in the same money in which the duties, on which the

debentures were secured, had been paid. (6) To obtain a loan in Europe for a sum

not exceeding 2^00,000 dollars, for a period not exceeding three years."— Cheves,

pp. 20, 21 ; also Nil.es, Vol. XXIII, p. 92. For the exact sum borrowed see Cheves,

p. 25, and Nlles, ibid., p. 95.

\* 4 \* These measures .... lifted the Bank in the short space of seventy days

(from 8 March to 17 May) from the extreme prostration which has been described,

to a state of safety and even in some degree of power, enabled it to cease its curtail-

ments, except at points where it had an excess of capital, to defy all attacks upon

it, and to sustain other institutions which wanted aid and were ascertained to be

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Having rescued the institution from immediate peril, it

became necessary to attempt a complete reform of its busi-

ness methods and the correction of all abuses, with the pur-

pose of restoring and afterward retaining its capital. Cheves's

management of the institution was dominated by these con-

siderations alone. He seemed to care little about doing any

considerable business so long as he was perfectly safe, and

his career is, therefore, to be judged, not by his ability as a

banker in ordinary circumstances, but as an inventor of expe-

dients to restore the bank to the position which it first held.

In this he was completely successful ; as a banker, one may

reasonably doubt his title to any pre-eminence.

/ Resolved to restore the capital of the institution, Cheves

. determined that no dividends should be paid until the

V original capital was once more intact. 1 In order to make

the funds perfectly safe, he strove for three principal ends:

/the reduction of the active funds, a proper distribution of

/ capital to the branches, and the retention of these capitals

1 by the branches when once they had been assigned. #

To reduce the active funds, he insisted on the retention

of the capital stock which had been surrendered as a result

of the insolvency of the debtors at Baltimore and other

places to the number of 37,954 shares, 3 thus virtually dimin-

ishing the bank's capital by $3,795,400. In addition to this,

Cheves secured a further reduction of active means by invest-

ing ^s far as practicable in the funded debt of the United

States. 8 As the former management had sold all the gov-

ernment stock that was saleable, 4 there remained only the

solvent ; above all, to establish the soundness of the currency which had just

been deemed hopeless ; and in a single season of business (the first) to giro to

Office as much capital as it could advantageously employ."— Exposition, p. 21, and

NlLES, ibid., p. 92.

i Report of Committee of Stockholders, Nov. 5, 1819, Nmn, Vol. XVII, p. lflB.

2 Cheves, p. 29, and Nilbs, Vol. XXIII, p. 95.

3 Cheves, p. 30, and Niles, ibid.

\* There was an excess of $322,823 in March, 1819, which was reduced to $100,210 In

April.— Reports of the state of the bank for 1819.

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government's subscription to the bank's capital, $7,000,000,

at 5 per cent. To increase this the bank took a government

loan in 1820 of $2,000,000 at 6 per cent., and another in 1821

of $4,000,000 at 5 per cent 1 The capital was thus reduced

by $16,955,610. It was further diminished by the amount

of the suspended debt, which was in excess of $10,000,000.

After all these deductions were made, the amount left as

active capital was about $8,000,000. Cheves thought this

almost sufficient, calculating, in October, 1822, that in any

case only $1,500,000 additional was needed. 3

More important to safe and proper management was the

assignment of the capital\* to the branches. The first step was

to transfer the funds of the bank from the western and]

southern offices, where it was held, to the northern officesJ

where it was needed. By putting an end to most of the

business of the southern and western offices, and by compel-

ling them to remit in specie or bills of exchange on Europe

or the North, the bank by October, 1819, corrected to a con-

siderable extent the injurious distribution of the capital

occasioned by former mismanagement. There were, how-

ever, vast sums still locked up at Baltimore and the western

offices, and at all the southern offices the funds held were

excessive.\* Nevertheless, correct banking principles de-

manded that definite capitals should be assigned to the bank

and its offices, since otherwise it would be impossible to "do

business with judgment or success." \* The 1st of November,

1819, was therefore selected as the date upon which the

capital should be considered fixed, 5 though the sums assigned

were in most cases provisional, and nothing whatever was

allotted to Baltimore or to the western offices. 6 Meanwhile

the southern offices were ordered to continue to remit in bills

i Chbyks, p. 22, and Niles, ibid., p, 91. \* Chsyks, p. SO, and Nilkb, ibid., p. 96.

\* Report of Committee of Bank, Sept. 25. 1819, F. y Vol. IV, p. 907, sees. 8, 4.

\*Ibid., p. 906, sec. 1. a/Mrf., p. 909, see. 17. e/6fcf., p. 907, sec. 5.

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of foreign or domestic exchange all excess of capital and all

revenue received on account of the government. 1

The most difficult and the essential task still remained, for

the mechanism of the system had to be arranged so as to

keep the capital stationary, and thus avoid a repetition of

the disasters of the previous years. In analyzing the causes

of the transfer of the funds to the South and West, the

directors pointed out those which needed correction before

any permanent reform could be obtained or the bank's safety

assured. These were: the payment of government revenues

at the eastern offices in notes of the distant branches, which

made necessary the keeping of large supplies of specie at all

the offices to redeem them ; the collections and drafts of the

bank and its offices on each other; and the payments on

account of the government, 2 which had to be made wherever

ordered if the bank held sufficient funds belonging to the

government, even if it did not have them at the particular

office where payment was demanded.

The first of these causes Cheves always considered as the

most serious after the western note issues, because the

exchanges were invariably against the West, and for half the

year against the South ; and hence the notes of these offices

would run constantly to the East and North in payment of

government dues, and thus tend to shift the capital to the

West and South.\* As the course of exchange could not be

controlled, one of two things was, in his opinion, necessary:

either the government must decline to receive the branch

notes in payment of government dues, except where the

notes were by their tenor made receivable ; or the bank must

put an end to the issue of western notes and greatly diminish

the issue of southern notes. At the very beginning of his

i Report of Committee of Bank, Sept. 25, 1810, F., Vol. IV, p. 906, sec. 10.

aj&td., p. 908, sec. 12.

'Cheves to Crawford, April 6, 1819, ibid., p. 873; and Memorial, Bank of the

United States, Dec. 7, 1820, ibid., Vol. Ill, p. 589.

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presidency, therefore, Cheves earnestly appealed to Secre-

tary Crawford to cease the receipt of branch paper in the

eastern cities in payment of government dues. 1 Crawford

declined to accede to the proposition, as he considered it ille-

gal, and was certain that it would be inexpedient, injurious

to the treasury, and destructive to the bank, while it would

transform the branch issues into local currencies, circulating

at par only within the immediate neighborhood of the issuing

offices. 1 Cheves submitted, but the belief that the govern-

ment's receipt of such notes everywhere was dangerous re-

mained with him \o the last In December, 1820, the bank

appealed to Congress to make modifications in the charter,

and especially urged a change in this respect.\* Since neither

the treasury nor Congress would furnish the relief asked,

the same end was reached by the alternative method, namely,

by prohibiting the issues of the offices against which the

exchanges ran. The western offices were instructed to issue

nothing larger than five-dollar notes. The notes of another

office were not to be paid out except by an office having a

credit with the office originally issuing them. 4

The third difficulty, that of having to pay government

funds wherever they were called for without having time to

l Cheves to Crawford, April 2, 1810, Exposition, pp. 49-52. Same to same, April 6,

1819, ibid., pp. 53-7 ; also F., Vol. IV, pp. 873, 874.

'Crawford to Chores, April 6, 1810, Exposition, pp. 50-03. Same to same, April 9,

pp. 64-9. It would seem, however, that for a brief period the bank refused to pay

such notes deposited by the treasury except at the places where payable by the tenor

of the note.— Extract from minutes, F., Vol. IV. p. 874; Memorial, Bank of the

United States, Dec. 7, 1820, tMd., Vol. Ill, p. 589; Nii.es, Vol. XVI, pp. 417, 418; Craw-

ford to Cheves, April 27, 1810, F., Vol. IV, p. 614.

• Memorial, Bank of the United States, Dec. 7, 1820, ibid., Vol. Ill, pp. 586 ff.

4\*\* When the notes of an office (above five dollars) shall appear to be drawn from

it, to be used as a substitute for exchange, it shall immediately cease to issue them,

unless it be indispensably necessary to sustain the credit of the office to do so. On

this principle it will be inexpedient, considering that the exchanges run steadily and

constantly against the western country, that the offices of Pittsburg, Cincinnati,

Chillicothe, Lexington and Louisville should issue their notes unless it be indis-

pensably necessary to sustain their credit, until the further order of the Board."—

Report of the Committee of the Bank of the United States, Sept. 25, 1819, ibid., Vol. IV,

p. 908, sec. 14.

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transfer them, was completely obviated by a new arrange-

ment with the treasury by which sufficient time was to be

given in all cases for the making of transfers, 1

These measures were in themselves sufficient to keep the

capital fixed, but Cheves was not a man to take any chances,

and consequently further rules were enacted with the same

object in view. In addition to the prohibition upon the

issues of notes, each office was to draw bills of exchange

upon other offices only when it had provided a fund upon

which to draw.' Such bills were to be drawn for only

sixty days and payable at sight, thus avoiding the danger

of tying up capital in a species of long loans; they should

not be bought above par, nor should checks be sold below

par. Each office must make provision for paying its notes

on presentation, and indeed retain specie sufficient to meet

any unexpected minor demand.\* The offices should collect

debts due each other, and furnish one another monthly lists

of notes of other offices held. These notes were to be sent

home as soon as possible, and the funds to pay them might

be secured by selling drafts on the debtor office ; conversely,

collections might be provided for by buying bills payable

at the creditor office. 4 Besides the monthly reports, which

acted as a check on the impulse to draw on the other offices,

each office was to furnish the central board with a weekly

list of the bills of exchange bought and checks drawn, giving

exact and minute information about them. 5

i F., Vol. IV, p. 909, sec. 16, and Crawford's answer to the proposals, Sept. 14,1619,

ibid., p. 640.

2 " They shall not draw, except on funds to meet the payment of their drafts,

unless by an arrangement or understanding with each other. They may, under such

arrangements, establish mutual credits with each other and with the parent bank,

of all which arrangements the parent Board shall immediately be adrised."— Ibid^

p. 906, sec. 12.

» Ibid., pp. 906, 909, sec. 16. « Ibid., p. 906, sec. 12.

5 " The offices shall sererally annex to their weekly statements a list of the bills

purchased by them in the preceding week, with the names of the drawers, endorsers,

and drawees, dates, the time to ran, whether from Bight or date, and the premium and

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Such were the measures for keeping the capital fixed:

the treasury was to draw for funds only after giving time

for the transmission of the funds; the offices were to draw

only when they had provided for the payment of their

checks and bills; the notes of offices against which the

course of exchange ran were not to be issued. These meas-

ures were the essential ones in putting the bank into a posi-

tion where it could safely continue its business, once its ,

capital was withdrawn from the South and West and prop- J

erly apportioned. With their capitals assigned, the offices

knew precisely how much they had to trade upon, and all

beyond that sum which came into their hands had to be

accounted for and returned at once to the various offices to

which it belonged.

While providing against dangers which threatened from

the bank management, Cheves undertook to hold the state

banks to a strict accountability. It was advisable for the"

bank's profits that the state banks should not be suffered to

retain enormous balances due to the bank ; it was necessary

to the bank's safety that they should not be permitted to

trade absolutely without restriction, for if they did so the

currency could not be kept sound, and specie payments

could not be continued. Consequently, as a means to the

securing of the bank'\* just profits, to its safety, and to the

soundness of the currency, Cheves insisted upon an imme-

diate reduction of state-bank debts, a settlement of bal-

ances in the future at fixed intervals, and the constant

presentation of their notes for specie. 1 At the same time

vigorous efforts were made to recover the bank's funds in

Kentucky and Ohio. By taking mortgages and collateral

interest received, and also the aggregate amount of the checks drawn by them, with

the average rate of the premiums received."— Ibid., sec. 13.

i M It is generally understood that the U. S. office in this city has called on the

state banks to pay np their balances, about 20 per cent, a week, till paid; then

to settle np weekly, or at some short period. This is by ordert from head quarters."

— Nmtt, Vol. XVI, p. 261, quoting the Richmond Enquirer of May 28, 1819.

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security, and by accepting real estate on terms easy to the

debtors, it contrived by August 30, 1822, to secure $961,-

653.62 out of a debt due at Cheves's accession of $6,351,-

120.80. Cheves naturally regarded this as an unusual

achievement. 1

Reform in the management was energetically pursued.

Salaries were at once reduced, 2 current expenses cut to the

lowest possible figure,\* and the London agency discontinued,

in so far as possible. 4 As a consequence the expenses were

lower than at any other period % of the bank's history.\*

Changes of officials and directors began even before Cheves

was placed at the head of the bank. In January, 1819,

fourteen new directors had been elected to the parent board

out of a total of twenty-five, 6 and immediately afterward

President Jones and George Williams resigned from the

board. 7 Cheves remorselessly continued this necessary work,

weeding out incompetent officers and striving to bring

criminals to punishment. Less than a year after his enter-

ing office, Cashier Jonathan Smith left the bank. 8 McCul-

loch was forced out of the Baltimore branch in May, 1819,

and Buchanan at once resigned;\* the directors of the branch

were changed; 10 a new president was^elected; 11 and suits were

instituted against Buchanan, Williams, and McCulloch for

i Exposition, pp. 26, 27, and Niles, Vol. XXIII, p. 94.

a President's and cashier's salaries from $7,000 to $6,000; rest of the officers, 20

per cent.

3 u The current expenses of the bank have been essentially reduced since the

year 1819."— Report of Bank Committee, Oct. 1, 1822, Cheves, pp. 11, 86, 87, and

Niles, ibid.\* p. 89.

• Report of Committee on the State of the Bank, July 19, 1821, Nilbs, Vol.

p. 844.

\*>S. D. 98, 22d Cong., 1st Sess., pp. 44-8.

• ff. R. 460, 22d Cong., 1st Sess., p. 286.

7 Cheves, p. 39, and Niles, Vol. XV, p. 417.

s Niles, Vol. XVII, p. 440. His place was taken on Feb. 25, 1820, by

Wilson.— Choves to Crawford, March 1, 1820, F. % Vol. IV, p. 920,

• Cheves to Crawford, May 27, 1819, Exposition, p. 73, and Niles, Vol. XVI, p.

io Niles, ibid. % p. 321. The vacancies were five. " IbicL, p.

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conspiracy to defraud the bank. These came to trial in the

courts of Maryland in 1821. The lower court acquitted the

defendants, and the decision was then overruled by the court

of appeals; 1 but on re-trial in the lower court in 1823 the

defendants were again acquitted.' Suit was also brought

against the cashier of the Middletown branch for defalca-

tion/ while similar measures were taken at other offices. At

Louisville, Ky., the number of directors was increased from

eight to thirteen, only four of the old directors being

retained, and a new president was appointed. 4 Half the

directors at the offices, Niles calculated, were turned out. 5

In August, 1819, the president of the Richmond board

resigned, 8 there being a deficit at that branch of some

$60,000; and in September, 1820, the cashier at Fayette-

ville, N. C, resigned because of a deficiency in his accounts. 7

Meanwhile the western and southern offices were carefully

investigated by committees of the bank which reported their

condition as well as the amount of losses suffered during

the first years of the bank. 8 Cheves was of the opinion that

there were too many branches, 9 and it was determined to

reduce the number, if possible. 10 The attempt was made, but

the Cincinnati branch alone was withdrawn in October,

i Comtpiruey Gases, Appendix, pp. 81 ff. \*Ibid. y Appendix, pp. 1 ft\*.

• Sam lost, $88,548. Cashier removed Oct. 27, 1820.— 12 Whbaton, 12, 13.

« Nilbs, Vol. XVI, p. 280. ' Nilbs, Vol. XVII, p. 825, Jan. 15, 1820.

• Nilbs, Vol. XVI, p. 405, Aug. 14, 1819 ; p. 421, Aug. 21, 1819. The fanlt was with

one of the clerks of the branch.— Nilbs, Vol. XVIII, p. 82, March 11, 1820, quoting

the Richmond Examiner.

T Nxlbs, Vol. XIX, p. 26, Sept. 29, 1820, quoting the Fayetteville Observer.

m

\*Cksvbs, pp. 28, 27, and Nilbs, Vol. XXIII, p. 94.

• "We hare too many branches, .... I hope they will be reduced."— Cheves

to Crawford, May 27, 1819, Expositions p. 78.

10 "The committee strongly reconrnend as expedient, that the number of the

offices of discount and deposite .... should be gradually diminished, whenever

it shall be deemed beneficial to the institution."— Report of Committee of Bank

Stockholders, Not. 5, 1819, Niles, Vol. XVII, p. 168. The same recommendation was

made by the committee of 1822.— Chkvks, p. 11 ; Nilbs, Vol. XXIII, p. 89.

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1820, x it being found " inexpedient to discontinue any other

office." f

Complete success crowned these various measures. On

the 1st of January, 1821, the capital was once more entire,\*

$3,550,000 having been appropriated from profits since 1819

to a contingent fund to cover the losses of the early years.

A dividend of 1 J per cent, was then declared. 4 By January,

1823, the capital was fairly apportioned, though not yet in

entire consonance with the best interests of the bank. Per-

manent capitals were fixed in the cases of the southern and

northern offices, with the exception of Baltimore. Here and

at the western offices no capitals could yet be assignecL^

The effect of these measures upon the volume of the

bank's business was marked. With the effective funds of

$8,000,000, to which Cheves had virtually reduced the capital

of the bank, no extensive business was done, and under his

management little could be done ; for his policy was one of

continuous restriction. Since the western and southern

offices could rarely issue notes, they could not make any

material discounts, and the measures thus adopted checked

i Cheves to Crawford, Oct. 21, 1822, F., Vol. IV, p. 944. Oct. 2 was the date of with-

drawal.

2 Cheves, p. 28, and Niles, Vol. XXIII, p. 94.

> " Resolved, That, in the opinion of the board, the losses of the bank, previously

sustained, were repaired, and that the capital stock was re-established, and made

whole on the first day of January, 1821."— Report of Committee on the State of the>

Bank, Jan. 23, 1821, Niles, Vol. XIX, p. 375.

« Report Dividend Committee of Bank, July 2, 1821, Niles, Vol. XX, pp.

300, and H. R. 460, 22d Cong., 1st Sess., p. 213.

& Distribution of capital, Dec, 1822 :

Philadelphia -

- $24,245,306.24 (presumably includes suspended debt, etc).

Portsmouth

200,000.00

Fayetteville .... $ SOQjQOOuOP

Boston

1,500,000.00

Charleston .... 1,500,000.00

Providence

350,000.00

Savannah I,000,000u00

Middle town -

200,000.00

New York -

2,500,000.00

Louisville - • • - - • .

Baltimore

Washington

500,000.00

Cincinnati- - • - • ••

Richmond

- 1,000,000.00

New Orleans - 1,000,0004)0

Norfolk

500,000.00

Pittsburg

— F. % Vol. IV, p. 477.

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western business almost entirely. In the light of this fact )

it was futile for Cheves to assert that his management had

never ordered a contraction. 1 It never had, in so many

words, but the entire policy of that management meant a

continuous contraction. " Total investments " for the whole

of Cheves' s administration were much less than at any other

period of the bank's existence, and discounts were par-

ticularly restricted, running from about $25,000,000 to

$30,000,000 out of from $39,000,000 to $44,000,000 of

productive funds. 2

The issues kept pace with the discounts, ranging from

$3,519,000 in January, 1820, to $6,630,000 in September of

the same year. The West and South were almost completely

deprived of the bank's notes, as a consequence of the policy

of September, 1819, which forbade their issue when the

course of exchange was adverse,\* though in October of that

year the same plan allowed all the offices to issue five-dollar

notes, no matter what the course of exchange, and provided for

their redemption at all the offices. 4 This permission, however,

was of little value, since the notes had to be signed by the

president and cashier of the parent board, and these officers

1 \*\* I now state, and defy contradiction, and am ready to prove that no curtail-

ment hoe been ordered from the time I took my seat, until this day."— Exposition,

p. 21, and Nilbs, Vol. XXTTT, p. 92.

J Out of a total of $40,640,000 of productive funds in April, 1810, $33,480,000 were in

discounts. In 1820 discounts at no time exceeded $29,913,000. In 1821 discounts at

their maximum were $29,346,000 out of a total of $40,061,000, while in 1822 the maximum

was $28^61,000 out of a total of $44,802,000. In the discounts, too, would be included

the suspended debt of $10,000,000.

• " All notes issued south and west of Washington hare, in consequence of the

state of exchange between these places and the commercial cities to the east of this

place, centered in those cities. The Bank has consequently found itself constrained

to direct those branches to refuse to issue their notes, even upon a deposite of specie.

The effect of these causes, combined, has been, the exclusion from circulation, in all

the states west and south of the seat of government, of the notes of the Bank of the

United States and its offices."— Crawford's Report, Dec. 1, 1820, F., Vol. Ill, p. 552.

\* Oct. 16, 1819. " Notice is hereby given, that the notes of this bank and its offices,

of the denomination of five dollars, will be received and paid on demand, at the

bank and its offices respectively, without reference to the place where they may, by

their terms, be made payable.— By order of the board of directors, Jonathan Smith,

cashier."— Nilbs, Vol. XVII, p. 115, Oct. 23, 1819; see F„ Vol. IV, pp. 908, 909, sec 15.

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being entirely too busy to give adequate time to this task,

very few five-dollar notes were furnished, 1 The bank, never-

theless, was anxious to meet the difficulty by increasing its

issues of five-dollar notes, 1 and the order allowing them to be

taken at all offices gave relief in the North. The prohibition

upon the offices against receiving any of the notes had stood

for fourteen months, and had caused much embarrassment

and excessive feeling.\*

/ Cheves's management of the bank, on the whole, was

excellent. Nevertheless, he failed to avoid all errors. He

/could not restrict overdrawing either at the parent bank or

^ at the branches. 4 He could not control the branches to the

extent requisite, and found an adequate apology for his

failure in the nature of the branch directorates and their

officers. He recommended as remedies the withdrawal of

offices where possible, and the payment of good salaries

to the presidents. 6 His banking methods, moreover, were

not altogether commendable. He discounted notes at

/long dates, 8 he made loans on the security of the bank's

/ stock, 7 and he was content to have the bank's issues consti-

i Memorial, Bank of the United States, Dec. 7, 1820, F., Vol. m, p. 588.

2 " The five dollar notes of the bank and the offices shall be increased as fast as

they can be prepared and signed."— Report of Committee of the Bank, Sept. 25, 181ft,

F. % Vol. IV, p. 908, sec. 15.

sNilbs, Vol. XV, p. 61, Sept. 10, 1818; Vol. XVI, p. 290, Jane 26, 1819; VoL

p. 5, Sept. 4. 1819.

♦ " Sometimes when checks are presented, the offioer will not think it

sary scrupulously to examine the accounts of the individuals drawing, to

how much they are credited, but will pay them at once Mr. Chores attempted

to check this practice as an irregularity, and, in consequence, the business of tike

bank with the brokers was diminished, and many complaints were made by the mer-

chants. The practice was soon resumed, not, however, with the assent of Mr.

Cheves."— T. Wilson, H. B. 460, 22d Cong., 1st Sess., p. 113; case at Savannah

branch, 1820-21, S. Nicholas to Biddle, Feb. 26, 1821, B. P.

& Cheves to Crawford, May 27, 1819, Exposition, p. 73, and Report of Committee

of Stockholders, ibid., p. 11.

• " The bank, to keep np its business as far as possible, discounted long paper,

say at four and six months, and perhaps longer."— Cheves in answer to T. Cooper\*

Aug. 18, 1837, Niles, Vol. LIII, p. 8, quoting the Charleston Mercury.

i The amount of loans on bank stock in Aug., 1822, was $5,974,725.80. — Biddle to

stockholders, Sept., 1831, Nu.es, Vol. XLI, p. 117.

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tute merely local currencies, and strove to make them so.

In short, Cheves was not a banker either by profession oi\

by inclination. He saved the bank, but, having done that;

he had exhausted his usefulness to the institution.

The difficulties with the states and the state banks con-

tinued all through his administration, and were indeed much

more serious then than either before or after. The currencies /

of the state banks were in a wretched condition. In April,'

1819, bank paper at New York ranged from par for New

England notes to 75 per cent, discount for other notes ; at

Baltimore, in August, 1819, New England notes were depre-

ciated from 1 to 6 per cent., New York notes from par to 8

per cent, Pennsylvania notes fiom par to 60 per cent, west-

ern notes from 10 to 60 per cent, and southern notes from 1

to 25 per cent 1 Throughout the states failures were con-

tinuous through 1819-20 f in the South and West affairs were

even worse. All the banks of North Carolina virtually sus-

pended specie payments May 31, 1819. 8 The banks of South

Carolina did not regularly pay specie until 1823/ In July,

1819, the Nashville Bank of Tennessee suspended payment. 5

The Bank of Missouri stopped in August, 1821, 6 and in that

month Cheves was unable to find any bank in Tennessee,

Indiana, or Illinois which he considered perfectly sound. 7

In brief, there were very few banks in the South and West

during the years 1819-22 which redeemed their notes in

specie. In Tennessee, Kentucky, Ohio, Missouri, Illinois,

and Indiana affairs were even worse than elsewhere, for in

these states the relief system was established, hindering /

creditors from collecting their debts, with the effect of bring-

ing disgrace and ruin upon the states themselves. 8 The con-

i Nilbs, Vol. XVI, p. 454- \* Ibid., Vols. XVI and XVII, panim.

• F. % VoL IV, p. 1099. « Gouge (Cobbett's edition), p. 104.

• Crawford to Chores, July 28, 1819, F. % Vol. IV, p. 629.

• Ibid., p. 758. Aug. 24, 1821. » Chores to Crawford, Aug. 7, 1821, ibid., p. 906.

'That is, a system intended to giro relief to the debtor by throwing obstacles in

the way of the collection of debts by the creditor. This was done by enacting

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sequences were painful to all parties. The bank would not

take the notes of any but specie-paying banks, it did not

issue its own notes in any considerable quantity in the

South and West, and it forced the specie-paying state

banks to restrict their issues by frequent presentation of

their notes for redemption. As a result the people of these

sections could secure no loans, and were left totally with-

out a sound currency. Convinced that the bank was to

blame for all their woes, the entire population of the South

and West spent their nights and days in reviling it as a

hrapacious, greedy, oppressive, and destructive monopoly.

Cheves had no wish to play the martyr, and consequently

adopted as lenient a policy as possible; but it was all in

vain, as his experience proved.

The banks of Savannah, namely, the Planters' Bank and

the Bank of the State of Georgia, had enjoyed immunity

from paying their debts while Jones was president of the

bank. Under Cheves the case was altered. As the bank

issued no notes in Georgia, the notes of the Georgia banks

were received in payment of the government revenue, and the

Bank of the United States, which took them, credited them

to the treasury as specie. As a natural consequence it then

asked the Georgia banks to redeem them in specie, 1 and thus

forced the Georgia banks to reduce their business in what

they considered an astounding degree. 2 Moreover, in May,

1820, the directors determined that the balances against the

Georgia banks must be reduced. Hitherto the Savannah

replevin laws, staying the execution of judgments in favor of the creditor, or giving?

the debtor the right to recover at a slight advance his property sold in payment of

his debts ; or by laws forbidding the sale of real estate excepting at a value appraised

by the neighbors of the debtor ; or by similar pernicious legislative devices.

i " The heavy balances which had before accumulated were caused by receipts

on account of the revenue and Government drafts, and have been long since paid to

the Government by this bank."— Cheves to Crawford, June 9, 1820, F , Vol. IV, p. 927.

2 " The very diminished amount of their circulation, (understood to be two-

thirds of their paid capital, whereas it was once as three to one)." — Richardson

to Cheves 'July 16, 1820, ibid., p. 937.

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banks had received the benefit of at least $200,000 of the

bank's capital, 1 this being the average amount of the debt

against them. Even now the directors, dreading the possible

results of popular hostility in the great state of Georgia, pre-

pared to allow themselves to be robbed still further, though

to a less extent The Georgia banks were to be allowed a

permanent credit of $100,000 without interest, that sum to be

held by the branch in Savannah in their notes and not pre-

sented for payment. In other word^ the bank was willing

to devote $100,000 of its capital to the use and profit of the

state banks of Georgia. But beyond this it would not go ;

it sternly demanded that all debts in excess of the $100,000

should be duly paid, and instructed its offices not to receive

the notes of the banks unless they would pay the excess on

demand.\* The Georgia banks considered the propositions

monstrous, refused to pay the excess,\* and declined haughtily

to suffer the indignity of daily settlements for their notes. 4

i " Whereby the office lost and these banks gained the use of the sum of $200,000,

or thereabouts, of the capital of the branch for a period of nearly three years."—

Report of Committee on the State of the Offices, July 11, 1820, ibid., p. 933. See exact

figures, ibid\* p. 034, column 4 of table.

J " 1. Jtesofoed, That the office at Savannah do, immediately on the receipt of this

order, cease to receive in deposit or payment the notes of such local banks as shall

not punctually and bona fide redeem them.

" 2. /Zesotveti, neverthelem, That if the said banks, respectively, shall bona fide pay

on demand their proportions of the whole of the local paper held by the office,

over and above their proportions, respectively, of the sum of $100,000, which the office

is permitted to keep on hand, then the foregoing resolutions shall cease to operate as

to such banks, respectirely.

44 3. JBesofoed, That on failure of the said banks, respectively, to honor their notes

in the manner stated in the second resolution, suits be commenced against them,

re sp ectively, at the next return of the Circuit Court of the United States for the Dis-

trict of Georgia, for the recovery of the whole amount of their paper held by the

office, with legal and customary interest thereon.'\*— Report of Committee on the

State of the Offices, May 30, 1620, ibid,, p. 932.

\* Planters 1 Bank refused to the amount of $10,900; State Bank, $25,600.— Hunter,

of Savannah, to Cheves, May 30, 1820, ibid., p. 928. This in excess of the permanent

deposit.— Cheves to Crawford, June 9, 1820, ibid., p. 927.

\* " The requisition by the office of the United States Bank for a daily cash §cttle-

ssent from the local banks has been resisted, not only as unnecessary and totally

without example in the intercourse of the banks in this quarter of the Union, who

have always acted towards each other with unlimited and distinguished confidence,

bat as otherwise objectionable."— Report of Joint Committee of Savannah Banks

[Planters' and Bank of the State of Georgia], June 21, 1820, ibid., p. 1065.

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Nevertheless, the bank was still unwilling to grapple with

the state institutions and took steps toward further conces-

sions. The Georgia banks now dictated their terms: daily

settlements of balances must be abandoned ; the Bank of the

United States must issue its own notes and not those of the

state banks ; and, finally, the Savannah banks would redeem

the notes already held and submit to weekly or monthly set-

tlements in the future. 1 Willing, if possible, to evade the

conflict, the Bank of tHb United States accepted these terms, 1

at the same time indignantly repudiating the insinuation of

the Georgia banks that it wished to draw specie from them.\*

Yet the arrangement was scarcely accepted when a letter

from the president of the Savannah bank revealed to Cheves

that the state banks would hardly be willing to consent to

weekly settlements. 4 To this Cheves replied that weekly

settlements must be adhered to, but conceded that, if the

Savannah banks would pay 6 per cent, interest on the bal-

ances in excess of $100,000, they need not discharge them.\*

The banks of Savannah at last accepted these terms in Janu-

ary, 1821, with the addition, however, that checks on north-

ern cities might be given in lieu of specie.

But peace endured only for the moment No concessions

fcould satisfy the Georgia banks, for they were resolved to do

i Report of Joint Committee of Savannah Banks, F. % Vol. IV, p. 1066.

2 " l. Resolved, That the office at Savannah be authorised and instructed, so long

as the balances of the Savannah banks shall be kept within the roles heretofore pre-

scribed, not to require settlements of these banks oftener than once in each week,

unless the amount of the notes which it may hold of the said banks, respectively,

shall exceed the sum of $50,000, over and above their respective proportions of the

aggregate of local paper which the office is allowed to hold ; in which case the office

will, of course, demand as heretofore directed.

41 2. Resolved, That the office at Savannah be authorised to cease entirely, so long

as the balances shall be kept within the limits aforesaid, to pay out the notes of the

banks of Savannah, if these banks shall desire it, and that in that case it pay aU

demands upon it in its own notes, (except where it shall be disadvantageous to the

interests of the bank to do so), or in specie."— Report of Committee on the State of

the Bank, July 11, 1820, ibid., p. 034.

\* Ibid. « Richardson to Cheves, July 16, 1830, ibid., p. 987.

» Cheves to Richardson, July 21, 1820, ibid., p. 938.

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a business far in excess of what was commercially justifiable,

and the agreement of January still restricted their dealings.

They complained that they could do no "new business ;"

and that they imported specie at a loss to redeem balances/

held by the Bank of the United States. 1 After six months

trial of the new plan, they were in a worse condition than

ever.\* The Planters' Bank, therefore, annulled the agree-

ment on June 22, 1821, 8 making the astounding request

that no more of its notes be received at the branch, and

declining to redeem notes presented by the Bank of the

United States henceforth, unless relations were placed on a

more " liberal and friendly footing." 4

Cheves was righteously indignant. He declared that

the Bank of the United States had " exhausted the cup of

concession " and would go no farther, 5 and the branch dis-

tributed circulars accusing the Planters' Bank of having

suspended specie payments. Hereupon the Planters' Bank

angrily retorted that no further intercourse could be held

with the Bank of the United States, 7 and complained that

"dissatisfaction or irritation against the government in

Georgia" arose only when "this mammoth came here to

i \*\* Still they curtailed their discounts and did no new business, except in the pur-

chase of bilU of exchange on the north, ....

" The Bank of Georgia paid interest under the agreement. This bank continued

to import and buy, at a considerable premium, specie to pay the excesses."— Rich-

ardson to Crawford, July 21, 1821, ibid. y p. 1068.

s "The experiment has been made and found to fail. After six months' experi-

ence (during which every sacrifice, short of closing their doors, has been made to

enable them to maintain their intercourse with your office) the State banks find them-

selTes in a worse situation than before. "—Richardson to President Campbell, June

25, 1821, ibid., p. 1070.

• J. Marshall to John Hunter, June 22, 1821, ibid., p. 1074.

\* " We wish you to refuse our paper hereafter ; and I am instructed to request

that, from the date of the annullment to the present agreement, it may not be

receired at your office in any shape."

The Planters 1 Bank resolved " on refusing to pay its bills accumulated by the

Bank of the United States, unless their intercourse can be conducted on the liberal

and friendly footing which prevails among the State institutions."— Richardson to

Campbell, June 25, 1821, ibid.

• Cheves to Crawford, Aug. 25, 1821, ibid., p. 958.

• Richardson to Crawford, July 25, 1821, ibid., p. 1071. ' Ibid.

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destroy our very substance. Ships, plantations, negroes,

wharves, stores, all the sources of wealth of the state have

been [devoured] by this all consuming power! " It declared

that it would cash no more of its notes presented by the

Bank of the United States. 1

Meanwhile, the Bank of the State of Georgia also

annulled the agreement of January, 1821, and the office

refused the paper of both banks. 1 Attempts to collect specie

for notes held, however, met with determined and succesf ul

resistance. In December, 1819, the state legislature had

made this difficult by suspending the law allowing 25 per

cent damages on the failure of the state banks to redeem

their notes in specie, so far as that law operated in favor of

the Bank of the United States,\* and in December, 1821, it

totally precluded the bank from recovering specie on such

notes by enacting that after January 1, 1822, state-bank

notes held by the Bank of the United States " shall not be

redeemable in specie,' 9 unless the person presenting them

should swear that the notes were not procured by the bank

" for the purpose or with any intent .... to demand or to

draw specie " from the bank issuing the notes. 4

/ The business of the Savannah branch rapidly fell away.

In January, 1822, Biddle was informed that " not a single

deposit is made in it nor do they discount a dollar but in

renewal of paper/' \* and by the close of 1824 it was almost

totally deprived of business. 8

l Richardson to Crawford, July 21, 1821, F„ Vol. IV, pp. 1000, 1010.

s Chores to Crawford, Aug. 25, 1821, ibid., p. 958.

8 Dec. 18, 1819.— Lamar, Laws of Georgia (1810-19), p. 1206.

♦ Enacted Dec. 24, 1821.— Law of Georgia (Dawson's Compilation), pp. TO, 71.

»S. Nicholas to Biddle, Jan. 14, 1822, Biddle Paper\*.

• Redaction of the business of the Bank of the United States in Georgia:

Oct, 1820 Dm., MM

Deposits of individuals $ 112,562 $89,806

Domestic bills discounted .... 55306 6,070

Bills and notes discounted 1,157,054 448425

Bills on stock pledged 29,860 6,590

Balances due from state banks reduced from $75,724 to $10^62.— NnJM, Vol.

XXVm, p. 116, April 23, 1825.

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The directors promptly inaugurated suit against thet

Planters 9 Bank to compel it to pay specie for its notes, and

after a long course of litigation the case was settled in the

Supreme Court of the United States in favor of the bank. 1 /

Hereupon the Georgia legislature, in December, 1824,

repealed the obnoxious law permitting the state banks to

refuse specie for their notes to the Bank of the United

States, 1 and the national bank was once more enabled to

engage in profitable banking in Georgia. '

The same opposition and the same state of public feeling

existed elsewhere. In July, 1819, the Bank of Nashville ap-

pealed to the public against the Bank of the United States in

an address, declaring that it was striving to " destroy every

state bant" 1 In South Carolina, one year later, a deter-

mined effort was made to establish a " system of state paper

money," on the ground that the Bank of the United States

was collecting specie for bank notes. 4 In all the western

states the relief system went into effect in 1819-20, by]

which the bank, in common with other creditors, was hin-f

dered from collecting its just debts. In Kentucky a court'

held that it was without power under its charter to pur-

chase a promissory note or to collect on such note if pur-

chased/ a decision supported by the court of appeals. 6 The

state of Ohio waged relentless warfare upon the bank

Undeterred by the decision of the Supreme Court in the

case of McCulloch vs. Maryland, a determined effort was

made to collect the tax laid upon the branches at Chilli-

cothe and Cincinnati The statute decreed that the tax

i Bank of the United States t». The Planters' Bank of Georgia, 9 Whbatow,

904. Feb. term, 1824.

> Dee. 20, 1824, Lav\* of Georgia (Dawson's Compilation), p. 71.

> Nilrs, Vol, XVI, p. 341.

< Chores to Crawford, July 12, 1820, F. % Vol. IV, p. 981.

'Bank of the United States v. Norvell, 2 A. K. Marshall, 101, fall term,

1819 (Kentucky reports) ; Nilks, Vol. XVII, p. 150.

\*lbid. % p. 865. The court reversed this opinion in 1821.— Bank of the United

States vs. Norton, 3 A. K. Marshall, 422 (Kentucky reports).

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should be collected by the authorities of the state on the

15th of September of every year. The bank consequently

filed a bill in the circuit court of the United States for a

writ enjoining the auditor, Osborn, from collecting the tax.

The injunction was issued, but was not secured until the

18th, though the auditor had been notified under subpoena \*

that it had been granted. He therefore proceeded in con-

tempt of the court. On the morning of the 17th his agents

entered the branch at Chillicothe, leaped over the counter,

seized upon the vaults, and forcibly collected the tax. 2 The

act aroused intense excitement, not only in Ohio, but through-

out the Union. Cheves was furious. "The outrage," he

asserted," .... can be rarely paralleled under a Government

of law, and, if sustained by the higher authorities of the

State, strikes at the vitals of the Constitution." \* The bank

immediately instituted suits against Osborn and others for

contempt, for trespass, and to recover the money seized.

The legislature of Ohio interposed, and, finding that the bank

would not drop its suits, passed an act in January, 1821,

"to withdraw from the Bank of the United States the pro-

tection and aid of the laws of the State in certain cases,"

unless the bank should either consent to pay 4 per cent, of

the profits from its branches in Ohio as a tax to the state,

or withdraw the offices. 4 In February of the same year it

passed a further act, promising to restore $90,000 out of the

$100,000 seized if the bank would drop its suits and agree

to pay the 4 per cent, interest henceforth, or remove the

branches. 5 The bank was inflexible, and in September,

1821, the circuit court of the United States for Ohio gave

judgment that the money seized should be returned to it,

i Nileb, Vol. XVII, p. 86 ; 9 Wheaton, 738.

2 A. Q. Claypoole to Crawford, Sept. 17, 1819, F., Vol. IV, p. 90S.

» To Crawford, Sept. 90, 1819, ibid., p. 905. It is interesting in the light of this

sentence to recall that Cheves was a determined milliner in 1832.

\* Statutes of Ohio, Vol. II, pp. 1185, 1186, chap. 519, Jan. 29, 1821.

6 Ibid., pp. 1198, 1199, chap. 524, Feb. 2, 1821.

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and at the same time enjoined the state from collecting the

tax henceforth. 1 The defendants appealed the case to the

Supreme Court, which finally disposed of it in the February

term, 1824, affirming in all essential particulars the decision

of the circuit court. 1

This narrative of dispute and discord with the South and ^

West will give some idea of the almost insuperable difficul- /

ties of the Bank of the United States, while it was slowly

recovering from the shameful and criminal mismanagement

of its early years. In the opinion of judges so competent

as J. Q. Adams and Bufus King, "the interest of the stock-

holders would be to surrender their charter," the govern-

ment being most interested in "the continuance of the

Bank."\* Though this was so, the government, outside of

the Treasury Department, showed no inclination to extend

unusual favors to the Bank of the United States. Bequests

to allow other officers to sign the bank's notes and to per-

mit the election of directors eligible for longer than three

years out of four were persistently denied, 4 though in the

case of signing notes it was apparent that the bank could

not furnish the necessary circulation without this concession.

By 1823 Cheves's work was done, and he could safely \

retire. Moreover, his restrictive policy, with the resulting

meager profits, aroused an opposition to him among the

directors and stockholders. The latter became "restive

under the low dividends" which they received. 5 It is not

i Nhjbb, Vol. XXI, p. 75.

i Osborn ct al. v$. the Bank of the United States, 9 Wheaton, 738. Clay, Webster,

and Sergeant were counsel for the bank.

\* Adams, Memoir; Vol. V, pp 38, 39, March 25, 1820.

\* See Report of the Committee of Stockholders, Not. 5, 1819, Niles, Vol. XVII, p.

166; Bank Memorial of Dec. 7, 1821, F., Vol. Ill, p. 586; Report of the Committee of

Stockholders, Oct. 1, 1822, Chbvxs, p. 10, and Niles, Vol. XXIII, p. 89.

\* Crawford to Gallatin, May 13, 1822; Adams, Gallatin's Writing\*, Vol. II, p. 244 ;

Gbxvxa, p. 9. See also Cheres in answer to President Cooper, Aug. 18, 1837, Niles,

Vol. LIII, pp. 8, 9, quoting the Charleston Mercury, where Cheves paints in warm

colors the embarrassments and the misery of his position because of the clamor

•gainst him.

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surprising that under these circumstances he was willing to

lay down the burden of the presidency. His willingness was

increased by the provincial hostility of Philadelphia to him,

based upon the fact that he was not a Philadelphian. As

soon, therefore, as he felt himself justified in doing so, he

announced his intention of resigning, 1 declaring that it was

a "determination" "fixed and unchangeable," and that he

had always intended to resign as soon as the bank was once

more restored to its first integrity. In October, 1823, he

made a succinct report of the history of his presidency, and

retired from the control of the institution.

> Made public July 1, 1822, Nilbs, Vol. XXII, p. 281.

CHAPTER V.

NICHOLAS BIDDLE AND HIS POLICY, 1823-28.

In January, 1823, at the age of thirty-seven, Nicholas

Biddle, a member of an old and distinguished Phila-

delphia family, was elected president of the bank, there

being but one vote against his nomination for the office. 1

Biddle was a graduate of Princeton College, was a proficient

linguist, and had been secretary to Armstrong at Paris and

to Monroe at London. Returning from Europe in 1807, he

had devoted himself to the law and practiced for several

years. In 1811 he was elected to the Pennsylvania senate.

Meanwhile he cultivated literature, contributing extensively

in both prose and verse to Dennie's Portfolio, and edit-

ing Lewis and Clarke's Journal and later a Commercial

Digest In 1819 Monroe appointed him a government

director of the Bank of the United States. Having a taste

for economic subjects, and being thoroughly read in Smith,

Ricardo, and the French economists, he threw himself with

enthusiasm into the study of banking and monetary ques-

tions, and was soon one of the most prominent members of

the board. He was a man of eminent tact, conciliatory in

temper, versatile, untiringly industrious, quick of appre-

hension and quick to act, strong-willed and tenacious of

his own opinions. His prominent fault was the possession

of an over-sanguine temper. On the whole, it would have

been difficult to secure a more capable man for the position.

Immediately upon his election, Biddle was advised by

Robert Lenox, of New York, a conservative merchant of the

first standing and a trusted director of both the first and

i Nil\*\* Vol. XX TIT, p. 209, Deo. 7, 1822.

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the second banks of the United States, to select confidential

advisers at the various branches, who should keep him

informed of the affairs of the offices. 1 The advice was taken.

/Lenox himself became Biddle's most intimate and confiden-

tial adviser in regard to New York business, the affairs of

the office there, and the character and ability of its officers

and directors. At Boston, James Lloyd and Daniel Webster

acted in a similar capacity; at Charleston, Robert Patter-

son and John Potter ; at Baltimore, John McKim, Jr., Robert

Oliver, and R. L. Colt — men who had been prominent in

rescuing the office in that city from the destroying grasp of

Buchanan. 3

It is commonly asserted that Biddle represented a new

and radical policy as against the conservative system pur-

sued by Cheves, the intimation being that he was inclined

to rash and unsound banking. There is no evidence what-

ever for this opinion, and none could be more mistaken.

That he represented a new policy may be conceded, but it

was far from being radical, and in some instances it appears

even more conservative than that previously obtaining. In

two important respects he differed materially in opinion

from Cheves: He believed that the rule compelling the

supersession of a director for one year, after he had sat con-

secutively for three years, was an excellent one, because it

• furnished a means of excluding an objectionable member of

the board without arousing his enmity ; while, in case of a

desirable director, the seat could be held for a year by some

relative, friend, or member of the same firm, the director

returning to the board at the expiration of the year. 1 He

also believed, as against Cheves, that the receipt of all the

1 Feb. 6, 1823, B. P.

2 For an acknowledgment of this aid rendered by Oliver and McKim seeCKBVBB,

p. 18. Colt was his trusted agent at Baltimore.— Haskell, u Langdon Chores and

the United States Bank," Report American Historical Association, 1896, Vol. I, p»i

» Biddle to Gallatin, July 29, 1890, President's Letter Book, Vol. in, p. 806.

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notes of the bank everywhere in payment of the government j

revenue need not be restrictive of the bank's transactions. 1 i

In neither instance could the difference of opinion be

regarded as wildly radical.

On the contrary, Biddle in the early years of his presi-

dency proved himself thoroughly conservative. In one of

his first official letters as president of the corporation he

shows this clearly : " We have had enough," he wrote, " and

more than enough of banking in the interior. We have

been crippled and almost destroyed by it. It is time to

concentrate our business — to bank where there is some use

and some profit in it, .... to make at present the large

commercial cities the principal scene of our operations." 1

Nothing could be less radical or revolutionary than this.

The perilous western and southern business was to be sur-

rendered, and the capital of the bank employed where its

employment would be most useful and safe — in the large

cities along the Atlantic coast In pursuance of this plan, '

the office at New York was made the center of extensive

operations, being instructed to secure all the good paper it '

possibly could, while the funds of the bank were so man-

aged as to protect it against inimical action by state banks

and brokers.\* To make this possible, the office was to cease

the issue of state-bank notes, using its own exclusively ; to

reduce the balances of the city banks due to it, and compel

them to settle all their debts in specie at least once a week/

The plan of operations thus outlined for the New York

> Report of Committee of Stockholders, Sept. 1, 1828, Niles, Vol. XXXV, p. 74.

> To R. Lenox, Feb. 3, 1823, P. L. £., Vol. I, p. 5 (confidential). 3 ibid.

\* That office has "for nearly a year been occupied chiefly in Banking at second

hand on the notes of the State Banks who hare of course been largely their debtors.

# This is a state of things not to be tolerated, and accordingly an effort has been

directed, to discontinue the special deposit of State Bank paper, to cause weekly

se ttl e m ents with the State Banks, and then, when this operation comb i nod with the

return of the season of business shall hare produced its proper effect on the

exchanges, to remit it in payment of their Northern debts. While this movement

is going on we wish to keep the office strong till the crisis is orer."— Biddle to

John White, of Baltimore, Feb. 19, 1823, ibid., Vol. I, p. 11.

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office was consistently pursued, in spite of the pertinacious

and bitter resistance of the New York banks, which opposed

particularly the plan of weekly liquidation of balances. 1

While a more extensive business was being created at

New York, the exchange operations at the New Orleans

office were placed upon a sounder footing. Of all the

offices, this did the most considerable amount of busi-

ness, especially in exchange, and was the center of all the

banking operations of the West and Southwest. The

exchange operations here had been conducted in such a

manner as to be almost unprofitable, while the same accom-

modations might be rendered to individuals at the New

York office, if it were strengthened and provided with funds

from the New Orleans branch. 2 In other words, Biddle

wished to unify completely the various business centers of

the bank.

Biddle's management during his entire presidency turned

/around these two measures of collecting state-bank balances

/ and issuing the bank's own notes. His plans for increasing

business were all based upon an enlargement of the issues —

by means of which the greater part of the discounts was

necessarily made at that day. Since Cheves had believed the

issues dangerous, because they were received everywhere

in payments to the government and thus would, in his

opinion, compel the retention of a specie fund much larger

than the total note circulation, the bank had hitherto been

i R. Lenox to Biddle, Feb. 21, 1823, B. P. Biddle to I. Lawrence, of New York,

Jan. 6, 1824, P. L. £., Vol. I, p. 96.

2 " We have made also a vigorous effort to correct the exchange operations of the

New Orleans office which daring the last year wore conducted on principles equally

unsound and unprofitable For instance the office at New York collects on

New Orleans at 3 per cent. But as the exchange is now conducted the offioe aft New

Orleans repays it in 60 or 90 day bills at par without interest. Allowing them tint 9

days for transmission, the 60 day bills are in fact at H and the 90 day bills at 2. So

that really the profit is scarcely a compensation for the risk and trouble, even when

you receive your funds back immediately." Sometimes they remain " for a oonsid\*

erable time at New Orleans."— Biddle to White, of Baltimore, Feb. 19, 182s, <Mrf.,

p. 11.

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accustomed, when making discounts, to issue the notes of

state bankB instead of presenting them for collection. The

result was undesirable in several ways: the bank furmshec^

little currency to the West and South; a very necessary chec

upon the state banks was removed; the bank was deprived o:

the profits accruing from the circulation of notes; and th0

adequate increase of discounts was rendered impossible. In

Biddle's plan of operations the fundamental consideration, , .

therefore, was the increase of the bank's circulation. He/

believed that the notes might safely be issued, despite the 1)

necessity of paying them everywhere on government account,

if only he could put an end to the depreciation of state-bank

notes. This was logical, for, if state-bank notes were unde- \*

predated, the bank's issues in the localities of state banks

would not be employed as bills of exchange, and would not

constantly be presented for specie almost as soon as issued.

The state banks would, in brief, be compelled to bear

their share of specie demands. Biddle insisted, therefore, on .

the constant settlement of state-bank balances, and on the /

issue of the bank's own notes instead of those of state banks/\*

When this was done, the branches might receive each other's

notes without hesitation, and from 1823 the notes were

received much more freely than formerly. At Philadelphia

the issues of all the branches were indiscriminately 1 taken.

At the same moment, therefore, that these methods were

applied at New York, they went into effect also at Phila-

delphia,\* Richmond, Savannah, and Charleston, 4 and by

August, 1825, Washington was the only office not conducted

> Report of Stockholders' Committee, Sept. 1, 1828, Nilxs, Vol. XXXV, p. 74.

SQouQB (Cobbett's edition), p. 196.

\* "Brery morning the clerks from the Bank and the State Banks meet to inter-

change the notes received respectively on the previous day. The Balances are struck

accordingly —bat no Bank ever calculated on its Balance remaining for any length

of time, and whenever it grows a little too large, no Bank ever hesitated to send for

tan or fifteen or twenty thousand dollars from its debtors."— Biddle to C. P. White,

of New York, Feb. 8, 1823, P. L. £., Vol. I, p. 6.

\* Biddle to C. J. Nichols, cashier Richmond office, ibid., Vol. I, pp. 38-41.

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on this plan. In that year it was established there. 1 The

attempt was not wholly successful, however, and the central

authorities were compelled on several occasions to call the

attention of the officers to the regulations regarding the

issue of state-bank notes. 3 The reasons for the partial fail-

ure is found in the inability of the president and cashier to

sign sufficient notes for the offices. The problem was finally

solved by the creation of "branch drafts."

With the policy of issuing only the notes of the branches

went a plan for expanding the discounts and purchase of

bills of domestic exchange in the South and West instead of

discounting on personal security there. 1 This operation was

the complemental part of the plan for increasing the busi-

ness of the bank in the interior of the country. The issue

of the branch notes and the purchase of exchange were opera-

tions depending upon and supporting each other. 4 The pro-

ceeds from the bills provided a fund for the redemption of

the note issues of the southern and western offices, and thus

made possible extensive loans in those sections without

incurring the danger of transferring the capital thither from

the other offices. On the whole, the success was encour-

aging. The note circulation at the beginning of Biddle's

presidency was only $4,432,000; in June, 1825, it was

$6,740,000, and in June, 1826, $9,616,000. Meanwhile the

operations of the bank were enlarged in every other item.

i " I am very anxious that it should go into operation with you, as it has dons

everywhere else without inconvenience and as far as possible without producing any

excitement."— Biddlo to B. Smith, Aug. 26, 1825, P. £. £., Vol. II, p. 42.

\* Aug. 29, 1825, Biddle says that he hears that the Charleston office pays out state-

bank notes, and that this must not be done.— To President J. Johnson, ibid^ p. 48.

In Jan., 1827, the same difficulty existed at the Pittburg office.— Correy to McBTaiiM,

Jan. 15, 1827, B. P.

s Increased profits duo to " measures of the bank which had for their object the

augmented circulation of its notes, the increase of private deposites, and the exten-

sive purchase of domestic exchange, in which a part of this circulation was benefi-

cially employed in tho southern and western parts of the union."— See Remarks of

Binney at Triennial Meeting of Stockholders, Sept. 1, 1825, Niles, VoL TTTT, pp. XL,

82, Sept. 10, 1825.

\* Report of the Committee of Stockholders, Sept. 1, 1828, Nilbs, VoL XXXV, p, 74.

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The increase of private deposits was between two and three

millions by September, 1825. The discounts on notes and

domestic bills had increased to about the same extent, while

a debt of $1,292,000 due in Europe had been discharged. 1

The attempt to secure a larger circulation was intimately

connected, as already pointed out, with the plan to diminish

the issues of the state banks. It was one of thtf\* cardinal

doctrines in Biddle's banking creed that the big corporation

existed for\* the purpose of furnishing a sound currency to the

whole Union, and that this could be done only by forcing

the state banks to redeem their issues in specie on demand.

The bank was to secure this end by keeping itself in the

position of a creditor bank. Usually it maintained this rela-

tion without difficulty, and, on the slightest appearance of a

tendency in a state bank to expand unduly, checked the

movement by demanding specie for its notes, though some-

times it failed to keep its own dealings within bounds, and at

such times could not restrain the state banks. On the whole,

however, despite the growth of the population, the increase

of business, and the necessarily enlarged and legitimate

demands for banking facilities, the state banks were com-

pelled to redeem their notes frequently, and the currency

showed a progressive improvement, which was very encour-

aging to all who had the good of the country at heart. This

the directors of the Bank of the United States always claimed

and justly claimed, to be due to its efforts. 1

Biddle's conservatism and ability as a banker are also

revealed in the stress which he constantly laid upon the

nature of the paper which was to be discounted by the bank.

The loans were to be for short dates, and only on good com-/

mercial paper. The New York office was instructed to loan

i Report to the Stockholders, triennial meeting, Sept. 1, 1825, Nilks, Vol. XXIX,

p. 32.

> McDuffie's report and Gallatin's article lay stress upon this feature of the

bank's benefits to the community. See Report of Stockholders, Sept. 1, 1828, Nmta,

Vol. XXV, p. 74.

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on paper at only 60 and 90 days, though it might take notes

at 120 days if u beyond all exception, and for a good cus-

tomer." ' In 1825 the same directions are given, in answer

to a request of the president of the branch to be permitted

to extend the time of discount because he felt sure that

larger profits could thus be secured. "Let us not," urged

Biddle, " by the hope of doing better or getting more busi-

ness risk the prosperity and safety of the Institution." 1

Loans must be confined to short-time paper, even when

demands for money were slack.\* Loans on real estate or

stock security were forbidden, real estate not being fit bank-

ing security, and stock loans having a " tendency to lock up

' the funds of the Institution." 4 " All the movements of the

bank," asserted Biddle, " are governed by this general con-

sideration." 5 He declined making a long loan to a senator

from Louisiana, 6 and in 1827 he refused a long loan on real

estate to an old and' intimate friend, who had been a trusted

director of the bank and of the Baltimore office. "In

relation to the loan you suggest," he wrote, "I am satisfied

that it would not be done here. Our great object is

business men and business paper. We have so large a

part of the capital of the Bank locked up in real estate

that we are obliged to keep every dollar we can in a state

of activity — and I do not believe that a loan for eighteen

months, however well secured would be done for any

body." 1 The evidence is conclusive that no amount of

pressure, no considerations of gain, no ties of friendship,

could persuade Biddle in these first years of his presidency

l Biddle to Lawrence, Oct. 13, 1823, P. L. B. % Vol. I, p. 55.

\* Same to same, May 12, 1825, ibid., Vol. II, p. 22.

\* To the president of the Hartford branch, ibid., pp. 26, 27.

\* To Lawrence, Oct. 13, 1823, ibid., Vol. I, p. 55.

fi To the president of the Hartford office, ibid., Vol. II, pp. 26, 27.

\* Jan. 9, 1826— Ibid., circa 90.

TTo John McKim, Jr., of Baltimore, Jan. 9, 1827, ibid. % p. 231.

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to Bwerve from an eminently safe and conservative course of

banking. 1

Equally conservative was Biddle's management in other

respects. He repelled a proposition to erect small commit-

tees to make a certain class of loans, instead of leaving all

discounting to the board. The bank, he declared, had lost

much by "irregular discounting,' 9 and it was advisable not

to risk repeating the loss by creating the facilities for making

such loans. 1 He also made it a cardinal point of his policy

to get rid of directors who were "large or habitual bor-

rowers.' 9 It was difficult to refuse them accommodations

while they remained on the directorates, and consequently

the only alternative was to exclude them, which was con-

sistently done. 1

The crux of successful management lay, however, rather

in controlling the offices, keeping them under a close super-

vision, while allowing them to engage freely in banking

operations. Cheves's method of solving the problem had

been to restrict their business, in many cases almost com-

pletely. While no loss could accrue with such a plan, the

Bank of the United States might almost as well have been

non-existent, so far as the West and Southwest were con-\*

cerned. Biddle justly regarded this situation as intolerable;

and the bank an admitted failure if it could not be remedied.

Consequently he evolved new and stricter measures of con-

trol for the branches preparatory to allowing them to

increase their business. When the directors were to be

chosen for the offices, he dispatched letters \o his intimate

friends and advisers in the neighborhood of the offices,

i In the case of New York this policy was relaxed for a short period in the spring

of 1827, the office being allowed to discount at six months. Lenox objected even to

this.— To Biddle, Dec. 20, 1827, B. P.; Biddle to Lenox, Dec. 27, 1827, P. L. £., VoL

n, p. 329.

a To William Gray, president Boston office, 1823, B. P.

> To James Lloyd, Feb. 16, 1825, P. L. B. % VoL I, p. 209 ; to Cadwalader, July 26,

1828,\*. P.

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soliciting advice as to the situation of the offices, and particu-

larly as to the condition of the vacancies. The presidents

and cashiers of the branches were likewise called upon for

information, their recommendations being given especial

weight, since it was a point of prime importance that a

branch board should act in friendly conjunction with its

executive officers. In case a new president was to be elected

at a branch, the central board undertook to designate the

individual of its choice by placing his name at the head

of the list of directors forwarded to the office. Though the

election of the branch president was by charter provision

exclusively in the control of the branch directorate, the inti-

mation of the central board was very rarely neglected. The

matter was of considerable importance, since it gave the

bank a surer control of its offices and secured presidents

who had the confidence of the board at Philadelphia. 1

/ In 1825\* Biddle evolved still another plan for strength-

ening the branch directorates and checking any tendency

to perilous vagaries in business. This consisted in empow-

ering the directors of the parent board resident in cities

where branches existed to sit at the local boards, with the

right to advise and discuss, though not to vote.\* Naturally

a director so situated, acting as the agent of the central

board, scrutinized keenly the methods of the local director-

ate, the loans made, and the policy pursued. The advan-

i " From the organization of the institution, the president of an offloe Is

sarily charged by the Parent Board with the general superintendence of its affairs,

he is chiefly relied on by the parent Board in selecting the other Directors of the

office, he is in fact\* a confidential officer of the parent Board. In any estimate

then of the qualifications of candidates for the Office, his acceptability to the parent

Board with whom he is at once to contract relations of rery intimate oonfldaaoe. Is

a circumstance to which some weight may naturally be attached."— Biddle to

William Wirt, Jan. 90, 1824, P. L. £., Vol. I, p. 121 ; also Biddle to 8. Wheaton, of

Providence, Sept. 19, 1826, ibid., Vol. Ill, p. 183.

2 Biddle to Lawrence, June 13, 1834, ibid., Vol. V, p. 229.

\* " But for the last few years the practice and an excellent one it is, oas been

for the Parent Directors to sit at the office Board as regularly as if they were members

of it— and do every thing but vote." — Biddle to George Hoffman, of Baltimore, Oct.

27, 1829, ibid. % VoL III, p. 79.

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tages accruing from this plan were most marked at the large

offices of the East and South, since non-resident directors of

the central board were almost invariably selected at these

places.

The authority of the central board was further strength-

ened by clearly defining, while enlarging, the functions of

the branch cashier. "My own theory of the administration

of the Bank," wrote Biddle, "and my uniform practice, is to

consider the Cashier of an Office, as the confidential officer

of this Board, to rely on him and to hold him responsible

for the execution of their orders;" he must obey orders from

Philadelphia even to the extent of disobeying the local

board, if necessary, 1 and he must keep both the central

office and the other branches thoroughly informed of those

transactions which it was to their interest to know.\* Better

branch cashiers were also secured by selecting all the new

appointees from among the trusted, thoroughly known offi-

cials who had been trained at the bank in Philadelphia. I

Such cashiers were intimately acquainted with the policy

and machinery of the bank; their honesty had been tested;

their characters were known; they were not open to the

temptation of making loans to assist friends and relatives,

since they had neither friends nor relatives in the localities

in which they were settled. 1 They were likely to obey

l Biddle to C. L. West, cashier at New Orleans, May 17, 1828, ibid., VoL I, p. 27.

\*\*\* Since yon were in the Bank before, its discipline is much improved and

we are in the habit of receiving and requiring |from all its officers constant and

frequent communications. These are essential to the good administration of

the Bank — the basis of all our measures being of course accurate knowledge of

facta. .... My present purpose is to invite your attention to a constant and regular

correspondence which cannot be too frequent and detailed."— Biddlo to Qeorge Poe,

of Mobile, Jan. 10, 1827, ibid., VoL II, pp. 233, 234.

a "The Policy of the Bank has been in the appointment of confidential

officers to lire at a distance and to execute such important trusts to take in prefer-

ence Officers brought up in the Bank under our own eye whose character and conduct

were known to us, and afford the best guarantee of their capacity to carry into effect

the system of the Bank with which they are familiar. I have long been satisfied that

this is the true policy of the Bank and I think it will be pursued in case a Branch is

established at Portland. The observation applies of course only to the cashier.

The other officers are appointed by the Directors of the Branch."— Biddle to John

W

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orders promptly and to keep a careful lookout for the gen-

eral interests of the bank, since they knew that future pro-

motion depended upon the officials at Philadelphia and not

upon the local directorates. To diminish still further the

temptation of the cashier to act as the mere creature of the

local board, that officer was forbidden to borrow from the

offices. The same prohibition applied to the subordinate

officials as well. 1 These rules were correct, and their results

were excellent. Before their adoption the bank had suffered

severely from the peculations of branch cashiers and other

officials, 3 as well as from the tendency of these to act with

the local boards in making objectionable loans. It was

found, too, that variations from these rules during Biddle's

administration resulted disastrously.'

Further means of securing complete control of the offices

were devised by the creation of two assistant cashiers in

February, 1826. The first of these was to supervise the

business of the branches, especially to secure a knowledge

44 of the accounts between the offices," of which the bank had

never before possessed sufficient information, and to super-

intend the exchange business. This officer was to keep up

a constant correspondence with the branches and make fre-

quent trips of inspection. 4 The other assistant cashier was

to take charge of the suspended debt of the bank and of the

bank's real estate. 5 The reports of the bank show that the

P. Boyd, of Boston, Not. 23, 1826, P. L. B. y Vol. II, p. 200; same to John MeKim, of

Baltimore, Dec. 26, 1826, ibid., pp. 219, 220. In letter to Baltimore Biddle points out

that the cashier's being: without " connexions " is " a positive recommendation."

i John Potter to Biddle, Charleston, Feb. 27, 1827, B. P.

\* Cases in point were at Baltimore, Richmond, New Orleans, and Middletown.

s The Nashville cashier was appointed from the neighborhood, and the Nash\*

▼ille branch was the center of bad banking in the West.

\* " Again, we have never had a sufficient knowledge of the accounts between Um

offices We wish to examine these accounts, and we wish also to hare our

Exchange business particularly well managed. We have therefore appointed

another officer for these two purposes.\* 1 — Biddle to John McKim, Jr., of Baltimore,

March 14, 1826, P. L. B„ Vol. II, p. 140.

& Ibid, See Appendix m, Rules and Regulations of the Bank, rules 19, SQL

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suspended debt and real estate were carefully and profit-

ably managed, while the Biddle correspondence proves that

the duties of the assistant cashier in inspecting the branches

were faithfully discharged. Biddle himself attached so

"much importance" to thorough inspection that on several

occasions he took tedious trips through the country in order

personally to inspect the branches. 1

To secure thorough supervision it was necessary to have

at Philadelphia a cashier watchful, completely informed, and

energetic, since this officer was in closest touch with the

branches. Thomas Wilson, who had been cashier since

1820, was apparently superannuated ; at any rate, he did not

give complete satisfaction ; 2 and therefore he was tactfully ,

shifted to New Orleans, while in his place was appointed a

younger and abler man, Mr. William Mcllvaine, of Phila-

delphia.\* Mcllvaine was an excellent officer, thoroughly in

sympathy with his head, tactful and conservative, and watch-

ful of the interests of the bank. He remained in office until

July, 1832, when he resigned. •

These various measures resulted in diminishing very J

materially the amount of fraud which had been practiced /

upon the bank, and in securing much better business ,

methods, and above all they made possible the adoption of f

a policy of expansion in the bank's business.

Biddle laid particular stress upon the accumulation of a sur-

plus. Since Cheves's entire administration had been devoted

i " I am about leaving Philadelphia in a day or two to accomplish what I hare

wanted to do for three years but could never find leisure. I moan a personal inspec-

tion of the offices. I shall begin with those in the North which are easy of access,

and the more distant offices will bo afterwards inspected by some of our own Officers

—I attach much importance to this measure and will endeavor to execute it thor-

oughly."— Biddle to J. Potter, of Princeton, July 26, 1828, P. L. B. % Vol. II, p. 179.

Othor trips were taken in 1829. Cadwalader and Colt visited western offices.—

Diddle to Webster, Feb. 26, 1837, ibid., p. 248.

» B. R. 460, 22d Cong., 1st S&ss., p. 128.

'Wilson was transferred in January.— Nilks, Vol. XXIX, p. 289; Biddle to B.

Gilmor, of Baltimore, announcing Mcllvaine's election, Feb. 3, 1826, P. L. B, % VoL II,

/

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/to the task of restoring the original capital of the bank, no

\surplus fund had been provided. In January, 1823, accord-

ing to Biddle, there was not " a dollar of reserved profits,"

though in his opinion it was "of the utmost importance to

have some provision against current losses, so as to preserve

the dividend from fluctuation." 1 From the beginning to

the end of his presidency, therefore, he never ceased his

efforts to accumulate a surplus that would make the bank

safe and strong in all contingencies. All profits from the

sale of bank stock forfeited during the troublous regime of

William Jones, all collections of interest upon the suspended

debts, went uniformly to this fund. By July, 1825, the sur-

plus exceeded $550,000, and it steadily increased until at

the expiration of the charter it was over $6,000,000.

Biddle's management of the bank in these early years

pea thoroughly tested and approved by the stringency of

1825. He always claimed that it was the action of the

Bank of the United States alone which saved the country

in that year fronf serious losses. In 1824 business was

slack, and instead of putting funds into long loans, as he

, might profitably have done, Biddle secured government

stock for which there was always a market. 1 When 1825

brought brisk demands for money, he was cautious of meet-

ing them, arguing that " the unexpected and sudden increase of

the demands for that trade .... requires that we should be

circumspect at the present moment." \* Watching the market

and the monetary affairs of the world with intent care, he

clearly foresaw the approach of the pressure of 1825 and

began to prepare for it. 4 In May he wrote to Lawrence, of

i Biddle to James Lloyd, of Boston, July 5, 1825, P. L. £., Vol. II, p. 28.

> Seeing that business would be slack in this year, the bank had thought it " very

desirable to place as much of the funds of the Bank as possible in the late loan.\*\* —

Biddle to Robert Gilmor, of Baltimore, June 23, 1824, ibid., Vol. I, pp. 165-7. The

bank took government loans to the extent of $10,000,000 in 1824-25.-^4. o/ C, 18th

Gong., 1st Soss., Vol. II, Appendix, pp. 3228, 3229, 3249-51. Acts of May 24 and May Sk

a To John White, of Baltimore, April 15, 1825, P. L. £., Vol II, p. 12.

\* Instructions to President I. Lawrence of the New York office, April 22, 1825, p. 18.

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New York, that the demand was the result of "wild and

exaggerated speculation," and that the bank must not be

carried away by it 1 As the year passed the pressure

increased, and panic began to develop. In England a com-

mercial crisis of the most tremendous proportions carried

ruin everywhere, and in the United States the alarm was so

great that, according to Gouge, " one of the directors " of the

Bank of the United States " talked publicly on the Exchange

at Philadelphia of the expediency of suspending specie pay-

ments." \* Whoever this director may have been, certainly

the president of the bank was not of his opinion, for he had

resolved to ward off any such disaster. In September the

discounting of loans on a pledge of bank or government i

stocks was approved, 3 as giving relief to merchants holding

such stocks and unable to find a market for them. Unfor-

tunately the bank at this moment was compelled to act with

extreme circumspection, because it had to expend on the 1st

of October $7,000,000 of the public funds in redemption of /

the national debt. This brought it into debt to the state

banks of Philadelphia, and thus prevented any pronounced

expansion of its business. To extricate itself the bank sold

large portions of its own and the government stock in its

possession in order to increase its supply of specie. By the

first of November it was once more the creditor of the state

banks. 4 Though compelled to proceed with caution and dis-

cretion, the bank did not contract " Solvent persons in

good credit," wrote Biddle, "can get as much as they want

at 6 per cent" \* In New York, which was the center of the \

excessive pressure, Biddle arranged for the substitution of \

paper for demands made there for specie, 6 and instructed /

i Ibid,, p. 22, May 12, 1825. a Gouob (Cobbett's edition) , p. 142.

•Biddle to Walter Bowne, of New York, Sept. 4, 1823, P. L. B. % Vol. II, pp. 45, 46.

\* For these details see H. R. 460, 22d Cong., 1st Sess., pp. 60, 61, 254, 434, 435.

The amount of gorernment stock sold by the bank in Octobor was oyer $2,100,000, of

its own stock, $160,054.16.

6 To Edward Jones, of Washington, Oct. 7, 1825, P. L. B. % Vol. II, p. 56.

• H. R. 460, 22d Cong., 1st Sess., p. 435.

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the office at that place to increase its loans, 1 which was done

immediately to the extent of $50,000. 2 This wise policy was

continued throughout the rest of the year,\* being deliberately

adopted as the most effective method of quieting alarm. 4

t must always be a tribute to Nicholas Biddle's skill

jand foresight, his conservatism and enlightenment, that at

|the moment aid was needed the Bank of the United States

was able to render it. It had pursued in previous years a

sober and conservative plan of operations ; its loans were out

on short paper, its supply of specie was large, its means were

completely at its disposal, and its credit was unshaken. 5

It will be remembered that Cheves had reduced the bank's

capital by retaining the shares of its stock which had been

surrendered in 1819, and that he had advised the continu-

ance of this policy with the object of permanently reducing

the bank's capital by three or four millions. This was one

of the questions on which a difference of opinion prevailed,

and a party among the stockholders wished to sell the stock

in order to increase the active capital of the bank, which

they considered too reduced, because over $11,000,000 were

tied up in suspended debts and real estate. In 1824 Biddle

was urged by some of the officials of the bank to part with

this stock, but declined, since he agreed with Cheves that

the bank had no use for the capital at that time, because

i Biddle to I. Lawrence, Not. 22, 1825, H. R. 460, 22d Cong., 1st Sess., pp. 498, 4S7.

a I. Lawrence to Biddle, Not. 23, 1825, ibid., p. 437.

3 " It is our desire to do everything which we possibly can to give relief to both

[i.e., the banks and the community in New York] there is not so much a want of

money, as of confidence."— Biddle to R. Lenox, Dec. 7, 1825, P. L. B. y VoL II, pp. 78, 77.

\* " I then thought, and still think, that this measure, the increase of the loans

of the bank, in the face of an approaching panic, could alone have aTerted the same

consequonoes, which, in a few days afterwards, were operating with such fatal effect

upon England."— Biddle to Investigating Committee of 1832, H. R. 460, 22d Cong.,

1st Sess., p. 435; also Biddle to A. Dickins, Not. 30, 1828, P. L. B., VoL II, p. 443.

& In March active loans were $31,668,000; May, $33,992,000; July, $33,531,000; Sep-

tember, $33,094,000; October, $33,400,000; December, $32,329,000; holdings of United

States funded stock increased from $18,400,000 in March to $20,738,000 in July and

were at $18,600,000 in December; circulation increased from $6,977,000 in Msrffh to

$0,542,000 in October ; and specie fell from $5,782,000 to $4,544,000.

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the stock was not sufficiently appreciated, and because the

bank wanted to take a government loan and would need the

funds from the sale of the forfeited stock to pay for it. 1 The

transaction then would be doubly profitable, since one profit

could be secured on the sale of the stock and another on

the purchase of government bonds ; it would, moreover,

obviate the danger of having too large a capital, since the

government stock would replace the bank stock sold and

the necessity of extending discounts would not arise. In

1824-25 the bank secured $10,000,000 in government stock

and began the sale of its own forfeited shares. Most of the

sales took place in the first six months of 1825, when the

market was very favorable, the stock selling at 119. The

profits from the sales up to July, 1825, aggregated $481,000.\*

In 1827 business was slack once more, and again Biddlel

attempted to secure a government loan.\* This time he was/

not successful, and as a consequence the board permitted

loans on six-months 9 paper. This was a mistake and was

inconsistent with Biddle's past policy. There was constant

pressure, however, for an increase in the dividends, many

of the stockholders being much dissatisfied with their

smallness and criticising harshly the conservative policy of

the bank's management. 4 Whether or not these considera-

tions influenced the president cannot be said, but it can be

stated with certainty that he would have done better had he

i Biddle to John White, of Baltimore, Feb. 27, 1824, P. L. B. y Vol. H, pp. 129, 190.

\* Biddle to James Lloyd, July 5, 1825, ibid., p. 28. From June 14, 1824, to

Dee. 5, 1829, the proceeds of stock sold were $4,645350.16, the average rate per share

was $117,548, and the profits were $693,559.16.— H. R. 460, 21st Cong., 1st Sess., pp.

252-5,294.

« Biddle to N. Silsbee, Feb. 19, 1827, P. L. £., Vol. H, pp. 241-3; to Webster, Feb.

25, ibid., pp. 244-6.

\* In 1825 a combination was formed to remoTe Biddle and get a new board which

would pay larger dividends. It amounted to nothing, but Biddle's informant, a

trusted friend, gave it as his opinion that the dividends should be increased.— Bowne

to Biddle, New York, June 28, 1825, B. P. In 1828 a stockholder at Baltimore wrote :

M Ton are doubtless aware of the opposition to your administration of the affairs of

the Bank over which you preside, which has recently manifested itself in your city.

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persisted in the policy of declining all long loans, as he had

Jaone in 1824. The year 1828 was again one of pressure,

and this time the corporation was not so well prepared to

meet the situation as it had been in 1825. On the contrary,

the board had to refuse accommodations, and Biddle gave

reasons for its refusal which were not particularly laudable

in the man who prided himself upon relieving the stringency

in 1825 by the enlightened method of granting loans freely

to all who could furnish good securities. His principal

reason was that the banks had loaned too much, 1 and there

can be no doubt that the Bank of the United States must be

included among the delinquents. To save itself, therefore,

it had to restrict its dealings at the very moment it should

| have expanded them, and inaugurated a contraction lasting

from the 12th of February \* until the 1st of May.\*

The success of Biddle' 8 management from 1823 to 1828

is revealed in the monthly returns of the bank. On the first

of January, 1823, the total investments were $41,754,000,

and on the same date in 1828, $51,307,000, an increase of

over $9,500,000. Of the total, United States funded debt

comprised $11,000,000 at the first date, $17,624,000 at the

last, so that the increase in discounts was less than $3,000,-

000 — not at all excessive when the contemporaneous growth

in population and trade is considered. Circulation increased

in a larger ratio, the amount more than doubling: on January

1, 1823, it was only $4,432,000, and on January 1, 1828,

New York and elsewhere. The stockholders are under the impression that your

object is to keep in check the State Banks, and to regulate the currency of the coun-

try at their cott.— This they say may not be inconvenient to yon, while yon receive the

salary of President of the Bank, but it does not suit them." He then advises Biddle

to declare a dividend of 3% per cent.— June 17, 1828, B. P.

i Article by Biddle in National Gazette, of Philadelphia, April 10, 1828. See, for

extracts, Googr (Cobbett's edition), pp. 150-56.

a Biddle to Lenox, Feb. 12, 1828, P. L. £., Vol. II, p. 344.

s Same to same, April 27, 1828, ibid, p. 381. The monthly reports show no contrac-

tion. The explanation is that the demand for loans was so excessive that to got

relief an expansion would have been necessary.

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$9,855,677. The deposits of individuals rose from $3,372,-

000 to $6,142,000; while the holdings of specie mounted

from $4,424,000 to $6,170,000. By July, 1828, the annual

income of the bank had been increased $823,312 over its

income in 1822, an amount representing profits on $21,000,-

000, which had been secured, first, by the sale of the bank's

stock and the investment of the funds in a more productive

form, and, secondly, by the enlargement of the bank's circu-

lation and consequent dealings in exchange. The suspended

debt had been reduced from over $9,000,000 to $7,109,009.

The surplus had grown from nothing to $1,500,000; the

semi-annual dividends from 2£ to 3£ per cent. ; the western

offices had been so carefully managed that the arrears of

interest paid annually $111,000. It was with justice that

the stockholders in 1828 looked upon the result as a "signal

triumph." 1

The most notable increase in the transactions of the bank

daring this period are to be found in the dealings in

exchange. Foreign exchange was of little consequence

until 1826, when it began to develop. The profits from

foreign exchange in the first six months of that year were

$60,000/ and this was about the average rate of profits

thenceforth,\* the trade taking its final form in 1827-28. 4

The extensive dealings in foreign exchange were based upon

the sale of southern produce, particularly cotton. As a con-

sequence of the cotton trade the bank was a large buyer of

foreign bills in the South and a large seller of them in the

North.\* This kept the exchange with England fairly level,

and Biddle claimed that the dealings were "less important

i Report of the Committee of Stockholders, Sept. 1, 1828, Nilbs, Vol. XXXV, pp.

74,75.

\* Biddle to P. P. F. Degrand, of Boston, June 22, 1826, P. L. £., Vol. II, p. 172.

I Biddle to Gallatin, July 29, 1830, ibid., Vol. in, p. 308.

4 Same to same, Not. 15, 1830, ibid., p. 393.

'Same to same, July 29, 1830, tout., p. 308.

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by far as a source of profit, than as a great engine for pro-

tecting the currency from ruinous fluctuations." l Undoubt-

edly there was much of truth in this claim, but, truth or not,

it is certain that from the year 1827 the Bank of the United

/States virtually controlled the foreign exchange market,

being able by the plan of buying bills in the South and sell-

ing bills in the North — in other words, through its branch-

bank system — to drive out all competition. This was the

source of much dissatisfaction among bankers and brokers

who had hitherto drawn a considerable portion of their prof-

its from dealings in foreign exchange. 3 One of the most

efficient causes of the bank's unpopularity with the local

banks in the large business centers arose from this condi-

tion of affairs, and frequent charges were made that the

bank manipulated the market for the purpose of increasing

its profits and driving out its competitors. These assertions

do not appear to rest on any basis, and may be disregarded.

The bank's dealings in foreign exchange were much expanded

by the selling of bills for the China trade, and were effective

in stopping the export of specie to the East Indies and to

China.'

( The dealings in inland exchange also increased very con-

siderably. In January, 1823, they were only $1,940,000,

while in January, 1828, they were $5,022,000. Here is

revealed at once Biddle's method of augmenting the bank's

discount business, for three-quarters of this augmentation is

plainly apparent in these figures. The increase took place

mostly in the West and South. The total discounts of bills

of inland exchange from July, 1827, to July, 1828, were

$22,084,222, and the profits $451,203.17, as against profits

in 1822 of $95,240.25/

The period 1823-28 was one both of conservative and of

l Biddle to Gallatin, July 29, 1830, P. L. B., Vol. in, p. 308. \* Jfttd.

s Biddlo to T. Pitkin, Fob. 4, 1835, B. P. The sale of India bills began in 1825.

\* Report of the Committee of Stockholders, Sept. 1, 1828, Nilss, Vol. XXXV, p. 74.

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successful banking on the part of the Bank of the United]

States; the affairs of the institution were carefully man-

aged; it extended its dealings considerably; it checked th<

tendencies of the state banks to do unsound business; it pul

an end to most of the depreciated state-bank currencies ; i1

was fairly popular; its dealings with the government were if

on the best footing; it gave the nation a better currency!

than the country ever before had; and it had finally reached!

the point in public opinion where it was considered neces-J

sary for the uses both of the government and of the people.

CHAPTER VL

THE BRANCH DRAFTS.

The means employed by Biddle to suppress the depreci-

ated currencies of the South and West, making the currency

of the United States fairly sound and uniform, and thus

giving the Bank of the United States a preponderating share

in the business of those sections, have been detailed. Com-

plete success, however, did not attend these measures until

the introduction of " branch drafts/ 9 as they were called.

These did not in any single respect affect the measures

already adopted, but simply supplied the means of executing

them. 1

It will be remembered that Biddle had never believed

that the charter provision for receiving the branch notes

everywhere in payment to the government was a defect, nor

indeed that such a usage would be perilous if extended in a

large measure to individuals. He was thoroughly persuaded

that the bank could deal extensively in the West and South,

provided only that some safe means were discovered by

which the offices in those sections could be prevented from

attracting to themselves an undue share of the bank's capi-

tal ; in other words, provided that some method was found

whereby the branches furnished the funds when they issued

their notes for the payment of their notes. He very early

concluded that he had found the solution of the problem in

i Biddle was always proud of his " system," in which the drafts were the cro w d -

ing measure. "Among the documents furnished Mr. Tyler was one showing the

change in the policy of the Bank made by myself which led to the full development

of its powers and its usefulness. It is a very curious and a very authentio document

and interests me specially because really the change of the system made the Beak

what it has been for the ten years past, and is my peculiar work. I should like that

matter explained to the country by your Committee, so as to become historical and

I will thank you therefore to take charge of it."— Biddle to Webster, Dee. ft, UN,

P. L. B. % Vol. V, p. 284.

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the purchase of bills of domestic exchange which should be

payable in those centers to which the notes naturally gravi-

tated 1 The bills bought were to be drawn on New Orleans

or the Atlantic cities at short dates, so that they might

come to maturity and be paid at these places simultaneously

with the notes. 3 The plan was an excellent one, and could

produce no embarrassments, provided the bills of exchange

were promptly paid.

Even before the system was elaborated, however, it was

painfully evident that the bank did not possess the means of

executing it. By the terms of the charter all its notes had

to be signed by its president and countersigned by its

cashier, and these officers could not possibly sign a suffi-

cient amount of small notes to supply the branches with

the necessary currency. Consequently Biddle's plans could

not succeed in the first years of his administration. By

1828 the South and West were almost destitute of notes

of the bank. The whole amount of five-dollar notes issued

up to that year equaled only $1,576,000. Several offices

were almost entirely without notes of the smaller denomi-

nations: " Portsmouth had on hand only 2 notes of $5;

i " The question which has always been, and still is one of the greatest difficul-

ties in the administration of the bank is this of its circulation. 1 \* The difficulty arose

from the necessity of redeeming all the bank's notes at every office\* no matter where

issued, in dealings with the government, this giving rise to fears of embarrassment

to the institution. " It was afterwards considered worthy of trial, whether the diffi-

culty might not be surmounted by a large participation in domestio exchanges;

which, besides its other advantages, might enable the bank to be always provided

with a fund, which, being in fact created out of these issues, would accompany and

sustain them."— Biddle, H. R. 400, 22d Cong., 1st Sees., p. 821. See also Triennial

Report for 1831, Nilbs, Vol. XU, pp. 113 ff.

\* " When the branch at New Orleans issues its notes, it does it to various per-

sons, and for different objects. .... If these notes, however, are issued in payments

for bills on the north, these bills are sent to the northern branches, and, being there

paid, await the arrival of the period when the notes, having performed the functions

of a circulating medium, are brought in the course of trade to the Atlantic offices,

where they are met by the proceeds of the bills for which they were given ; or, finally,

if these notes are issued in New Orleans in the purchase of exchange, based on the

exportation of produce to Europe, the bills of exchange drawn by the bank upon the

European houses to which the bills from New Orleans are remitted, provide the fund

to meet the notes of the branch at New Orleans, originally issued in the purchase of

them."— H. R. 400, 22d Cong., 1st Sess., p. 321.

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Providence only 8 ; " and Louisville was " without a single

five dollar note." All the offices together had only $100,-

000 in five-dollar notes, and $500,000 in ten-dollar notes. 1

As this difficulty had existed from the first, there had

been frequent attempts to escape it by petitioning Congress

for permission to have signers of the notes other than the

president and cashier. The bank first applied in January,

1818.' The Senate passed a bill authorizing the appoint-

ment of a vice-president and deputy cashier for the purpose, 1

but the bill was indefinitely postponed in the House at the

third reading. After Cheves became president a second

memorial was presented. 4 Again a bill was prepared in the

Senate, empowering the appointment of an agent and a

registrar to sign the notes, 5 and passed there in February,

1821;\* and again it failed in the House after being twice

read. 7 A third memorial was presented in December, 1821,\*

and a bill was offered in the Senate, failing there by a vote

of 23 to 19. 9 A fourth memorial, in 1823, 10 was never acted

upon by the Senate, but a House committee reported favor-

ably." Nothing, however, was done.

The difficulty of signing sufficient notes became greater

and greater as time passed, since many of them became

worn out and had to be destroyed. From February 2, 1826,

to January 21, 1827, over $2,800,000 were thus retired from

circulation. 12 Cashier Mcllvaine declared that the labor of

signing notes was intolerable, that sufficient could not be

i Biddle to Secretary Rash, Jan. 10, 1828, H. R. 400, 22d Cong., 1st Seas., pp. 53, 54.

\* Ibid., p. 49. Memorial presented Jan. 13, 1818, A. of C, 15th Cong., 1st Seas., VoL

I, p. 710 ; reported favorably Jan. 20, ibid., p. 792.

3 April 14, 1818, ibid., p. 365.

\* Dec. 1, 1820, ibid., 16th Cong., 2d Sess., Vol. in, p. 29.

6 Dec. 20, ibid., p. 127. • Ibid., p. 360. ? Ibid,, p. 1198.

"Dec. 27, ibid., 17th Cong., 1st Sess., Vol. I, p. 40.

•March 14, 1822, ibid., p. 291.

io Presented Jan. 27, 1823, ibid., 2d Sess., Vol. Ill, p. 156; in the House, Jan. 2ft,

ibid., p. 713.

" Feb. 27, ibid. % pp. 1134 ff. « McIWaine to Biddle, Jan. 22, 1827, B. P.

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supplied in any case, and that he would resign rather than

continue in office under such harsh conditions. "The de-

struction is now so rapid," he wrote, "that our circulation

and specie must soon balance each other and leave us with-

out profit from a quarter where we ought to have the most." 1

The directors, therefore, returned to the project of securing

congressional consent to the appointment of additional

signers. Biddle, writing to Webster in 1826, gave it as his

opinion that the charter as it stood would permit other

signers, but added that he "would like to have an act," and

suggested the revival of the memorial of 1823. 3 Acting

under authority from the board, he again appealed to Con-

gress,\* but without avail, McLane declaring that the House

Committee of Ways and Means would not make a favorable

report. 4

Satisfied now that Congress would never give permission,

the board of directors cast about for some expedient by

which they could obtain the desired end. The invention of

branch drafts was the result. The possibility of issuing

such a currency was first pointed out by John Forsyth in

1818, 5 and it is probable that Biddle took the idea from

Forsyth's suggestion. 6 Before proceeding to issue the drafts

the board thought it advisable to consult competent legal tal-

ent, and Biddle laid the proposition before Daniel Webster and

Horace Binney, 7 both of whom were at the time members of

i To Biddle, Jan. 24, 1827, B. P. > Dec. 1, 1826, B. R. 460, 22d Con\*., 1st Sess., p. 52.

2 Feb. 16, 1826, ibid. \*To Biddle, Jan. 19, 1829, B. P.

5 " The bank is authorised to trade in bills of exchange, and trades in bills with

each of its branches. The directors thus have nothing to do but make an order

directing the president and cashier of each branch to draw on them small bills, pay-

able to the bearer, and the object is effected. "--^4. o/C, 15th Cong., 1st Sess., Vol. II,

p.l748,Aprill6,1818.

• Biddle mentions Forsyth's remarks to Edward Ererett, March 10, 1832, P. L. B, %

VoL IV, p. 213.

7 " The Beyeral offices of this bank, especially those at a distance, are in the

habit of drawing checks on the bank for the accommodation of the community in its

exchange operations. These checks, from the nature of the business they are

designed to facilitate, as well as from the labor of multiplying them, and thehasard

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the central board and thoroughly familiar with the subject.

Binney gave an opinion supporting the bank's power under

the charter to issue the drafts, and Webster and Attorney-

General Wirt concurred. The opinion was to the effect that,

since the issue of checks upon the bank by its branches was

an ordinary banking operation, the proposed use was legal,

whether the checks were " for large sums or small," " signed

by one officer or more," with or without "the external

appearance of a bank note." l Hereupon the bank authorized

of their being counterfeited, have generally been for large sums. It is proposed,

with a view to the more general accommodation of the community and the bank,

that the offices should be instructed to issue these checks for smaller sums, such as

twenty, ten, and five dollars, whenever requested by the dealers with those offices;

and, in order to relieve the offices from the burden of preparing them, to transmit,

from the bank, the blank forms of the checks, wanting only the signatures of the

proper persons at the respective offices. With a view to the prevention of counter-

feits, and the security of the bank as well as the public, it is further proposed, that

the general appearance of these checks should be uniform, and approaching, as near

as their different natures will permit, to that of the notes of this bank, to which the

community is now habituated ; and, also, that they should be signed, not by the

cashiers alone, as the checks are at present, but by both the presidents and cashiers

of the respective offices."— Biddle to Webster and Binney, March 22, 1827, H. R. 460,

22d Cong., 1st Sess., p. 50.

i The essential points made were as follows : " As there is no substantial differ-

ence between the checks or drafts heretofore drawn at the different offices upon the

Bank of the United States, and those which it is proposed hereafter to draw, the

difference being in appearance more even than in form, there can be no legal objec-

tion to them, which does not apply to everything of this nature that has been done

by the present Bank of the United States, by the former bank, and by almost all the

banks in the country : . . . .

" If the former practice has been lawful, so must the proposed practice be ; for,

whether the drafts be for large sums or small, whether they are signed by one officer

or more, and whether they have the external appearance of a bank note or other-

wise, must be a matter of perfect indifference, and entirely within the competency

of the bank to regulate at its pleasure.

" That the former practice is without objection, is to be inferred from its loner

continuance. It is a practice, moreover, within the powers of every banking corpora-

tion, for, in this way only, can the intercourse of a bank and its offices, and the

exchange operations between banking institutions, be adequately prosecuted, and

consequently, unless restrained by charter, every bank is competent to empower its

officers to draw such drafts or checks upon its funds, wherever situated, and to bind

the corporation to the holder for their due honor. It is an ordinary banking opera-

tion, to which their general faculties are perfectly competent. .... Whether it is

within the power of the corporation to issue \* bills or notes promising the payment of

money to any person or persons, his or their order, or to bearer,' unless signed by

the president, and countersigned by the principal cashier or treasurer, is not the

present inquiry. The affirmative provision in the 12th fundamental article, which

gives such bills or notes, though unsealed, a particular effect, has no reference, I

conceive, to checks or drafts drawn at the offices upon the bank." — Philadelphia,

March 23, 1827, H. R. 460, 22d Cong., 1st Sess., p. 51.

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the issue by the offices of five- and ten-dollar drafts, 1 signed

by the branch presidents and cashiers, drawn on the prin-

cipal cashier at Philadelphia, and payable to some officer of

the branch, or his order. This officer then indorsed the drafts

"payable to bearer," with the effect of transforming them

into a circulating medium. 9 The drafts were prepared in

blank at Philadelphia and transmitted to the offices. They

were made to resemble bank notes as closely as possible in

design, color, and texture, 1 and so accurate was the likeness

that after they had been extensively circulated for over five

years "not one man in ten thousand" had "ever noticed the

difference." 4 They were issued first in June, 1827, in five-

and ten-dollar denominations, twenty-dollar drafts being

added in 1831.\* The secretary of the treasury accepted them

in payment of taxes and dues on precisely the same footing

as the notes of the bank, 6 thus giving the approval of the

government to their use and materially assisting in their cir-

culation. They were bitterly attacked in 1832, and when

Congress renewed the charter it inserted a clause forbidding

their use after 1836, additional signers of the circulating

notes being permitted instead. 7 The bank employed them

to the end, while the government continued their receipt

until January 1, 1835. 8 '

i Minutes of the Bank, April 6, 1827, ibid., p. 52.

\* Ibid., p. 66. The form was as follows :

Cashier of the Bank of the United States,

Pay to Jas. L. Smith, or order, five dollars.

Office of discount and deposit in Utica.

The 3d day of September, 1831.

John B. Lkvino, President

N. V. Qbazzxb, caahier.

This was then indorsed : (t Pay to the bearer. Jas. L. Smth."— C. D., Vol. VHL,

Part I, p. 120. The name of the president at Utica was Deyerenz, not Leying.

s Biddle to Secretary Bosh, Jan. 10, 1828, H. R. 400, 22d Cong., 1st Sess., p. 54.

< Clattoh, C. D., Vol. VIII, Part II, p|1975, March 2, 1832.

•JI. B. 460, 22d Cong., 1st Sess., pp. 56, 57.

•Secretary Bush to Biddle, Jan. 21, 1828, ibid., p. 55.

7 See amendments to charter, sec. 2, proviso, Sen. Jour., 22d Cong., 1st flesi.,

p. 451. See Appendix IV for the amended bill.

• Woodbury's circular of Not. 5, 1834, forbidding their receipt after Jan. 1, 1835,

Ex. Doe. 42, 23d Cong., 2d Sess., pp. 2, 3.

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Benton, who attacked the drafts as illegal, succeeded in

casting doubt upon them, and it consequently becomes of

importance to determine their legal status. Of course, a

layman's opinion on the legal character of bank paper is of

relatively little value, but, by sticking to facts which are pretty

generally admitted, one may hope not to go far astray.

The first point to be noted is that the drafts, while in

actual use notes of the bank, were in form and law drafts or

checks. In determining their legal status it is certainly of

the first importance to keep clearly this distinction between

the use and the legal nature of the drafts. Had Benton

chosen to do so, his speech would have been briefer, lees

involved, and less incomprehensible. But he preferred to

apply two incompatible tests to the drafts: to treat them as

if they were to be judged in law both as bills of exchange

and as bank notes. Clearly, to spend time and labor piling

up proof that they were not notes was fatuous, since no one

ever claimed that they were; to argue that, as they were not

notes of the bank, they were therefore illegal as a currency,

was disingenuous, the conclusion by no means following'

from the premises. What was necessary was to prove that

the drafts as checks were an illegal currency, and this

•Benton certainly did not succeed in doing.

In confirmation of this conclusion there exists the opinion

of Binney, Webster, and Wirt already quoted. To the lay

mind this seems conclusive. But the opinion of the three

great lawyers does not stand alone; it is supported by a

decision of the circuit court of the United States, which

definitely adjudged that the bank was within its legal powers

when issuing the drafts. The drafts, according to this

decision, were not notes, and consequently not subject to the

charter stipulations in respect to notes. The charter did

not on that account prohibit their issue ;\* in fact, it author-

i " We find in it [i. e., tho charter] no prohibition direct or indirect against issu-

ing this kind of paper either by the bank or any of its branches, or any word or

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ized the issue of such paper by the insertion of the words

"or other contract" in the twelfth fundamental article of the

eleventh section; 1 the drafts were contracts between the bank

and the recipients of them, for whose payment the bank was

liable under the charter, as it was for all acts done under its

authority by its agents; 9 that the drafts constituted a cur-

rency made no difference in their legal status whatever;'

the counterfeiting of them was a crime/ and the individual

directors were liable if they were issued in excess of the

charter stipulation. 1

After this decision it seems superfluous to combat Ben-

ton's arguments, but their consideration will assist in deter-

mining the precise legal character of the paper and therefore

may not be labor lost To begin with, Benton reached his

conclusions only by denying the validity of the court's

expr e ss ion by which congress has excluded it from the purview of the 18th section;

neither can we perceive any thing in its nature which would justify such infer\*

ence The bank is left free to contract debts by any other mode than by their

promissory note or an obligation under seal, with no other limitation than is con-

tained in the 8th fundamental article, which is merely as to amount, the only effect

of which, is not to exempt the bank from liability for the excess, but to make the

directors, under whose administration it shall happen, personally liable."— United

States v. Benjamin Shellmire, October term, 1831, Judges Baldwin and Hopkinson,

1 Baldwin, 870 ff. ; see also Nil.es, Vol. XLI, p. 231.

i "This is an explicit declaration that the bank may make, and are bound by

contracts other than those by bond, bill, note or deposit. These other contracts

must be taken to mean and be co-extensive with ordinary transactions of banks

In all these operations, checks or orders on the bank or its cashiers, are indispen

sible to conducting the business of the bank It is in our opinion no answer to

these views, that the law has not expressly authorised the officers of the branches to

draw on the bank ; it is enough for this point that they are not prohibited from

doing so."— Ibid.

\* " The 8th fundamental article makes the bank liable for all debts, though they

exceed the amount limited ;— the 14th makes the offices of discount and deposite its

agents,— .... The mode in which the bank contracts a debt, the shape it assumes,

or the places where contracted, is of no importance. Tho officers being its agents,

the debts contracted by them become the debts of the corporation, imposing a duty

to pay them."— Ibid., and Nllss, Vol. XLI, p. 232.

i "They may be in large drafts or orders for remittance, or small ones for cur-

rency or circulation, and in any form, with or without ornaments, devices or marks.

Whether they resemble in these particulars the notes of bank, is immaterial ; their

substance and legal effect are the same ; they create a new debt or duty, obligatory

oa the bank."-/6ui.

ilbid. • Ibid., and Niljbs, Vol. XLI, p. 231.

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decision, a method which in itself invalidates most of his

own argument Having refused to admit the correctness of

the court's interpretation of the law, he insisted on treating

the charter specifications as grants of power instead of limi-

tations upon powers already possessed; 1 asserted that the

drafts were not notes, and then impeached their legality as

bills of exchange. His assertion that the drafts were not

notes will be readily admitted. When he proceeds, however,

to declare that as bills of exchange they were not valid

instruments, he seems to be in error, for to reach this con-

clusion he argued that bills of exchange must always be

transferred by indorsement and not by delivery, and that

such bills could not be reissued.' This was certainly errone-

ous as to transfer, for "notes and bills are often made pay-

able to bearer, or 'A. B. or bearer.' Such instruments are

prima facie the property of the holder, are transferable by

delivery, and if transferred by indorsement the indorsement

need not be proved." 8 Even if not made payable to bearer

when drawn, if indorsed " payable to bearer," the bill would

become "transferable thereafter by delivery." 4 Nor did it

make any difference that the bank was both drawer and

drawee, maker and payee, providing that the bill was

indorsed 6 The bank was bound also by the act of its officers

at the branches. These points cover the branch drafts com-

pletely, supposing them to be inland bills of exchange. As

i If Benton had been correct in this, the bank could not have dealt in promis-

sory notes, since there was no clear grant in the charter to do this. The courts of

Kentucky had at one time decided against the bank's power on this ground.

\*For Benton's argument see C, D., Vol. Vm, Part I, pp. 114-40. For answer see

Bnckner's argument, ibid., p. 553.

• American and English Encyclopedia of Law, Vol. II, p. SS7.

\* " The character of an instrument may be changed by indorsement, e. g., s note

payable to 'order,' if indorsed to \* bearer/ becomes transferable thereafter by

delivery."— Ibid., pp. 338, 839.

& " That the payee or drawee is identical with the maker or drawer, does not

invalidate a note or bill."— Ibid., p. 336. "But such notes are incomplete until

indorsed." — 118 Mass., 541; 85 111., 513. "The same person may be drawer and

drawee\* or drawer and payee,"— American and English Encyclopedia of Law, Vol. H,

p. 315.

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to reissue, it would seem that, in case all parties to the drafts

agreed, they might be reissued.

The drafts, however, were not ordinary bills of exchange,

but checks on the bank, differing from ordinary bills in

always being drawn on a deposit of money in a bank; in

having no days of grace allowed; in not freeing the drawer

by neglect on the part of the holder to present them for

payment; and in not being due until payment was demanded. 1

Of course, they were transferable by delivery if indorsed

payable to bearer.

It must be admitted, however, that the use of branch

drafts as a currency was not contemplated when the charter

was granted. This would not necessarily make them illegal.

Many other banking operations have not been contemplated

when banking privileges have been conferred, but have

grown up without any specific legal authority for them.

Such was the case with the practice of certifying checks.

Yet the courts would not therefore hold that certification

was an illegality.

The drafts varied in their legal status from the notes of

the bank in the following particulars: they were not signed

by the president and cashier of the parent bank; nor

drawn in the name of the corporation; nor subject to the

supervision of the secretary of the treasury; nor legally

receivable in payment of public dues; nor payable where

issued; nor suable on at the issuing branch; nor limited to

the denomination of five dollars or above. Of all these dif-

i \*\* Bank checks are not inland bills of exchange, bat have many of the properties

of such commercial paper ; and many of the roles of the law merchant are applicable

to both. .... The chief points of difference are that a check is always drawn on

a bank or banker. No days of grace are allowed. The drawer is not discharged

by the laches of the holder in presentment for payment, unless he can show that he

has sustained some injury by the default. It is not due until payment is demanded,

and the statute of limitations runs only from that time. It is by its face the appro-

priation of so much money of the drawer in the hands of the drawee to the payment

of an admitted liability of the drawer. It is not necessary that the drawer of a bill

should have funds in the hands of the drawee. A check in such case would be a

txaudV'-lO Wall., 604, 647.

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ferences not one was of practical interest to the community,

because in actual use the bank took advantage only of the

power to sign the drafts by others than the president and

cashier at Philadelphia. Nor would it have paid to take

advantage of any other difference. What was wanted was a

substitute for notes, not an instrument of different proper-

ties whose use would have aroused suspicion and thwarted

the very ends sought. As to the other differences, the only

ones from which the bank could by any possibility reap an

advantage were those by which it might issue drafts of a

lesser denomination than five dollars and refuse payment of

all drafts excepting at the parent office. 1 Had the bank

attempted to use either of these legal rights, however, the

appropriate punishment, imposing a penalty greater than

any benefit gained, would have been found immediately in

the refusal of the treasury to take them in payments to it

In that case their circulation would have been diminished,

their credit impaired, and the very purposes for which they

were created completely thwarted.

In actual use, therefore, the bank made no discrimination

between branch notes and branch drafts. Hence, where

notes were receivable, drafts were receivable, and the same

rules obtained in regard to redemption, payment, and deposit.

Consequently, if branch drafts were dangerous, branch notes

must have been equally so; if the issue of one kind of

paper was injurious to the community, the same must have

been true of the other. These facts even the enemies of

the bank were forced to admit, while laboring in vain to

explain them away. Thus Benton in his incoherent attack

violently asserted that they were payable only at Philadel-

phia, but a moment later granted that they were sometimes

i The ability to refuse payment of 12 per cent, interest on non-payment might

have been an advantage if it existed, bat only in case of the bank's failure. The

fact that the government was not bound to take them in receipt of revenue

was a positive disadvantage to the bank.

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paid at other branches. 1 Biddle stated the whole matter

clearly and succinctly over and over again. "The branch

draughts," he said, "being, in practice, substitutes for

branch notes, are considered in all respects the same. Like

branch notes, those of five dollars, are received at all the

branches; those above five dollars are not necessarily

received Branch draughts of all denominations are

received on account of the Government, and those only of

five dollars are necessarily received on account of individ-

uals." 9 These statements are corroborated by the bank

correspondence on the subject,' and no evidence was ever

adduced to show a different usage.

The judgment of Professor Sumner, the one able econo-

mist who has treated at length the history of the bank, is

invariably cited as conclusive against the drafts. It becomes

of moment, therefore, to point out some misapprehensions

into which he seems to have fallen. For instance, he de-

clares brusquely that the drafts "had no true converti-

bility." 4 Since the drafts were treated in precisely the same

manner as the notes, they had just the same amount of con-

vertibility — no more, no less. If they were not convertible,

the notes were not convertible ; but no one has ever reached

the point of asserting that the notes possessed " no true con-

vertibility." Again, he appears to believe that the branch

drafts as a currency device to be substituted for notes were

issued in 1818, speaking of the "revival of the use of

branch drafts" 1 in 1827. Here there seems to be a con-

fusion of the branch drafts as a currency device with the

customary drafts drawn by the bank. The ordinary bank

drafts did not need reviving in 1827, for they had been used

i C. D., Vol. Vm, Part I, pp. 138, 140. \*S. D. 79, 22d Cong., 1st Sess., p. 2.

• Cashier at New York to Jaudon, Sept. 28, 1833; S. D. 17, 23d Cong., 2d Sess., p.

120; Jaudon to New York cashier, Sept. 30, 1833, ibid.

• Life of Jackson (revised) , p. 303.

• Banking in the United State\*, p. 186 ; though elsewhere he describes the actual

facts in connection with the " invention " of branch drafts.

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by banks ever since banks existed in the United States, 1 and

were used without intermission by the bank daring the

period when the " branch draft" was doing the work of the

ordinary note. But these credit devices were the same only

in form.' The ordinary draft was drawn for large sums, was

transferable only by indorsement, and in 1818 certainly was

supported by no provision for payment, and did not circulate

to any considerable extent The " branch drafts " differed in

all these particulars. They were for small sums; they were

transferable by delivery; they were supported by a fund

created from the simultaneous purchase of bills of exchange;

and, above all, they were intended to circulate, and did circu-

late, as a bank-note currency. They were as different from

the customary bank drafts as were the notes themselves. 5

As Sumner considers the drafts possessed of no true con-

vertibility, he naturally holds that they were not promptly

redeemed. They " had cut loose," he asserts, " from actual

redemption in capital," 4 and might be indefinitely inflated.

i H. R. 460, 22d Cong., 1st Sess., p. 51, Burner's opinion.

2 It may be said, however, that they could perform the same functions. In that

ease one is at a loss to understand why so much noise should be made over the inven-

tion of branch drafts, and why anyone should regard them as illegal.

\* Sumner, in denying convertibility to the drafts, asserts, too, that they " were in

form redeemable where issued, but in intention and practice they were redeemed

hundreds of miles away."— Andrew Jackson (revised), p. 80S. The drafts were not

" in form redeemable where issued," but only at Philadelphia, while in practice they

were redeemed where issued, at Philadelphia and at many of the other offices.

His confusion of this species of note with the ordinary bank draft is again

apparent when he quotes Gallatin in regard to the drafts. Gallatin is here (Adams,

QaUatin's Works, Vol. Ill, p. 265) speaking of the ordinary use of bank drafts, and

arguing that they are part of the circulation, as is shown by his adding: "Though

not usually included in the amount of circulation of the bank, we cannot but con-

sider the average amount in circulation as making part of the currency of the coun-

try." Now, this statement will not in the least apply to branch drafts, which were

always " included in the amount of the cirulation."— JET. R. 400, 22d Cong., 1st Sees.,

p. 56 ; 8. D, 79, 22d Cong., 1st Sess., p. 4. Gallatin's remarks are no doubt confusing,

since he speaks of the " branch draft " at the beginning of the paragraph, and does

not clearly discriminate between the two when he proceeds to discuss the

bank draft.

\* " It was proved that they had none of the character of convertible bank-

or money, but were instruments of credit, and, like all instruments of credit which

have cut loose from actual redemption in capital, there was no more limit to their

possible inflation than to the infinity of human hopes and human desires."— Andrew

Jackson (revised), pp. SIS, 314.

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To this the answer is always ready that the drafts differed

in absolutely no respect from the notes, and objections

against them, to be valid, must be valid as against the notes.

But one does not need to urge this general objection. The

truth is that the drafts did not embarrass the bank because

they had " cut loose from redemption," but that in many

cases they had to be redeemed too soon ; not that they stayed

out too long, but that they did not stay out long eneugh.

More than once they had to be paid before the bills of ex-

change, from whose payment the funds for redemption were

to come, were themselves paid. Thus in February, 1832,

the cashier at the parent bank urges the cashier at Cincin-

nati to keep down his loans, because otherwise " the circu-

lation connected with it must press uncomfortably upon the

institution " in the East, 1 and Biddle, writing to the presi-

dent of the Charleston branch in January, 1834, distinctly

states that the branch circulation embarrasses the bank at

its eastern offices, because it is presented there for redemp-

tion before the bills of exchange on which the notes were

issued are themselves paid.' Nor will it do to reason, as did

Benton, 1 that the bank could not hinder the branches from

pouring out streams of this paper, for the drafts were all

prepared at Philadelphia in blank and dispatched thence to

the offices. 4 Consequently all that was necessary to stop the

i Feb. 4, H. R. 400, 22d Cong., 1st Sees., p. 528.

\* " There is one point, however, to which particular attention is at present neces-

sary. Your purchases naturally throw into circulation large masses of your notes,

which soon find their way to the north, and being immediately paid, create a charge

upon the bank and the northern offices ; while in the present disturbed state of pri-

vate credit, many of the houses upon which bills are drawn, find it extremely

difficult to meet their engagements without indulgence, and an extension of time

from the bank itself, so that the notes must be paid by the bank, and the bills to

meet them are not paid by individuals."— Jan. 80, 1834, 8. D. 17, 23d Cong., 2d Sess.,

p. 79; see also letter of Biddle of date Jan. 24, 1834, to New Orleans office, ibid., p. 81 ;

and Ex. Doc. 8, 22d Cong., 2d Sess., p. 27, Report of Committee of Offices, July 27, 1832.

» C. D., Vol. VUI, Part I, p. 138.

'"And the entire control of the issues of them [•\*. e., branch drafts] is preserved

by having them all prepared and registered at the bank itself, and forwarded for dis-

tribution, wanting only the signatures of the presidents and cashiers of the offices."

—Biddle to Secretary Bush, Jan. 10, 1828, H. R. 480, 22d Cong., 1st Sess., p. 54.

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branches from issuing the drafts was to refuse to forward

any further supply to them. 1

Seventeen branches issued this species of currency, those

not doing so being Philadelphia, Boston, New York, Balti-

more, Portsmouth, Hartford, Portland, Washington, and

Richmond From this list it will be seen that the drafts

were employed, as intended, in the West and South, and,

indeed, four-fifths of all the drafts issued in 1832 were put

out at eight offices — two in the South, and the other six in

the West and Southwest 9

It is important to know what amount of this currency was

in circulation in 1832, since knowledge of this fact will help

to determine the share which the drafts had in the expansion

of the issues of the bank and in the inflation of the cur-

rency. Benton, without knowing, assumed that the amount

ran up into untold millions. 8 The bank, however, sent in a

i Sumner, believing that the drafts were responsible for most of the errors mad

embarrassments of the bank, naturally lays too much to their charge. \*\*They

were a most unlucky invention. Most of the subsequent real troubles of the bank

can be traced to them."— Banking in the United 8tate», p. 186. And again, in speak-

ing of the embarrassments of 1832 : " The position in which the bank found itself

was a result of the working of the branch drafts. Their effect was just beginning to

tell seriously, and it was cumulative in a high ratio."— Ibid, The truth is, if the bank

made investments in the West and Southwest in 1831-82, loans which were virtually

permanent were inevitable, branch drafts or no branch drafts. Again, speaking of

the charges against the bank in 1832, Sumner notes that one of them was the "expan-

sion of the circulation by $1,300,000 between September 1, 1831, and April 1, 1832,

although the discounts had been reduced during the winter." He adds: " The bank

was struggling already with the branch drafts, and this struggle produced the facts

which were alleged."— Ibid., p. 204. It would be curious, to say the least, if circu-

lation should have increased to a considerable extent, while discounts were falling.

On examination it is apparent that the facts alleged did not exist. The real state of

affairs was as follows : In the time specified the circulation had increased $2,500,000,

almost double the amount named by Professor Sumner. The discounts, however,

had not fallen off during the winter. On the contrary, they were on April 2 $4,400,000

in excess of what they were on the 2d of September, 1831, and they had not been at as

low a figure through the winter as they were on the 2d of April. Moreover, the pur-

chase of bills of inland exchange aggregated $7,600,000 more on the 2d of April, 1832,

than on the 2d of September, 1831.— Monthly Reports of the Bank, Ex. Doe. 523, 22d

Cong., 1st Sess. Surely an increase of $2,500,000 in the circulation was not excessive

in the face of an increase in loans of $12,000,000.

2 For localities see note 3, p. 129.

3 u Fifty signers at work, and one hundred and fifty endorsing clerks, pouring

out from five and twenty places their perennial streams of paper."— C. !>., YoL VOT,

Part 1, p. 138.

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return on the subject for January, 1832, which was as fol-

lows: whole amount issued, $10,781,000; gross circulation,

$7,410,000; net circulation, 1 $5,029,000.\* The entire net

circulation of the bank at this time was $21,080,000. The

proportion of drafts to the whole is, therefore, less than one-

fourth. The showing left Benton crestfallen, and it can

hardly be held that the drafts played a very large part in

the inflation of the bank's issues. That must have been to

a much greater extent the result of branch notes of large

denominations used in the purchase of western and southern

bills. A comparison at the eight offices which issued four-

fifths of all the branch drafts in 1832 shows that they

circulated almost twice the amount of notes, and only three

offices — Pittsburg, Lexington, and Louisville — had a larger

circulation of drafts than of notes. 1

Benton made other charges which seem to be counte-

nanced by Sumner. Thus he asserts that the drafts drove

specie out of the West and put that section irrevocably in

debt 4 The charges do not seem worthy of credit Sumner

1 In computing which, notes in transitu\* or worn oat, were subtracted.

»0. D. 79, 22d Cong., 1st Bess., p. 2. $5 drafts, $1,091,000; $10, $2,428,000; $20,

$SM M B0. See also H. R, 400, 22d Cong., 1st Sess., p. 57, for April, 1832; issued, $10,781,-

6B; on hand, $3^71,545; gross circulation, $7,410,090; net circulation (calculated),

$6\*90,072; and A D. 17, 23d Cong., 2d Sess., p. 64, for Oct. 1, 1834: issued, $12,341,212;

on hand, $5,565,465 ; gross circulation, $6,775,747 ; net circulation, $5,164,087.

'Drafts and notes, January, 1832, net circulation (four-fifths of gross) :

Drafts Notts

Fayetteville $381,740 $ 492,010

Savannah 344,604 699,996

New Orleans 726,740 2,536,580

Nashville 503,476 1,311,664

Louisville 535,006 470,712

Lexington 640,356 548,149

Cincinnati - - - - - - 482,018 561,994

Pittsburg 415,560 885 717

Total $4,029,532 $7,006,822

—H. R. 460, 22d Cong., 1st Sess., p. 536, and 8. D, 79, 22d Cong., 1st Sess., p. 4.

\* " It is this illegal, irresponsible currency which has enabled the bank to fill the

Union with debtors in chains, who scream incessantly for the life and glory of their

Juggernaut, and attack with the fury of wild beasts every public man who will not

square his public conduct by the devouring miseries of their own private condition,.

and the remorseless cravings of their insatiate idol."— C. D., Vol. VIII, Part I, p. 139\*

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himself contradicts the assertion of driving away specie when

he says: "The branch drafts were transferring the capital

of the bank to the western branches, and locking it np there

in accommodatioji paper indefinitely extended by drawing

and re-drawing." 1 Now, the drafts could hardly drive the

specie out of the West and simultaneously transfer the capi-

tal of the bank to the same part of the country and lock it

up there. Moreover, as already shown, the real state of

affairs was that the drafts were sometimes paid in the East

before the funds were furnished from the West, and those

funds were usually forwarded, not in the form of specie, but

in the form of bills of exchange bottomed on the crop and

drawn on the eastern offices or on New Orleans. Specie

did, indeed, flow from the West to the East, for the simple

reason that specie was the cheapest commodity in which the

West could pay many of its debts. Most of the specie, how-

ever, came from Mexico, and complaint, if justified, should

have been made by that country. Whether such drawing

away of specie would constitute a casus belli y Benton did not

intimate.

As to the second charge, that of impoverishment by the

issue of drafts, it would be indeed surprising if the effect of

loaning to a poor country was to impoverish it The usual

opinion has always been that such loans are of great assist-

Jan. 20, 1832. " In the next place, these orders are impoverishing and destructive to

the States in which they are issued, because they lead to the abduction of it\* gold

and silver. If notes are issued, they are payable at the branch bank, and an ade-

quate supply of gold and silver must be kept on hand to redeem them ; but these

orders being drawn on Philadelphia, the gold and silver of the State must be sent

there to meet them."— /bid., p. 140. " The people of the country are in debt for this

paper, the greater part of them at second and third hand, borrowers from borrowers,

paying rack-interest to the intermediate lenders. The labors of the year barely suf-

fice for the payment of the sixty days 1 collection of all this interest. The principal

is still behind, to come upon these exhausted countries when delayed payment has

doubled the difficulty of making payment."— Ibid., p. 141. Sumner says apropos of

such remarks : " So far as the branch drafts after 1827 helped to produce this result,

the bank had some share in it, but, as there were then very few banks of issue in the

Valley, a greater amount of specie was probably retained at that time than ever

before."— Banking in the United State\*, p. 206.

lJWd.,p.206.

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ance in the development of a new country, and that it is

only by procuring loans that the country can be developed.

To be sure, the bank received interest on its loans and

expected to recover the principal. Perhaps this was what

Benton objected to. But, after all, it was hardly fair to ask

that it should give away its capital or make loans for nothing.

Benton should have perceived, too, that the bank had

no means of forcing its loans upon the people of the West,

and, if they contracted debts at the bank, they did so because

it was to their interest to do so.

A portion of the population of the West undoubtedly had

a grievance — that portion which was constituted of bankers

and note-shavers. They were justified in hating the bank

because it reduced their note issues and monopolized the

exchange transactions ; it put an end to much of their busi-

ness, to almost all of their bad business, and at the same time

compelled them to loan at lower rates than would have been

possible had the bank been out of the field. As these

results were secured to a considerable extent through the

use of branch drafts, their righteous hatred was naturally

transferred to this currency.

In conclusion one may repeat briefly the points which

seem to have been established: In use the drafts were notes

to all intents and purposes ; in law they were checks or bills

of exchange ; as notes, those of the denomination of $5 were

redeemed at all the offices, and the others usually at all the

offices, and always at Philadelphia and the issuing office ; all

were taken everywhere in payments to the government;

where notes were depreciated, drafts would be depreciated

to the same extent ; they were readily convertible ; they were

only a small part of the circulation ; they did not abstract

specie from the West; and they were not necessarily danger-

ous to the interests of the bank.

CHAPTER VII

THE RESULTS OP BIDDLE'S SYSTEM

The branch drafts were invented in 1827. By July,

1828, the bank had proved its ability to check the business

of the state banks, put an end to depreciated state-bank

currencies, issue a full supply of its own notes, and secure

control of the exchange business of the country. By July,

1831, its success was complete, 1 and Biddle, in the triennial

report to the stockholders, gave utterance to a veritable

paean of victory while explaining what had been done.

Naturally enough he laid more stress upon the impor-

tance of his measures to the public than on their value to the

bank, for the project of securing a renewed charter was now

full-blown, and, if he could carry home to the people the convic-

tion of the bank's indispensableness, the chances of getting

the new charter would be much enhanced. "The experi-

ment, 91 he declared, had been to see in how far the bank

could supply a sound and uniform currency of extensive cir-

culation, while reducing "the necessary expenses of com-

mercial intercourse between distant sections 91 of the country. 1

He emphasized the importance of these exchange dealings

in the interests of commerce, and explained how the bank,

by its extensive participation in them, and especially in for-

eign exchange, staved off monetary stringencies and periodic

bank curtailments, which otherwise would inevitably ensue

i The depreciation of state-bank notes was, on the whole, lower in 1831 than in

any other year from 1817 to 1837.— 8. D. 457, 25th Cong., 2d Sess., pp. 12&-90.

2 "The experiment was interesting and hazardous. It was to try how far tha

institution could succeed .... in diffusing over so wide a surface of country a currency

of large amount and of uniform value at all places and under all circumstances ; and

also whether it could bring down to its extreme limit the necessary expense of com-

mercial intercourse between distant sections of country, whose exchangeable pro-

ductions were of such various and unequal values."— Nil.es, Vol. XLI, p. 114.

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because of the slender stock of the precious metals in the

country. 1 The bank, he asserted, had now fulfilled "all the

purposes for which it was created/' and was in the true

sense of the word a national bank. 9

Undoubtedly the country and the business community

were the beneficiaries of a sound currency and a low rate of

exchange,\* but the jubilation was not all on account of the

good people of the United States, for it was not forgotten

that "these purposes have been accomplished without any

sacrifice of the interests of the stockholders." 4 "The inter-

ests of the stockholders," on the contrary, had been fully

cared for. This was notably evident from the figures for

exchange. For the year ending June 30, 1831, the bank

had purchased $44,053,520.10 in bills of domestic exchange

and had sold drafts to the extent of $42,123,161.23.\* Dis-

counts, too, had run from $32,877,000 to $41,448,000. The

increase in the two species of investments aggregated $14,-

400,000. Meanwhile, however, the bank had parted with

$7,000,000 in funded debt, so that the actual increase in

investments was $7,400,000. The change meant a much

greater total profit, since discounts paid 6 per cent, and

inland exchange at least 9 per cent., while funded debt was

at 4 and 5. In other respects the state of the bank's affairs

was equally gratifying. Loans on bank-stock securities had

almost ceased. 6 The suspended debt had been reduced from

$10,426,000 in 1822 to $3,633,000 in 1831; the loan of

1821, amounting to $1,180,880, had been paid; the contin-

gent fund had been increased so that it more than covered

all losses; the surplus was $1,698,102.93; since July 1,

1828, net circulation had increased over $8,000,000, private

1 Ibid., p. 115. 3 Ibid., pp. 115, 117.

\* " At present these exchanges are generally either at par, or at the utmost one-

half of one per cent."— Ibid., p. 116.

\* Ibid., p. 117. \* Ibid., p. 116.

\* Ibid., p. 117. Loans on bank stock, 1822, $5,974,725.80 ; 1831, $779,458.07.

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deposits over $2,700,000, specie over $5,500,000, and net

annual profits over $380,000.\* The song of triumph was

not unjustified. -~ ^ %J\*\, ^ ,

But there were flies in the ointment. LWhile increasing

the bank's transactions and its profits, Biddle had extended

its dealings in the Southwest and West out of all proportion}

and in doing so had returned to that policy of extensive inte-

rior loans of which, in 1823, he felt sure that the bank had

had "enough and more than enough. 9 ' It is true that he

had perfected a system of operations which, if faithfully

executed, completely transformed the situation, but he should

have known that the men who had to execute that plan were

not likely to execute it faithfully, in which case the bank

would suffer loss and perhaps ruin.

There was a number of reasons why Biddle had turned

deliberately to the task of building up a large banking busi-

ness in the West and Southwest. For one thing, the steady

payment of the public debt had put an end to the bank's

holdings of public stock and compelled it to invest its means

in other ways. In July, 1831, the government had even

liquidated its stock-note for $7,000,000 which it had given

in 1817 for its shares in the bank's capital stock, 2 and by

November of 1831 the bank was left without a cent of gov-

ernment funded debt — a diminution in this species of invest-

ment of $17,000,000 since July 1, 1828. Biddle at first

attempted to supply the lack of government stock by invest-

ments in that of the states, offering a loan of $8,500,000 at 5

per cent, to Pennsylvania in 1829,\* while in September,

1830, he was eagerly inquiring as to the chances of getting

Louisiana and Mississippi stocks. 4 These efforts failing, some

other disposition of the funds had to be made. To put them

l Niles, Vol. XLI, pp. 117, 118 ; also Appendix V. \* Ibid,, p. 112.

8 Biddle to George Hoffman, Dec. 15, 1829, P. L. £., Vol. Ill p. 108.

\* Biddle to Jandon, Sept. 7, 1830, ibid., pp. 338, 339.

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out in the East and the South from 1827 to 1831 was impos-

sible, for there the bank's loans diminished during this period

in spite of constant efforts to keep them up. 1 Competition

in the East was excessive, there being a great deal of capital

to be had on easy terma In Boston the total business of

the branch fell from $4,150,000 in January, 1827, to $629,-

000 in January, 1829, a diminution of $3,500,000." Bank-

ing in the West and Southwest was therefore the only

resource. Moreover, Biddle's system of branch drafts and

dealings in exchange contemplated this, and consequently

necessity and inclination joined hands to push the bank into

this field.

No sooner had the plans for extensive banking in these

distant sections begun to work, however, than unforeseen

causes gave rise to an overwhelming demand for loanable

capital. The years 1831-32 were indeed years of phenomenal

growth in trade, industry, and internal improvements. " The

introduction of the new means of intercourse, 9 ' says Sumner,

" produced a development of industry so great as to amount

to a revolution, so sudden as to create a convulsion." \* In

1825 the Erie Canal was completed, and in 1828 the

Baltimore and Ohio Railroad was begun. But the effect

upon business produced by these means of communication,

though large, was not comparable to that resulting from the

extensive application of steam to water transportation. By

1825 steamboats were found everywhere from the Hudson to

the Mississippi. The result was a tremendous reduction in

the cost of transportation, an enormous increase in the

volume of production, and a marked diminution of the price

of the commodities transported. The American industry

most profoundly affected was the cultivation of cotton, a

i See monthly statements for the period. Appendix V.

3 Biddle to T. H. Perkins, Jane 7, 1831, P. L. £., Vol. HI, p. 533.

\* Sumra, History of American Currency, p. M.

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commodity in great request after 1824. The demand for

cotton led to brisk speculation in southern, and especially

southwestern, real estate, and to a less extent in western

lands. Times were good and everyone wanted to borrow;

there were enormous importations from Europe, and the

revenue was unusually large. Under the spur of excessive

demands and largely increased facilities for loaning, it is

not surprising that the bank expanded. So intense was the

pressure for loans, and so willing was the bank to grant

them, that in 1831, contrary to all precedent, its accommo-

dations were not reduced during the summer months. 1 The

urgent demand for money continued through 1832, and the

effort to meet it would have taxed all the resources of a

much larger " monster " than the Philadelphia one.

The result was that the bank's loans increased to an

astonishing extent, as was evident from Biddle's exposition

in 1831. By May, 1832, he would probably not have been

so completely satisfied with the situation. By that time,

counting from May 1, 1828, 9 the investments of the bank

had increased from $54,800,000 to $70,400,000, an increase

of $15,600,000 in four years. Remarkable as this increase

was, the really remarkable fact about it was that discounts

and domestic-exchange purchases had been augmented in

this period by $33,100,000, almost double their total in

May, 1828, domestic-exchange dealings alone increasing by

$17,360,000. Other significant items were the increase in

circulation, $10,578,000, in total deposits, $2,762,000; while

specie had hardly increased at all, the amount held on May

1, 1828, being $6,318,000, and on May 1, 1832, $7,890,000.

Thus, while the immediate-demand liabilities of the bank

had risen by $13,340,000, the ability to meet them had

i& D. 17, 23d Cong., 2d Sess., p. 97.

2 The 1st of May, 1832, is deliberately selected as being the moment at which the

bank's dealings were most extended.

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increased by only $1,572,000. Meanwhile the bank owed

$1,878,122.29 in Europe.

How far the West and Southwest were responsible for

this enormous expansion a few figures will clearly reveal

On May 1, 1828, the discount and exchange dealings of the

bank in those sections of the country had been $13,697,000

out of a total of $39,352,000; on May 1, 1832, the sum was

$36,419,000 out of a total of $70,400,000. 1 In other words,

the western and southwestern loans had increased from ai

little over one-third of the whole to over one-half of the/

whole, the number of offices doing this enormous business

being nine out of a total of twenty-six, established almost

exclusively in cities of moderate size.' Since theQlealings

in inland exchange} were responsible for this state of affairs,

they deserve full consideration.

At the time of the bank's establishment the phrase

"equalization of exchange " was used in three senses: first,

in that of putting an end to the depreciation of state-bank

notes; secondly, in that of real exchange; thirdly, in that of

putting an end to the discount on bank notes which was due

to their being at a distance from their place of issue and

redemption. This confusion of use led people to believe

i Southwest and West: Natch©\*, Mobile, New Orleans, Nashville, Louisville,

St. Louis, Lexington, Cincinnati, Pittsburg, ( Chill icothe agency).

Discounts Bills of Exehinff\* Totals

May 1, 1828 —

Southwest and West - - $10,701,000 $2,996,000 $18,097,000

All others 21,959,000 3,696,000 25,655,000

May 1, 1829—

South west and West - - 12,001,000 4,757,000 16,758,000

All others 21,623,000 4,509,000 26,132,000

May 1, 1830 (April 30)-

Soathwest and West - - 14,164,000 6,577,000 20,741,000

All others 19,640,000 4^237,000 23,877,000

May, 1831—

Southwest and West - - 15,872,000 9,144,000 26,016,000

All others 20,061,000 5,822,000 25,883,000

May, 1832—

Southwest and West 22,467,000 13,952,000 36,419,000

All others 24,905,000 9,100.000 34,005,000

—Compiled from the monthly reports of the bank.

\* New Orleans excepted.

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that the bank ought not to charge for making exchanges for

the public. The banks of the day rarely dealt in exchange, 1

and considerable hostility was aroused when the Bank of the

United States undertook to charge a premium for purchas-

ing and collecting bills. At the very first hint of such action

Secretary Crawford came forward with violent objections, 2 and

the House committee of 1819 disparaged the practice/ This

hostility was never allayed. Moreover, it was asserted that

the bank used bills of domestic exchange as a device to

secure usurious rates on its loans; 4 Clayton declared that in

this way the bank extorted 12 per cent, interest 5

Gallatin, on the other hand, asserted that the bank's

transactions along this line constituted one of the three

principal advantages derived from a national bank, and one

which accrued to the community at large.\* Besides, the

bank had to keep specie on hand, and at times transport it,

in order to make exchanges. Moreover, interest and pre-

mium together must be less than the cost of transporting

specie ; otherwise they would not be paid. It was only just,

i "That institution [i. e., the Bank of the United States], at some period subse-

quent to the commencement of its operations in February, 1817, entered upon the

business of a dealer in inland bills of exchange by buying and selling bills upon all

points where its branches were located, upon terms that gave it a profit on the trans-

action. This practice probably gave rise to the general custom now preralling

amongst banks of buying and selling bills of exchange."— Raqubt, pp. 114, US.

s u The exaction of one-fourth, or one-half, or one per cent, on checks drawn on

one office of discount upon another, .... will as effectually convince the com-

munity of the prostration of its rights and interests at the will of the bank as the

exaction of ten per cent. It is the establishment of the principle, and not the

amount of the exaction, which will exhibit the power of the bank to levy contribu-

tions on the commerce of the nation ad libitum. 11 — July 3, 1817, JP\ t Vol. IV, p. 540.

The whole letter is a protest on the subject of the bank's system.

s Ibid., Vol. Ill, p. 909. \* Bknton, Thirty Years, Vol. I, p. 240.

6 C. D., Vol. Vm, Part II, p. 1977.

e " The principal advantages derived from the Bank of the United States, ....

are, therefore, first and principally, securing with certainty a uniform, and, as far as

paper can, a sound currency ; secondly, the complete security and great facility it

affords to the Government in its fiscal operations ; thirdly, the groat convenience and

benefit accruing to the community from its extensive transactions in domestic bills

of exchange and inland drafts."— Adams, Gallatin's Writings, Vol. Ill, pp. 845, 548.

Besult8 of Biddle's Ststem 139

therefore, that the community should pay the premium

asked. 1

This reasoning furnished a complete answer to the foolish ! ^j

arguments that a national bank ought to make exchanges j«/fx.

without charging for them. Btatit must be noted tha^.<\*

complete as the answer is to the^objections against the\$ale

and purchase of draftij it does not at all touch the other

objection, that\Jhe discount of bills was a device to extort

more than the 6 per cent rate of interest allowed by the

bank's charter.^ When this charge was made, Biddle

answered it by describing the operation of purchasing a

bill of exchange with interest at 6 per cent, and 1£ per

cent, premium, hinting that the bank's accuser had con-

founded "two things distinct in themselves, but necessarily

blended in the same operation" — the interest on the bill, ;

and the premium on the bill. 9 But this explanation is not

to the point. The charge was that the bank forced its cus-

tomers to purchase bills on their crops when they desired

instead to discount notes, and that by doing this it secured

more than the legal rate of interest. Undoubtedly this

was true," and it is plain enough that, in the case explained

by Biddle, if the borrower paid 6 per cent on the loan and

i " For the bank to be always in the market, ready to buy domestic bills, or to

■ell drafts, to suit the varying demands of commerce, it must, on occasions of unusual

disturbances of the coarse of trade, be compelled to transmit specie from place to

place ; for, whatever may be the supposed credit of its paper, when there has been

an extraordinary accumulation of it at any one point, the bank at that place most

be reinforced with an addition of specie; more especially, when the balance of

foreign commerce is against the place. It is, then, obviously just, that the bank

should be compensated for performing this office ; and which, if it did not perform,

most devolve upon some other part of the community. The premiums and discounts

paid to the bank most be less than the expense of transporting specie, or they would

not be paid ; and the difference is a net gain to the community, by the operations of

the bank."— Tucub, The Theory of Money and Bank\* Investigated, p. 301.

2 J7. R. 460, 22d Cong., 1st Sess., p. 47.

\* " For the last two seasons, my attention has been steadily applied to the lessen-

ing our note business, by a substitution of bills to the amount of such reduction ; but

in this, I have not been so successful as I could wish, because it is the interest of the

merchants to counteract this policy."— Cashier at Nashville, Oct 21, 1832, 8. D. 4, 22d

Cong., 2d Sess., p. 32.

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1£ per cent, as exchange, he paid for a bill at ninety days at

the rate of 12 per cent, per annum. 1 The method was a

common one at that date to evade the laws of usury.\*

Twelve per cent, was the market rate, of course, and the

result only illustrates the truth that the market rate and not

the legal rate must be paid, if the borrower wishes to be

accommodated. It should be noted, too, that bills of

exchange were really used in such cases not so much to

obviate the transfer of funds as to make loans. Almost all

the bill operations of the Bank of the United States were

nothing more or less than a species of discount

In the first years of the bank's existence dealings in

exchange were very slight and unimportant The volume

of the business in October, 1819, was only $1,375,087, and

it did not reach $2,000,000 until May, 1820. The year 1822

shows the first considerable increase, the figures for July

being $3,273,305 and the total purchases for the year

amounting to $7,353, 1 90.56. s The reports for the succeed-

ing years to 1827 show a slight increase, but real and

marked growth did not begin until that year, with the adop-

tion of Biddle's system.\*

It was part of Biddle's plan to secure control of the entire

business of the country in inland exchange. 6 The bank, there-

fore, worked with this object in view, and by 1832 had

almost accomplished it.\*l\_ Competition in exchange was, of

course, perfectly free, but the Bank of the United States

secured a virtual monopoly by offering to individuals advan-

i In 1829 domestic bills purchased were $28,000,000 ; profit, $650,000, or $210,000 in

excess of the discount, an average of $i of 1 per cent. ; equal to 9 per cent, per \*"i»j v h .

— Biddlo to Joseph Hemphill, Dec. 19, 1829, P. L. B. % Vol. Ill, p. 117.

2 Raqdet, p. 107. « Tyler, fir. D. 17, 23d Cong., 2d Bess., p. 25. \* See Appendix YL

6 Jaudon to the cashier at Cincinnati, Oct. 3, 1832, H. R. 121, 22d Cong., 2d See\*.,

p. 148.

° Tucker, p. 300. "Though they [t. c, the state banks] had always been com-

petitors for it [t. c, inland exchange business] .... yet they did not prove highly

successful in their efforts till since 1832."— Woodbury's report, S. D. 13, 23d Cong., 2d

., p. 13.

Be8ULts of Biddle's System 141

tages not furnished by other competitors -A in other words,

better rates. It can surprise no one that such was the case.

The bank had decided advantages over all other competi-

tors. It had branches all over the United States, and there-

fore its machinery was much more suitable and adequate

than that of any state bank, while its large capital per-

mitted it to deal in exchange far more extensively than other

institutions.

The rates of exchange between the western offices and

from the West and South to the East and North ranged

from par to 2£ per cent The average rate was probably

from par to 1£ per cent, 1 the average for 1829 being less

than three-fourths of 1 per cent' The rates from the East to

the West and South were much higher than the rates on the

East from the South and West. Between the eastern offices

the rates were low. The rates in the West on other western

offices were high, in order to discourage bills drawn on west-

ern cities, since it was considered that good and paying bills

should be drawn on the East or on New Orleans. Thus the

rates between the western offices were almost as high as the

rates on the East, and sometimes higher than these.

^Qfot only did the bank buy bills, but it sold drafts^ Each

of the offices sold drafts on the others and on state banks.

These operations were also very considerable, amounting in

1829 to $24,384,232/ and in 1832 to $45,157,424. 6 The

i See Appendix VII.

\*"The gross profit on the purchase of bills, arising from the rate of exchange

at which they were purchased, amounted, in the year 1829, to 227,224 dollars or less

than three-fourths per cent."— Adams, Gallatin's Writing\*, Vol. Ill, p. 343. Wood-

bury points to the fact that the state banks bought exchange cheaper than the Bank

of the United States. He uses the rates of 1834. These, of coarse, are not apropos.

One might as well use state-bank figures for 1830.

> " These consist of two correlative but distinct operations. The bank purchases

at Philadelphia and at every one of its offices bills of exchange payable at different

dates and on all parts of the United States where there are such offices, and the bank

and its offices sell their drafts on each other payable at sight."— Adams, Gallatin'\*

Writings, Vol. Ill, pp. 343, 344

4/oid., p. 343. \*8. D. 17, 23d Cong., 2d Sess., p. 180.

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premium charged for selling drafts was slightly lower than

that on bills of domestic exchange. It ranged from par to £ and

1 per cent. The most common rate was ^ per cent 1 Besides

selling its own drafts, the bank collected drafts drawn by

other institutions and individuals. The amount of this side

of its exchange business was large. 9 The charge for collect-

ing was moderate.

The Southwest and West, as already pointed out, consti-

tuted the great field for these operations. What was the

proportion of the whole business done in these sections?

Early dealings were slight, aggregating some $8,890,000 in

1824 and being less than 29 per cent of the bank's entire

purchases of inland exchange bills. In 1827 they were 32 per

cent ; in 1829, almost 46 per cent ; in 1830, over 56 per cent

In 1832 they were over 60 per cent, and did not again

fall below 50 per cent until 1835. Here was a remark-

able increase in the proportion of the business done in the

West and Southwest to the whole business done, running

from less than 29 per cent, in 1824 to over 60 per cent in

1832. 8 In the former year the western dealings were not as

large as the southern and only a little over half as large as

those of the North and East, while in 1832 they were in

excess of those of the North, East, and South. That is, nine

offices in the Mississippi and Ohio valleys did a larger busi-

ness in exchange than all the other offices combined.

But this comparison of the business of the West and

Southwest as against total business does not reveal all the

significance of this surprising increase, for business in the

East and South was by no means at a standstill Hence, to

get a true conception of exchange transactions in the West

and Southwest, one must compare the business in that local-

ity with itself at different periods. In 1824 the total sum

i See Appendix VII. 2 $42,096,062.07 in 1832.- 8. D. 17, 23d Cong., 2d Seas., p. 180L

» See Appendix VIII.

Results of Biddle's Ststem 143

of western and southwestern purchases was $2,540,000; in

1828, $8,140,000; in 1831, $27,000,000; in 1832, $40,900,-

000. That is, the volume of the purohases of exchange in

these sections had more than trebled from 1824 to 1828, was

over ten times greater in 1831 than in 1824, and over six-

teen times greater in 1832 than in 1824. ' This simple state-

ment reveals at a glance the increase of exchange invest-

ments in the Southwest and West in accordance with Biddle's

plans. The sale of drafts had increased in a like ratio.

The offices which did most of the business were only four

or five in number. Thus from 1829 to 1832, including both

these years, the four offices of New Orleans, Nashville, Louis-

ville, and Lexington did over four-fifths of all the exchange

business of the West and Southwest For the remaining

years of the history of the bank the first three of these

offices, with the addition of the two branches of Mobile and

Natchez, did over four-fifths of the whole. Lexington

becomes much less important, while Natchez, an office started

late in the life of the bank, more than takes its place. New

Orleans, being the great entrepot for all the commerce of

the Mississippi valley and the valleys tributary to the Mis-

sissippi, was the center of exchange operations; it was the

branch where most bills were purchased, and on which the

offices of the West drew most bills.' About two-fifths of

l The figures are oomputed from the added monthly totals.

SBiddle describes the system thus: "It will be perceived, .... that, .-. . . the

funds of the bank hare naturally sought a temporary employment in those sections of

the Union where there is less banking capital, and where the productions of the great

staples of the country seem to require most assistance in bringing them into the

commercial market. This observation applies especially to New Orleans, the centre

and the depository of all the trade of the Mississippi and its tributaries. The course

of the western business is to send the produce to New Orleans, and to draw bills

on the proceeds, which bills are purchased at the several branches, and remitted

so the branch at New Orleans. When the notes issued by the several branches

find their way in the course of trade to the Atlantic branches, the western branches

pay the Atlantic branches by drafts on their funds accumulated at the branch in

New Orleans, which there pay the Atlantic branches by bills growing out of the pur-

chases made in New Orleans on account of the northern merchants or manufac-

turers, thus completing the circle of the operations. This explains the large amount

of business done at that branch."— H. R. 400, 22d Cong., 1st Sess., pp. 816, 817.

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the exchange transactions of the four or five offices already

noted was done by New Orleans alone, or from over 34 to

over 45 per cent of the exchange purchases throughout the

whole of the western country, and from over 15 to over 33

per cent, of these transactions throughout the entire country. 1

Of the offices in the West which ranked next after the New

Orleans branch, sometimes one, sometimes another engaged

more extensively in this line of banking.'

On what offices were most of these bills drawn? Biddle

states that the bills were " purchased at the several branches

in the West, " and remitted to the branch at New Orleans.

This office paid the eastern offices for the collection of the

western note issues " by bills " on the East growing out of

the purchases "made in New Orleans on account of the

northern merchants or manufacturers." In other words,

the western branches drew on New Orleans, and New

Orleans on the eastern offices. In the main the statistics

available bear out the assertions. It is to be noted, however,

that during 1831 and 1832 this system of operations was

not adhered to. The drawings in the West and Southwest

on western cities increased very materially, a state of affairs

which was not contemplated in the beginning and extremely

undesirable. 8

i Biddle, in his explanation of the business to the committee of 1832, gave a table

containing the amount of the business in exchange for 1831. The total is$48^62,llKL3£,

and of this sum the purchases at New Orleans footed up $9,470,184.38, or over 19 per

cent, of the whole. The amount accredited to all the western and sout h we ster n

offices is $22,452,700.32, which gives over 42 per cent, of the business of the West in

exchange to New Orleans.— H. R. 460, 22d Cong., 1st Sess., p. 318. Similarly, figures

for the year 1832 give the whole amount of exchange bought at $67,517,000, The

amount at New Orleans is $13,251,000, or over 19 per cent, of the entire sum. In the

western offices these dealings footed up a total of $34,627,000, of which the sum accred-

ited to New Orleans is over 37 per cent.— 8. D. 17, 23d Cong., 2d Sess., p. 180. At p. 198

a table shows practically the same facts for 1833 ; total, $71,761,370.86. New Orleans\*!

share, $14,439,367.80, or over 20 per cent. Total western, $32,582,000 ; New Orleans over

40 per cent, of this.

2ff. R. 460, 22d Cong., 1st Sess., pp. 316, 317 ; see Appendix VIII.

'According to McDuffie's table for March, 1830, total dealings in domestic

exchange were for that month $10,100,000. The sum purchased in the West equaled

$5,700,000, of which $2,100,000 were drawn on the Atlantic offices, mostly by the branch

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Though the bank had expanded everywhere through the

years 1831 and 1832, it was as a consequence of the extrava-

gant dealings in inland exchange in the Southwest and West

that the greater part of the debt to it had been created,

and in this particular it acted incautiously and foolishly.

Adams was convinced " that the Bank had been somewhat '

imprudent in her issues and accommodations 9 ' in 1831 ;'

and one of the directors at New York wrote Biddle that " as

it turned out we done harm last fall" by "letting out." 2

The situation was summed up exactly by a Philadelphia

banker, no doubt Girard, who, after seeing the report of the

bank's condition for 1831, wrote to a friend :

I confess I am alarmed at the picture. Their loans have been

increased in the year from forty-five to sixty-six millions, while

their specie has decreased from twelve to seven millions. The bank

has now outstanding that vast amount of loans — (which it will be

difficult to reduce or call in,) its specie low — no funds in Europe

to draw for; on the contrary, in debt a million and a half —

exchange at eleven per cent, premium — specie shipping by every

packet — .... more than twenty millions of their notes in circu-

lation, which the pressure of the times will bring back upon them

rapidly — and their private depositee liable to be withdrawn. They

have acted like madmen, and deserve to have conservators appointed

over them. 8

Having unduly expanded, the bank found itself in a !

perilous situation by October, 1831. Specie was rapidly '

at the month of the Mississippi. Of the remaining $3,000,000, $2,500,000 were drawn on

the same office, leaving only $1,100,000 bought on the offices np the Mississippi,

mostly by the branches down the Mississippi.— H. R. 35ft, 21st Cong., 1st Sess., pp.

39-41. According to the figures in Toland's report for the month of October, 1832, ont

of a total of $16,304,000 expended in the purchase of inland bills of exchange, $10,063,-

000 were spent in the West and Southwest. Out of this sum only $1,545,000 were

drawn on the East, while $7,300,000 were drawn on the West and Southwest. The

amount drawn on New Orleans was a little over one-half of the whole, being $3,900,-

000. The remaining $3,331,000 were drawn on other western offices.— 8. D. 4, 22d

Gong., 2d Sess., p. 12. Kx. Doc. 8, 22d Cong., 2d Sess., is identical with &D,L

l J. G. Watmough to Biddle, May 11, 1832, B. P.

> Saul Alley to Biddle, March 21, 1832, ibid.

\* Cambreleng, quoting letter of Feb. 16, 1832, from a dead banker friendly to the

bank.— C. 2>., VoL X, Part II, pp. 3380, 2881.

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running out of the country, 1 a sure proof that the paper cur-

rency was redundant and prices inflated. Directors were

urging that the exportation be stopped by the sale of foreign

bills and expressing fear that the state banks would secure

the bank's fund of specie. 1 Meanwhile the bank was so

hard pressed for funds that Biddle notified the American

agent of the Barings that it would be compelled to draw to

the limit of its standing credit of $1,000,000 with that

house, and, if possible, to increase the credit by another

$1,000,000 on which bills of exchange might be drawn to

be repaid later at 5 per cent 8 The bank evidently could

not stop the exportation of specie, because it lacked funds

on which to draw bills of exchange. The government added

to the embarrassment by calling for its deposits in order to

pay off part of the public debt, and doing this without giv-

ing the bank timely notification of its purpose. The final

blow came when the treasury demanded payment of $6,000,-

000 to discharge the 3 per cents.\*

Hereupon, on the 7th of October, 1831, the day after

Biddle's letter to the agent of the Barings, the bank turned\*

to the task of procuring the necessary means by creating a

i Biddle to Lawrence, Dee. 6. 1831, P. L. £., Vol. IV, pp. 48, 49.

«S. Alley to Biddle, Oct. 17, 1831, B. P.

» To T. W. Ward, Oct. 6, 1831, P. L. B. % Vol. IV, pp. 28, 29.

\* \*\* I never recollect any of your Treasury measures which has worked more

crossly for all concerned."- Biddle to A. Dickina, Not. 29, 1831, ibid., pp. 46, 47. M I

wish you would ask Mr. McLane what he means to pay next— and aboTe all let us

not have any more payments without a moment's warning, like the last caprice," —

Biddle to Cadwalader, Dec. 27, 1831, B. P. The payment of public debt for 1831 was

calculated to amount to $18,080,057.— H. R. 121, 22d Cong., 2d Seat., p. 168. See

McLane's letter, Sept. 29, 1831, H. R. 460, 22d Cong., 1st Seas., pp. 542, 543.

5 " The unusually heavy reimbursement of six millions of funded debt, .... 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 pro-

vision must be made, and from the prevailing active demand for money. Be pleased,

therefore, so to shape your business immediately, as that, without denying reason-

able accommodations to your own customers, or sacrificing the interests 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."— Circular of Oct. 7, 183L,

ibid., p. 19.

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contraction of its business, issuing orders to that effect to all

the offices, instructing them to diminish discounts and to

purchase bills of exchange with the object of transferring

funds to the East Nor was the board content with this,

but as time passed it urgently repeated its orders again and

again. 1 Finally, on July 29, 1832, after seven months of

contraction, it issued instructions that "the western and

southern offices .... decline the purchase or discounting

of any domestic bills of exchange, except when it may be

necessary to secure a debt already due to the bank or the

offices," \* thus cutting off all new loans ; and these stringent

orders were not relaxed until September 29, 1832.'

In the face of these frantic efforts to contract, the expan-

sion of the bank's business went steadily forward from Octo-

ber, 1831, to May, 1832. For the entire period the advance

was in the nature of a triumphal march, never for one moment

suffering check or pause until, on May 1, the loans had

reached a sum never before approached, 4 the contemplation

of which must have been terrifying to the managers. The

amount was $70,400,000, as against $60,101,000 at the

beginning of October, 1831, while the net note issues rose

from $19,708,000 to $21,377,000. The attempt to con-

tract began to show results, however, after the beginning

i IWd., pp. 521-7 ; Documents 13-22.

\*& D. 4, 22d Cong., 2d Sees., p. 27.

iff. R. 121, 22d Cong., 2d Sees., pp. 140, 146, "ResolTed that the Committee on

the Offices be authorised to modify the instructions under which the offices of the

bank hare been acting."— Report of Biddle, Sept. 21, 1832, ibid., p. 27. " The Presi-

dent stated to the board, that the Committee on the Offices, .... had deemed it

advisable so to modify the instructions to the offices at Lexington, Louisville, St.

Louis, Cincinnati and Pittsburg, as to allow them to check freely upon the bank

as heretofore, and to extend their purchases in domestic bills."— Minutes of Oct.

4,1832, ibid.

\* The monthly reports show the following facts: The total loans rose from

$00401,000 at the end of Sept., 1831, to $70,400,000 at the beginning of If ay, 1832, and

fell from $70,400,000 at the beginning of May to $83,600,000 in October, standing

fyflQftflflfl above what they were when the contraction began. The net circulation in

Oct., 1832, was $19,487,000 as against $21,377,000 in May, 1832, and $19,706,000 in Oct.,

lSKL—Ex. Doc. 523, 23d Cong., 1st Seas.

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of May. The entire movement is clearly revealed by the

chart.

The marked increase of the bank's transactions in the

face of this strenuous attempt to reduce took place at the

offices in the South, the West, and the Southwest, especially

at Charleston, Savannah, New Orleans, Mobile, Natchez,

and Nashville. Adding the other western offices to these,

the expansion amounted to just $10,587,000, counting from

the last day of September, 1831, to the first day of May,

1832, actually exceeding the figures for the whole expansion

for that period. Taking the western and southwestern

branches alone, the total expansion was $9,000,000. Of this

$1,385,000 was in discounts, the remainder in bills of

domestic exchange. 1 The chart for these offices on p. 151

reveals at a glance the astonishing increase.

Meanwhile the bank had also attempted to curtail at the

eastern and most of the southern offices, 9 with the result of

keeping down loans, though contraction did not really begin

even at Philadelphia until the end of May, 1832.' The

offices of Boston, New York, Baltimore, and Philadelphia

succeeded most completely, 4 but at no time did the reductions

equal the augmentations at the other offices. The means

i The whole of the bank's purchases of inland exchange was, in April, 183ft,

$28,062,000, of which the western and southwestern share was £13,952,000; in Jane the

total was (22,577,000, western and southwestern, $14,342,000. Reducing the matter

still farther, the amounts of domestio exchange for New Orleans, Natchez, Mobile,

and Nashville for three months are as follows: April, $10,594,000; May, $10310,000;

June, $10,059,000, being nearly half of the business done in domestio exchange. This

at four out of twenty-six offices of the bank.

a It has already been pointed out that Savannah and Charleston were serious

delinquents. Slight failures to meet demands for contraction were found at Rich-

mond, Norfolk, Fayetteville, Burlington, Hartford, Portsmouth, and Portland.

8 "Offerings today $285,851

Income 157,647

Excess of offerings 106\204

Rejected 112,300

Discounted within income $4,096

"The first time for many months that we have been able to keep on the right

side. ,? - Cadwalader to Biddle, May 29, 1832, B. P.

4 For all four offices the reduction from January to November was $5^16,000.

Results of Biddlb's System

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secured in the East thus went to pay the debts incurred

in the other sections of the country, and the bank was

still without the funds needed to meet the government's

requisitions. That such would be the result had become

apparent to Biddle as early as March, 1832, and out of this

situation sprang the attempt to postpone the payment of the

3 per cent stock which the treasury had directed to be paid. 1

It was only by securing this postponement that the bank

could meet the government's demands. It was, in short, in

a very grave position, and had to use every possible means

to extricate itself.

While there was actually no diminution in the bank's

loans, there was a real and severe pressure occasioned by its

attempts to reduce. This would, of course, be true in the

East and South, for there the bank had actually reduced its

accommodations. 3 Yet, curiously enough, the most intense

pressure was felt in the West, where there had been no con-

traction whatever. The cashier of the branch at Cincinnati

writes in November, 1832, that the "demand for money"

at that place is "enormous," and that the branch would

44 have a severe struggle for some time to resist it" \* The

cashier at Nashville declares that " bills of very short dates

and of undoubted character, drawn and offered by persons

we were desirous to accommodate," have been rejected. 4 In

another letter he remarks on the 4t unexampled scarcity of

money " in Alabama and Tennessee, and prays for the privi-

lege of discounting, if that privilege is to be extended to

any office, because the branch at Nashville is the center of a

population which is suffering for the want of a circulating

i See chap, xi, u Charges against the Bank."

2 Wayne, of Georgia, declared that "the want of money at this moment is

driving our merchants to all those shifts and expedients to raise it which usually

precede bankruptcies."— March 13, 1832, C. D., Vol. VIII, Part II, p. 2144. See also

Niles, Vol. XLII, p. 20, and Vol. XLIII, pp. 17, 18. Evidence of Lippinoott, H. R,

460, 22d Cong., 1st Sess., p. 548 ; of Sullivan, ibid., p. 554 ; of Neff, ibid., p. 563.

\* Nov. 21, JET. R. 121, 22d Cong., 2d Sess., p. 149. \* Nov. 26, 1832, ibid., p. 154.

Results of Biddlb's System

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OP AH ATTEMPT TO CONTRACT, Beftekbkk, 1831-32

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medium. 1 A gentleman in Cincinnati writes that "the dis-

tress for money here at present, is greater than can be well

imagined, .... The brokers get readily one-fourth of one

per cent, per day." 2 Similar complaints of a lack of money

came from other western offices, yet at this very moment the

offices complaining were piling up debt upon debt by the

purchase of bills of domestic exchange. The explanation is

simple: The actual expansion in the West was so much

below the demand for loanable capital there that the effect

was that of a severe contraction ; and if there had been no

attempt to reduce, the increase in the amount of western

loans would have been infinitely in excess of what it was.

All this embarrassment to the bank and all this distress

to the community had arisen from Biddle's plan of opera-

tions in the western and southwestern country at a moment

when the demands for capital were excessive. The busi-

ness of the bank in these sections was almost entirely based

upon the crop. Money was advanced to grow the crop,

and the loan paid out of the proceeds when the crop

came to market\* The bills of exchange by which these

loans were made were frequently six-months paper. In

case of a sudden demand upon the bank, such paper was

certain to occasion considerable embarrassment. So it

would if the crop failed even partially. Something like

this is what happened in 1831 and in 1832. The crop was

short in both years. 4 When to this were added excessive

i " It is reported here, .... that the Louisville office has received instructions

to discount bills for money. If this be true, then allow me, .... to solicit similar

instructions to this office ; for I assure you, that no portion of the Union contains a

more suffering population, for lack of a circulating medium, than does that portion

of which this office is the focus." — Cashier at Nashville to cashier at Philadelphia,

Oct. 21, 1832, H. R.. 121, 22d Cong., 2d Sess., p. 151.

» Niles, Vol. X1.II, p. 436, Aug. 18, 1832, quoting from the New York Courier and

Express.

3/7. R. 460, 22d Cong., 1st Sess., pp. 316, 357, 358.

\* Niles, Vol. XL, p. 271, and Vol. XLI, p. 34. See, however, pp. 164, 165, where he

complains that low prices are certain on account of over-supply. "And, to add

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importations and disturbances arising from a visitation of

the cholera, it will readily be supposed that the bank could

not get its debts paid when they fell due. Nor could it secure

foreign bills to send abroad in order to check specie drains,

since foreign bills were drawn for the most part upon the

cotton crop. 1

But if the difficulty had not manifested itself in 1831-32

it would have done so later, for the cause lay in the nature

of western loans and in the character of the western direc-

torates; it lay in the purchase of bills at six months 9 time;

in that constant renewing of discounts which was customary

in the West and Southwest; in the loan of money on a crop

yet unmarketed, ungathered, unsown even. This was not

correct banking; and, worse yet, the men who had to make

the loans were ignorant, careless, and interested in their

sections rather than in the bank.

The letters of branch officials reveal these facts clearly.

Thus the cashier at Louisville wrote to Jaudon in November,

1832, admitting that the difficulties arose from the too great

extension of its loans, 1 that there had been overtrading at

to our difficulties last season, we had a very short crop of cotton, so that our

own drafts, predicated on the crop and payable at New Orleans, could not be paid

out of the crop."— President of Nashville branch to Biddle, Nov. 24, 1832, H. R.

121, 22d Con«r., 2d Seas., p. 47. Sommerville, in his letter of Oct. 21, 1832, speaks

of " the severe disappointments .... occasioned by the unlooked for frost of the

25th October last."— JMd., p. 149. Again, in November, he mentions "the dif-

ficulties of another unfavorable crop/\* and further on in the same letter, "the

redrawing of the last season, produced by the failure in the crops in that quarter

[•'. e., Alabama]."— Ibid., p. 155.

i Biddle, JET. R. 400, 22d Cong., 1st Sees., pp. 819, 320. " The situation of the

country at this period is very delicate. We have had on the one hand an excessive

importation, on the other hand a crop short in amount, diminished in value and

coming in at a time unusually late."— Biddle to Samuel Swartwout, of New York, Feb.

27, 1832, P. L. B. % Vol. IV, pp. 189, 190. For the difficulties arising from the cholera

alarm, C. W. Lawrence, New York, to Biddle, June 28, 1832, says that it makes it diffi-

cult to reduce.— B. J\, Feb. 9, 1832. Biddle anticipated difficulties from that source.

—To I. Lawrence, P. L. S., Vol. IV, p. 157.

s " Encouraged by the excessive importations at the east, our merchants have

been induced to purchase more largely than their own means or the necessity of the

country required : hence the embarrassment which now exists."— H. R. 121,22 Cong.,

2d Seas., p. 145, Nov. 18, 1832.

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the branch, and that some of the bills purchased comprised

worthless paper. 1 The result was that "nothing but the

indulgence of the bank " and " a full year's products of the

country " \* could relieve the situation. The position of the

branch was one of " peculiar delicacy." The cashier admits

that bills of exchange sent to Louisville to be collected are

not collected, but other bills are taken instead. That is,

the other branches forwarded bills to Louisville for collec-

tion, and the parties at Louisville, not being able to pay,

were allowed to settle by selling other bills of exchange on

some other branch. The amount of such transactions is not

known, but $4,000,000 of collection paper had been sent to

Louisville in the year just past' The branch could not

reduce its loans; indeed, for a time they might "be a little

increased," because of the "pork business" and "the

tobacco and hemp exports." 4 The cashier at Pittsburg

bears witness to similar conditions, declaring that the loans

on inland bills cannot for the present be lessened, and

admitting that the branch has discounted paper known to

be objectionable, since it now declines all notes " not payable

at maturity, and of a business character." ° The cashier at

i " I do not mean to say all our bills have a real business origin : we are doubtless

often imposed upon by fictitious transactions."— JET. R. 121, 22d Cong., 2d Seas., p. 144.

\*JWd M p. 145.

\* " We have been, and still are, in a situation of peculiar delicacy ; . . . .

" A large proportion of our bills were purchased to enable the parties to

their obligations sent here for collection: the amount of such collections has

at least four millions of dollar\* in the past year, of which about one half came

the Bank of the United States and the office at New Orleans.

" By a hasty estimate, the bills collected for the office at New Orleans, amount,

for the past twelve months, to upwards of $1,300,000, and a large amount is still on

hand coming to maturity."— Ibid., p. 144, Nov. 18, 1832.

• IWd., p. 145.

& " In reply to your letter of the 10th instant, I remark, that the bills purchased

in the west, are founded on transactions, and that the amount could not be lessened,

at this time, without inconvenience to our customers ; but, in a few months, I have

no doubt, the operations here, in exchange, will be as limited as may be desired.

Our manufacturers are diminishing their products, because the office is more

cautious in its loans, declining all new notes which are not payable at maturity, and

of a business character, and calling in, by regular reductions, those on time hereto-

fore discounted."— Nov. 17, 1832, S. D. 4, 22d Cong., 2d Sess., p. 31.

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Cincinnati asserts that for the present it seems impossible

to reduce discounts. Evidence of renewal is apparent here

also, for " as fast as good bills of exchange are offered, to be

applied to discounted notes, they are purchased." 1 At

Nashville both the president and the cashier of the branch

declare that renewal is the best, in fact the only means of

meeting the situation. 8 In the preceding October the presi-

dent had declared that the scarcity of money and the refusal

of the branch to do business where money had to be

advanced had compelled the renewal of all bills falling due

within the four months preceding, the bills of exchange by

which the renewals were made being purchased for six

months and passed on to some other office for payment.

" This operation," he concluded, " has swelled our domestic

bill account very much, without lessening the debts due to

this office very sensibly as yet."\* Bills renewed at New

Orleans had been again renewed at Nashville after having

been sent there for collection. 4 A request from Biddle that

the term for bills should be restricted to four months

brought back the answer that "bills payable six months

after date " were for as short terms as " ought to be taken." \*

> "Our discount line does not go down as fast, I am afraid, as the parent board

wish Oar board are struggling to get it down, and we hope to be able to do so

soon, bat at present it appears to be impossible.\*'— Not. 21, 1832, JET. R. 121, 22d Cong.,

Id Seas., pp. 148, 149.

s/bid., p. 155, Not. 26, 1832, and ibid., p. 47, Not. 24, 1832.

\*"The unexampled scarcity of money in both Alabama and this State, and oar

refraining from doing basiness wherein money is to be advanced on either note or

bill, has compelled as to discount safe bills at six months advance, to enable debtors

to the Orleans and other offices to meet the paper deposited with us for collection.

In this way have all the bills been paid which were remitted to us for collection

from the Orleans and other western offices since the month of June last "— Ibid.,

p. 150, Oct. 21, 1832.

\* " In consequence of which, drafts to a very large amount have been drawn by

the commission merchants of New Orleans on their friends here, and made payable

at this office. Those drafts could not be met when due, at this office, by the payment

of cash on account of its scarcity ; and no other means could be resorted to but

drafts again on New Orleans, which our directory thought right to purchase."— Ibid,

p. 47, Not. 24, 1832.

• JWd.

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Biddle admitted that many bills had to be taken up at Nash-

ville by redrafts, but considered the number actually drawn

excessive. 1 In reply to this the president at Nashville

acknowledged that too many bills were bought, " amounting

to more than the present crop of cotton and tobacco will

pay." 1 But there was no help for it; the bills had to be

taken or protested, and protests would have led to many

failures and endless embarrassments. The amount of re-

drafts for the summer and fall amounted to over $1,000,000.\*

Notes and bills still to fall due could be met only in the same

way, 4 while it was probable that the branch would add not

less than $400,000 of its own debts to this total.' The

president of the Nashville branch declared that it would be

impossible anyhow to " get the debts due this office paid ;

.... the means " were " not in the country." \* Payment

could not be expected before May or June, 1833/ The

officials complained that three times the ordinary amount of

bills had been sent them for collection. 8 Under these cir-

cumstances they considered it their duty to renew the

notes maturing during October and November, but when

these "mature again" they would " insist upon payment

either by bill or otherwise," and, if the debtors did not pay

> \*\* We are aware that many bills have returned upon this office which it was

necessary to take up by redrafts, but still the amount exceeds much what had been

anticipated by the board."— H. R. 121, 22d Cong., 2d Sess., p. 46, Not. 10, 1832.

s Nichol to Biddle, ibid., p. 47, Not. 24, 1832. \* Ibid., pp. 47, 154, 155.

\* " There are some thousands of dollars of bills from Orleans and other offices

yet to mature, which can only be met through our bill operations."— Ibid., pp. 157,

158.

6 "What portion of our own debts may be turned into bills, I cannot now form

a satisfactory estimate, not less perhaps than $400,000."— Cashier to Biddle, Not. 28,

1832, ibid., p. 158.

a Nov. 22, 1832, ibid., p. 153. \* Ibid., p. 47.

8 " The parent bank, and the offices at New York, Baltimore, Washington, Rich-

mond, Pittsburgh, Cincinnati, Louisville, and Lexington, have been and still con-

tinue the practice of discounting bills and notes made payable at this office, and

forwarding them here for collection. This has been done this season, too, I would

say, three times the amount of any previous year."— Ibid., p. 47, Nov. 24, 1832.

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they would bring suit, " unless in such cases as justice would

dictate the propriety of further indulgence." ' The propriety

of further indulgence 1 At New Orleans the same kind of

business was done, the figures for renewal at Nashville show-

ing that most of the bills were drawn at New Orleans. 1 Indeed,

New Orleans must share with Nashville and Louisville the

discredit of being the source of most of this bad business.

In May, 1832, in answer to a letter from Biddle express-

ing astonishment and dismay at the bill purchases at New

Orleans, Cashier Jaudon defended the action of the branch.

This was ominous, for Jaudon was a tried employee of the

Philadelphia office, and if he could err so grievously there

was little hope that others would keep the strict letter of

instructions or practice more conservative methods.\* The

l " Under such circumstances, and on mature reflection, under the difficulties of

another unfaTorable crop, without money to supply the deficiency, and frequent dis-

cussions on the subject, the board considered it a faithful discharge of the impor-

tant responsibilities confided to it, to renew the notes maturing within the last and

the present month, and when these shall again mature, to insist upon payment,

either by bill or otherwise ; and, in the event of failure to pay, to sue the debtor

unless in such cases as justice would dictate the propriety of further indulgence."—

Ibid., pp. 155, 150, Not. 26, 1832.

\* Bills collected from Sept. 1 to Not. 26, 1832 :

Bank of the United States $147,479

New Orleans 746,893

All the others 203,061

$1,097,427

— Ibid,, p. 157.

\* Bills business of New Orleans for western offices 1830-31, October to October :

Ant. of bill\* Ant. of cheek\* In favor of

collected by B. U. 8. \* northern office\*.

Otto\* OAeo If. O. for drown on If. O. office by

NashYille $2,421,301.28 $2,350,000

LouisYille .... 775,002.68 910,000

Lexington 308,627.33 500,000

Cincinnati - - - - 396,947.25 930,000

Pittsburg 25,018.82 187,000

$4,016,897.34 $4,877,000

"Thus it appears, that we are not only obliged to pay at the north the whole

amount of bills remitted to us by the Western Offices ; but that we are obliged to pay

at the north also, for a large amount of our notes which are collected by the West-

ern offices.\*' Difficult to get northern funds. A further demand on New Orleans

from notes of the offices taken in the western country. New Orleans office at the end

of its derioes for means to pay all this, so have attempted payment by drawing bills

ft

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perilous business of the bank was not entirely confined to

the West, however, for there are hints of something of the

sort at Richmond \* and at Charleston, 8 while, as already seen,

neither Charleston nor Savannah was able to reduce.

These bills and drafts drawn " to pay" other bills, drafts,

and notes coming to maturity were what were known as

"racers" or "race-horse" bills, by which loans were made

perpetual As a result there was " the payment of debts

up the Mississippi by bills on New Orleans ; " the payment

of these by bills on Nashville and other western offices,

and " the payment" of the bills on these offices by more bills

on New Orleans and on other western towns. The iniquity of

the business was naively disclosed by an advocate of the bank

in 1834, in what he supposed was an argument conclusive

of the bank's usefulness to the West and Southwest:

Commercial houses, all through the Western States [said Sena-

tor Porter of Louisiana] having credit, and doing business with

those of our city, have drawn late in the summer, or early in the

autumn, bills of exchange on New Orleans, and sold them to the

on the western country.— Jaudon to Biddle, May 16, 1832, B. P. Another New Orleans

statement of business with western offices in 1830-51, October to October :

Notae of this Office

Bill\* Collected at Remitted to U«

Office this Office for from

Nashville 1547,179.56 $431,940

Louisville 469,293.54 542,385

Cincinnati 197,162.67 706,300

Pittsburgh 65,673.36 193,475

Lexington 80,714.24 211,480

$1,310,023.37 $2,065,530

"This shews again, as the former statement shewed, a sum of 7 or 8 hun-

dred thousand Dollars, which we could not find the means of paying in the West-

ern Cities ; and were therefore obliged to allow to become a charge against us at tha

North." So they are paid " by purchasing Bills on the western cities, and so fax

diminishing the amount which they can make chargable against us at the North.\*\*

"Our notes collected at the two great points, Nashville and Louisville, are

nearly met by bills bought on those places."— J7>td.

i " Tour assurance that the paper lately taken is of such a character as will not

require to be renewed, is gratifying."— Mcllvaine to Richmond office, Jan. 19, 1832,

JET. R. 460, 22d Cong., 1st Sess., p. 518.

» Biddle to president of Charleston branch Jan. 80. 1834, 8. D. 17, 23d Cong., td

Sess., p. 78.

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branches established in their respective States. With the money

drawn from this source, the planter and the farmer have been sup-

plied, .... Its utility, however, did not stop here. A few months

run round, the crops are gathered, delivered to the merchant, and

transmitted to New Orleans for sale. There then happens what

might be expected in all cases where considerations of personal

advantage enter into the calculations we make of the future. It is

found that the planter has estimated too largely his crop; he falls

in debt to his merchant, and he in return has a balance against him

in the city where the produce was sold. The bank steps in again,

and purchases from the factor in New Orleans, a draft on the House

in the Western country, and in that way enables the produce of a

second crop to be got to market before payment is really demanded.

What I now state, has been every year's transactions for several

years back. 1

This was renewing with a vengeance, and, since it had

been the transaction every year " for several years back," it

follows that one debt was piled on top of another year after

year and that final payment was still far in the future.

What Porter said revealed clearly enough the whole

situation, and a comparison of the figures for exchange bears

out his statements. It shows that at New Orleans the sums

expended in the purchase of bills were very small in the

beginning of the year, large in the early summer months,

and small again in the autumn. At Nashville the sums were

generally large at the beginning of the year, and then

diminished till at the end of the year they were very small.

The reason for this difference lay in the fact that bills were

drawn on New Orleans at Nashville early in the year, and

came back renewed six months later to Nashville from New

Orleans. What proportion of the bills purchased in the

West was of this permanent character it is impossible to say.

Polk's committee declared that, if all the bills in the Missis-

sippi valley were of the same character as those at Nash-

ville, "at least $7,000,000" were "secured by paper" which

i C. D. y Vol. X, Part I, p. 706, Feb. 25, 1834.

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was " running from branch to branch, waiting for crops to

be raised to meet" it. 1

\ It was this dealing in permanent loans that embarrassed

the bank when it needed means in an emergency. How could

any bank collect its debts with any facility, when they were

A out for six, twelve, and eighteen months? No bank could,

n and the Bank of the United States did not in 1831-32.\*

Though it managed to correct many of the abuses after that

date, the difficulties entailed by western banking remained to

the end. The state of the Louisville branch in 1834 was no

better than in 1832, three-fourths of its debts being practi-

cally permanent.' When the bank closed many of its offices

l " The whole amount of domestic bills under discount in the valley of the Mis-

sissippi, in November last, as shown by the monthly statements at the close of that

month, was $10,112,106.37. Upon the supposition that it is all in the same condition

as the bill debt at Nashville, at least seven out of the ten millions is secured by paper

called race-hone bills, which is running from branch to branch, waiting for crops to

be raised to meet them, and ruining the drawers with interest, exchange, commis-

sions for endorsement and acceptance, and other expenses."— JET. R. 121, 22d Cong., 2d

Seas., p. 49.

J Benton, Jackson, and their associates declared that the bank had first

expanded with a political purpose and then contracted with the same purpose.

Thus in Benton's speech of July 12, 1832, he said : " Her reasons then assigned for

curtailing at the western branches, were false, infamously false, .... the

reasons were political : a foretaste and prelude to what is now threatened."

after showing that the bank had expanded its business $5,000,000 since the

opened. " The debt had been created for the very purpose to which it was now

applied; an electioneering, political purpose." The contraction was a contrivance

to press the debtors. " Every where .... in the West, the screw was turned fax

enough to make the screams of the victims reach their representatives in Congress,\*\*

and so on ad nauseam.— Thirty Years y Vol. I, p. 258. These charges vanish before

the presentation of the facts. The bank was not attempting to create distress in

order to secure a renewed charter. This the bank could not have done even had it

wished. It was swayed by forces greater than itself. It had no power to extend its

accommodations to as great an extent as was demanded ; indeed, it wished to keep

them down, but could not. Consequently the expansion cannot be charged to politi-

cal schemes. In the next place, the bank was compelled to attempt curtailment by

the action of the government in paying off the national debt. Consequently the

troubles of debtors thus caused were not to be charged to participation in politics

any more than the previous expansion.

\* " This office then [Nov. 1, 1833] held three classes of discounted paper.

44 1st. Notes payable at maturity.

44 2d. Notes on which ten per cent, was required to be paid at each renewal ; and,

44 3d. Notes renewable, on which no calls heretofore have been map!e.

44 The first class of those notes was all paid in the months of November

December last, ....

44 The second class of notes on which ten per cent, is paid at each

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in 1835 and 1836, it protested at one branch alone $405,-

280.87, all in bills of domestic exchange. 1 Other losses

must have been concealed by the methods of selling the debts

to other banks for long credits. Renewals remained com-

mon. 8 It must be concluded, therefore, that the later busi-

ness of the institution in the West was not conservative and

sound. But this must not be charged to the bills of

exchange. The same losses would undoubtedly have fol-

lowed on discounted notes. From the letters already quoted

it is plain that the discounted notes of the offices had to be

renewed, the renewal generally being by turning these notes

into bills of exchange. The same facts as to the renewing

of notes come out in the report of the Louisville office

already referred to. The loans here were in every case notes

discounted, and yet the major part was permanent. It was

not, then, the form of accommodation which involved loss ;

it was the granting of accommodations at all to so large an

extent. This was rendered possible, and indeed made

inevitable, by Biddle's plans for employing the capital of the

bank in the West and Southwest; and his system, therefore,

must be held responsible.

amounts to this time to about $1,100,000. This class of debts, although considered

ultimately very good, is generally due by a description of debtors that cannot well

bear any great curtailment ; and an attempt to force payments beyond this rate

would, I fear, greatly increase our list of suspended^debts.

\* 4 The third class of notes amounts to about the .sum of $600,000, renewable at

different periods, from sixty days to six months. This description of notes was gen-

erally taken for old compromised debts, real estate sold, Ac., and is well secured to

the bank, either by mortgage or personal security; but although considered very

good, yet it would be difficult to force heavy curtailments on this class of our

debtors."— Feb. 4, 1834, 8. D. 17, 23d Cong., 2d Sess., p. 110. The amount of discounted

notes in Oct., 1833, had been $2,343,000. They were at their highest in that month.

According to the president's letter, then, the amount of really good paper in local

notes must hare run from $800,000 to $700,000 and $800,000, while the rest of the

$2,400,000 was in the shape of permanent loans. The figures for 1834 show that dis-

counts never fell below $1,780,000.

> Ex. Doe, 118, 24th Cong., 2d Sess., p. 43. " The second item consists of domestic

bills, .... Of these you were already informed that $105,280.87 were under protest at

a single branch."— Ibid., p. 48, bank committee's statement.

'The committee speaks of " direct renewals of bills M and " the discount of new

hills to enable the parties to take them up."— Ibid., p. 48.

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The board of directors at Philadelphia seems to have been

unaware of the nature of the business done, 1 but the execu-

tive officers soon awoke to a realizing sense of the situation.

The first intimation of this occurs in a letter from Biddle to

Jaudon in April: "I have rarely been so much surprized

and startled as at the appearance of your two last weekly

statements representing such an extension of discounts of

domestic bills widely scattered. " He adds that this is in

direct conflict with the plan of operations to be pursued, and

directs Jaudon to reduce at once. 8 Cashier Mcllvaine was

more positive that the New Orleans bill business was wrong.

"More than two-thirds of the domestic bills purchased,"

he wrote, "are at 60 days upon the Northern Cities —

and a large portion of them must 'come up by the

roots."" In July, as already noted, the bank prohibited

the purchase of all bills at the western and southwestern

offices, " except when it may be necessary to secure a debt

already due to the bank or the offices." In sending these

orders Biddle bluntly and truthfully asserted that these

bills are "in fact a mere advance by the Bank and the

Atlantic offices." \* He had had this truth thoroughly brought

home to him by his experience since October, 1831, and he

never forgot it. In November he again peremptorily bids

the president at Nashville to " abstain from the purchase of

domestic bills, except in reduction of pre-existing debts to

the bank,"' and in 1834, after getting rid of most of the

bills by the contraction of that year, he shuns their renewal,

writing in relation to the desire of the Pittsburg office to

begin purchases once more: "Unfortunately these bills are

mainly in the crop exchanges of the western cities and I

l H. R. 121, 22d Cong., 2d Sess., pp. 58, 77, 89. 2 P. L. £., Vol. IV, p. 256.

3 To Biddle, June 1, 1832, B. P.

\* To Herman Cope, of Cincinnati, July 30, 1832, P. L. £., Vol. IV, p. 273.

b Nov. 10, 1832, H. R. 121, 22d Cong., 2d Sess., p. 46.

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feel a little afraid of reviving them. I should prefer, if

any thing were necessary, an increase of its bills on Phila-

delphia, but as these are very often made paper — they

might not be as good as a direct increase of the local

loans." 1 He had had "enough — and more than enough"

of "banking in the interior."

i To Jaudon, Newport, July 16, 1884, B. P.

CHAPTER VIII

THE BANK AND THE DEMOCRACY

\J The opinion p revailedjii. 18 29 that the bank was almogt

i mpregnable in pop ular fayogja conviction which was not

confined fa its fripmda hut, {q\h\(\ jDoicaJnJlia^xpraaggdfear

of its enemie s. How mistaken it was the consideration of

the (Influences at work against the continuance of the banTT)

will reveal. These influences may all be reduced to five

heads: R he^wTdespread belief ihat\_\_the\_ bank was unconsti-

tutjonflV thft hostility of- the states,?.. the opposi tion of s tate

bank s, 1 \* the rise^of t.h a T^mog^a^j^^mA^A.A^Yj find nnfrrffi

which the poo r always feel for the rich. ^J >

Sumner considerable constitutional question as having

no vitality when Jackson's first message was delivered, 1 and

it must be conceded that it had less vitality at this moment

than ever before. Nevertheless, the belief in the bank's

unconstitutionality was still vigorous, and was extremely

prevalent in Virginia, Georgia, Ohio, Kentucky, Tennes-

see, and South Carolina, and only less so in the other

southern and western states. Though it had been quiescent

for years, the discussion of the constitutional question was

certain to arise as soon as the proposition to re-charter was

broached.

The undying hostility of the states, whic h believed th eir

rights infringed ancTfeared the centralizing tendencies of the

bank, was intimately connected with the constitu tional ques -

tion. In South Carolina and Georgia the "states-rights"

party opposed the bank almost exclusively for the latter

1 Sumner, Jackson (revised edition), p. 283. As one fact to the contrary it may

be stated that resolutions against the bank's constitutionality were introduced in

the South Carolina legislature in 1828.

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reason, though they were also influenced by the conviction

that it was injurious to the material welfare of the state. 1

In the West similar objections were offered; in Kentucky

the struggle over the "relief system" involved the bank

and made it very unpopular; in 1825 Governor Desha, of

that state, bitterly denounced it in his annual message ; in

Tennessee the state law imposing a tax upon any branch

established there was not repealed until 1827 ; in Ohio the

commonwealth persisted in opposition until 1824; in Ala-

bama the governor and legislature protested against the

establishment of a branch in 1827; in Connecticut an

attempt was made in 1829 to tax the stock held by its

citizens ;\* and in 1830 South Carolina imposed a tax of 1

per cent upon the dividends of stockholders resident in

that state. 1 In New York, state pride was offended because

Philadelphia and not New York city was the location of

th e^bank; while of still deadlier import was the struggle

fn^r\*o m m,prmnl flnprPTrm^y hfttwfien the two c ities, fa pecnre

Which \*hft bftnk wmt-ri£- prnnr impnrfnwn^ The situation

was further complicated by the \gplitical rivalry between V\*

the two states. In the scramble for national honors Penn-

sylvania politicians were forced to support, New York

politicians to oppose, the bank. Qt was of fatal import to

the institution that at this juncture the Democracy of New

York was headed by Martin Van Buren j the acutest politi-

cian of his day and an enemy of the bank 4 The hostility

i u The truth was not to be concealed, that in all those States in which the

income of the GoTernment vastly exceeds its local expenditures, the operation of

the Bank of the United States is felt with more or less severity and inconvenience."

Such was the case in South Carolina, and the bank was therefore unpopular there.—

Hamilton, of South Carolina, Dec. 21, 1827, C. Z>., Vol. IV, Part I, p. 853.

\* H. J?., 400, 22d Cong., 1st Seas., pp. 290-92.

\*Nilm, Vol. XXXIX, p. 460. Imposed in Dec., 1830, and declared by the state

court of appeals not unconstitutional.— State ex rel. Berney v$. Collector, 2 Bulky,

654 (South Carolina Reports) .

\* Inl826 Van Bn^ en dec lared against the bank.— Benton's letter to the Mississippi

State convention, Dec. 16, ist4, EXlfa QU)be,^fo\. I, p. 402. In 1829 his message as gov-

ernor contained a phrase which evidenced dislike of all national monopolies. Van

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of the states as a whole, however, was less pronounced in

1829 than at any other period of the bank's existence.

The opposition of state banks whose interests were

involved arrayed a powerful party against the bank. It

had forced many of them to restrict their business by com-

pelling payment for their notes in specie, and it had been

particularly active and particularly offensive in this respect

in the South and West. Consequently it could count upon

opposition ^Erom most of these corporations. Other reasons

were operative also, as a review of the situation in New

York will show. Here, as elsewhere, the bank reduced the

profits of the state banks, because it loaned at 6 per cent.,

being compelled to do so by its charter, while the New York

banks, which might legally have charged 7 per cent, were

compelled to loan at the lower rate because the big bank did

so; another reason for hostility was found in the safety-

fund system which bound the politicians and the bankers in

a common union. The politicians expected to control the

New York banks through this system, but could not reach

the Bank of the United States ; while the bankers felt that

they were subjected to restraints not imposed upon the

national bank, and cherished the dislike which the members

of one system are apt to feel for those under another and

unfriendly system. 1 These remarks relative to New York

will show how the conflict of interests was likely to be united

with the opposition of politicians. Yet it is true that, as in

the case of constitutional objections and state opposition,

the local institutions were distinctly more friendly to the

Bnren opposed the bank on other than constitutional grounds : u ( Van Bnren, yon

are against the bank on the ground of its unconstitutionality.' He said, 'Oh I no, I

believe with Mr. Madison that the contemporaneous recognition of the constitutional

power to establish a bank by all the departments of the government, and with the

concurrence of the people, has settled that question in favor of the power.' "—Inter-

view with Van Buren, James A. Hamilton, in a letter to a friend, Nov. 28, 1820,

Reminiscences, p. 150.

i The center of the union of state politicians and banks was the Farmers end

Mechanics' Bank at Albany.

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national bank in 1829 than at any other time. Many of

them petitioned that it might be re-chartered.

Democracy, devoted to the principle of equality, is

opposed to all forms of privilege, and to none more than to

a monetary monopoly. When it is recollected that the Jta&k

of the United State gjwas at l.hn t iima -xha.Qne^gTrftftr^nopo1y

in the connt ry^a^H thaf. qgninfl^. U wmy\_dJTwj\*^ii11^^

cinppfft nppnaJHrm a yi<j fear which today fall upon banks,

railroad companies, and trusts, jts\_ danger fWlh^nsing

pow er of that fier ^ Dpitp™ 1 \* ^ win^ ""+\*» ^\*wii«> w j^frpfm

swept rnroi» f,h ft /w^^Titpy ma y be fa intly measured. The

Democracy was positive that the bank was a menace to the

political and social interests of the United States; that it

made "the rich richer and the poor poorer ;" that it

depressed the weak and made "the potent more powerful;"

that it accentuated the differences of society, creating on

the one hand a powerful aristocracy and on the other hand

an impotent and beggarly proletariat These opinions

w ere especially prevalent ifl thn WaaI , whpirp Ttamnp.nip. y

was most powerfn l W^i^e the other fact ors in the deter-

mination of the h ^ fc' n M? htH hv n r\ diminishi n g i n p^n^y ,

this had increased with every y^\* 1 \* pjnra thej^nting of the

c harter .

Inextricably linked with the Democratic opposition was

the ceaseless hostility between rich and poor, the envy and

hatred of the man who has nothing for the man who has

much, the ill-will which the debtor eternally cherishes for

the creditor; all the social arguments directed against the

bank gathered force and passion from this feeling and at

the same time added to it.

These were the forces which worked toward the destruc-

tion of the bank. What were the conserzingJEorces? For

the most part persons interested in the bank and conscious

that they were so: its employees, its debtors, its stockhold-

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era ; enlightened business-men who understood the value of

the bank ; statesmen of the nationalizing school, who would

uphold the bank because they believed it to be in accord-

ance with the political principles they professed ; and finally

a motley crowd of noisy politicians and newspaper men.

These factors of strength could not be very important The

employees could have no weight in politics ; the debtors were

only a few thousands ; politicians would inevitably follow the

majority ; the statesmen would be compelled to yield prin-

ciple to expediency; while the enlightened business men

would be of more injury than assistance to any cause they

supported, for they belonged to that intelligent class whoee

influence upon American affairs has always been inconsider-

able, partly because they are not interested in politics, partly

because they are themselves objects of sus picion to the

democratic masses. There remained the^sttiSCholders^ The

distribution of the stock was consequently of somemoment

in determining the strength of the bank. In July, 1831,

there were 4,145 stockholders, of whom 466 were foreign-

ers. 1 This small number of people, and mostly people who

took little or no interest in politics, could give the bank no

popular strength, and the dreadful fact that foreigners held

stock, and that among these were English lords and ladies,

was a source of positive weakness to it. Add to this that

the bulk of the domestic stock was localized in the states of

Massachusetts, Pennsylvania, New York, Maryland, Virginia,

and South Carolina, and it is plain that the bank could

derive little assistance from the distribution of its stock.

Any additional support of the bank would spring from

the realization of its usefulness to the general public : its

services in supplying a sound currency, in managing the

business of the treasury efficiently and cheaply, and in

furnishing banking accommodations at a reasonable rate.

i Nllbs, Vol. XLI, p. 112. For the distribution of the stock see Appendix EL

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But these were virtues hidden from the vulgar and could

never be made apparent to them because of the abstruseness

and involved nature of financial discussions. The bank's

hold on popular favor was consequently of the most tenuous

kind ; as Webster said, popular prejudice once aroused was

"more than a match for ten banks;" and it was certain that

in a conflict with a popular president the bank had not the

faintest hope of success. That it failed to realize this was

its error and its misfortune.

The beginning of the bank struggle may be dated from

December 13, 1827, on which day P. P. Barbour, of Virginia,

introduced in the House of Representatives a resolution

directing the sale of the bank stock owned by the govern-

ment 1 It was suspected that this movement portended " the

beginning of an attack " which would "lead to permanent

distrust in the stability of the institution," 2 and the price of

the stock immediately fell It was also believed that the act

indicated the hostility of Jackson politicians to the bank/

The motion to adopt the resolution was lost by the over-

whelming vote of 174 to 9, 4 a result which caused the stock

to recover its standing in the market and convinced many

that the bank would be re-chartered.\*

\* C. D., Vol. IV, Part I, p. 815.

\* John Sergeant to Nicholas Biddle, Dee. 13, 1827, B. P.; Oorham's remarks, Dee.

21, 1827, C. D., Vol. IV, Part I, p. 843. The intention was disavowed by Barbour.

\* Hamilton, of South Carolina, said that "many an old landholder" would

\*\* exclaim — there, you see how it is the momont these Jackson men have got posses-

sion of the House ; away goes the Bank of the United States 4 sky-high/ and we shall

next see the 4 military chieftain, 1 after his election, making his way, sword in hand,

into the vaults of the Bank, and seizing its coffers as his especial portion of the booty

after the strife and victory. Be quiet, gentlemen. Be assured we do not mean to

run our heads against the Bank of the United States — and this our vote will show."

—Ibid.y p. 854. A great many people later would believe that there was more truth

than humor in this description of what Jackson would do.

\*Ibid., p. 858.

\* Some believed that the vote was u conclusive in favor of a renewal of the charter

of the bank."— Nilks, Vol. XXXIII, p. 275. Barbour's motion occasioned Bush's

very favorable notice of the bank in the report of 1828. " At the time the Bank was

attacked last winter, for so it was in effect, I took my determination not to leave the

Department without placing upon record my testimony of its vast value to toe

nation."— Bosh to Biddle, Dec. 10, 1828, B. P.

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The next attack was made incidentally by Senator Ben-

ton in February, 1828, in a series of resolutions relative to

the sinking fund. Though there was no direct reference to

the bank in the resolutions, yet the senator's speech in sup-

port of them reveals a purpose to attack it as an institution

enjoying undemocratic privileges at the expense of the people ;

for he constantly refers to the balances of public money

in the bank as " the gratuitous deposites," and the whole pur-

pose of his resolutions was to reduce these deposits. 1 In

December, 1828, Benton pertinaciously resumed the aggres-

sive in a series of resolutions, one of which declared that the

Bank of the United States " ought to be required to make a

compensation .... for the use of the balances of public

money on its hands." 2 On the 6th of January he spoke to

his resolutions, devoting considerable attention to the sums

of public money in the keeping of the bank and advancing

the astonishing .'argument that the provision in the charter

which permitted the secretary of the treasury to remove the

deposits " included the right to make terms for letting them

remain." • This was far from being the opinion of the Com-

mittee on Finance, which reported on the 20th of February,

controverting Benton's arguments and asserting that the

bonus had been paid in consideration of the privilege of

holding the deposits. 4 But Benton's attack upon the privi-

leges of the bank had its effect upon popular opinion, and

later he asserted that the attempt to secure compensation for

the balances was the actual beginning of the struggle with

the bank. 5

i C. D M Vol. IV, Part I, p. 879.

a Senate Journal, 20th Cong., 2d Sess., p. 48, Deo. 23. Benton's hostility did not

escape the bank. u Yon will see from the papers," wrote Senator Samuel Smith to

Biddle, " that Colonel Benton has renewed his attack on the Bank."— Deo. 21, 1828,

B. P.

3 C. D., Vol. V, p. 19. « 8. D. 92, 20th Cong., 2d Sess., pp. 4, 5.

\* u Mr. President, it does seem to me that there is something ominous to the

bank in this contest for compensation on the undrawn balances. It is the Tery way

in which the straggle began in the British Parliament which has ended in the orer-

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The next act of opposition grew out of circumstances

attending the election of Jackson in 1828. Complaints were

made that the branches at Lexington, Charleston, Portsmouth,

and New Orleans had attempted to secure Jackson's defeat.

At this time Amos Kendall, who was just beginning to

assert his dominance of Jackson's political thinking, Isaac

Hill, a pettifogging politician and newspaper editor of

New Hampshire, and Francis P. Blair, of Kentucky, an

editor who had borrowed from the bank and had apparently

settled his account at a loss to the institution, 1 were the

principal authors of these charges. Kendall and Blair

were infected with the monetary heresies which then raged

in Kentucky, and both believed that the bank had partici-

pated in campaigns for the purpose of overthrowing the

"old court" party. The complaints against the Kentucky

branches were communicated to Biddle as early as January,

1829, coming from the Democratic congressmen of that state

through Postmaster McLean, who suggested the selection

of directors "from both political parties." He also fur-

nished from Colonel R. M. Johnson a list of members of the

Jackson party in Kentucky who were considered eligible

and fit for such positions. 1 Biddle, in reply, repelled the

insinuation that the bank's appointments were dictated by

political considerations, and repudiated the suggestion of "a

system of political balance" as resulting in "almost inevi-

tably" forcing upon the bank "incompetent or inferior

persons." \* He then forwarded the charges to the Kentucky

throw of the Bank of England. It is the way in which the struggle is beginning

here. My resolutions of two and three years ago are the causes of the speech which

yon now hear; .... the question of compensation for balances is now mixing itself

up here, as in England, with the question of renewing the charter."— Feb. 2, 1831,

Thirty Yean, Vol. I, p. 196.

i Leslie Coombs to Biddle, Lexington, July 21, 1831, B. P. " I hare sent to Mr.

Clayton the account of Mr. Blair which ought to accompany those of the other edi-

tors."— Biddle to John Watmough, April 23, 1832, P. L. £., Vol. IV, p. 220. It appears

that Blair owed the bank $20,744 and settled by paying $2,237.— Niles, Vol. XLV, p. 39,

quoting J. O. Bennett ; and see Mackenzie's Livf qf Butler and Hoyt % pp. 87, 88.

s John McLean to Biddle, Jan. 5, 1829, B. P.

\* Biddle to McLean, Jan. 11, 1829, ibid.

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branches, with a request for information and a warning to

avoid all political action. 1 The officers of the branches

replied, denying the charges and demonstrating to Biddle's

satisfaction that the nominations made by the congressmen

were unfit and designed to transform the offices into politi-

cal machines, 2 while the cashier at Louisville declared that

there was a scheme to make a Jackson partisan president of

that branch.\* These explanations did not satisfy the plot-

ters against the bank, who continued to insinuate charges to

Jackson, filling his mind with suspicions to which he gave

free expression. 4

Under these circumstances Secretary Ingham, of the treas-

ury, was persuaded by Senator Woodbury of New Hamp-

shire to make complaint to Biddle of the noxious activity

of Jeremiah Mason, president of the Portsmouth branch.

Woodbury wished that Ingham should use his " influence

at the mother bank in producing a change."' Ingham

requested that the charges be investigated, intimating that

Mason was using his place for political purposes.\* Two

weeks earlier Biddle had received a letter of a similar tenor 7

from Woodbury, and, almost simultaneously with Ingham's,

one written by Isaac Hill to two gentlemen in Philadelphia,

intended for his perusal and containing two memorials.

The first of these was from a number of merchants at Ports-

mouth complaining of the business methods of the branch,

and the second was from the Jackson members of the New

Hampshire legislature, uttering similar complaints and con-

taining a list of names for directors, four of which were

those of Jackson men. 8 This cumulative attack from the

1 S. D. 17, 23d Cong., 2d Sess., pp. 298, 299. 2 Ibid., pp. 901, 912, 904, 906.

s Feb. 12, 1829, B. P. \* Ingham's Exposition, Niles, Vol. XLII, p. 915.

» Woodbury to Ingham, June 27, 1829, H. R. 460, 22d Cong., 1st Sess., pp. 490, 440.

• Ingham to Biddle, July 11, 1829, ibid., pp. 438, 439.

1 Biddle to Ingham, July 18, 1829, ibid., p. 441.

• Isaac Hill to J. N. Barker and John Pemberton, July 17, 1829, inclosing

rials of June 27 and June 29, ibid., pp. 472-4.

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secretary, the senator, the second comptroller of the treas-

ury, the New Hampshire legislature, and the merchants of

Portsmouth, added to the action in regard to the Kentucky

branches and the charges against the branch at New Orleans,

convinced the board of directors that there was an organ-

ized attempt to convert the bank into a Democratic party

machine. The animus of the attacks was revealed, they

thought, in a sentence in Woodbury's letter declaring

that Mason was " a particular friend of Mr. Webster, and

his political character is doubtless well known to you," and

another sentence in Hill's letter which asserted that " the

friends of General Jackson in New Hampshire have had but

too much reason to complain of the management of the

branch at Portsmouth." The opinion of the directors has

been adopted by most historians, who believe that Jackson's

hostility is to be dated from the repulse of the attempt

This opinion has the corroborative weight of assertions

made by Daniel Webster, John 0. Calhoun, and John

Quincy Adams. It is, however, only partially true. In so

far as it involves Hill and Woodbury, it may be accepted,

but the implication of Jackson and the bulk of the party is

demonstrably false. Ingham also disclaimed any such pur-

pose both in his letters to Biddle in 1829, 1 and again in

1832, asserting that he acted as a friend in order " to avert

the meditated destruction of the bank" f His disclaimer is

strengthened by the fact that he was ignorant of the action

of his subordinate, Hill, who was behind the whole affair.\*

^Jngham's letters, therefore, as showing an intention to

i "Allow me .... to assure yon, that those charged with the administration of

the Gorernment, .... disclaim all desire to derive political aid through the opera-

tions of the bank."— To Biddle, July 11, 1829, ibid., p. 490. Similar riews are

expressed in the letter of Oct. 5, ibid., pp. 456-62.

>Nu\*n, Vol. XLII, p. 315.

s " The communication made to the Bank of the United States by Mr. Isaac Hill,

accompanying two memorials, was wholly unknown to me, until I saw it adverted to

in your letter."— Ingham to Biddle, Oct. 5, 1829, H. B. 400, 22d Cong., 1st Seas., p. 457.

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make a party machine out of the bank on the part of the

&wt< administration, or as revealing the source of Jackson's enmity

to it, may be safely neglected^ On the other hand, they prove

that Democratic politicians believed that they had ground

for complaining of the bank. The truth is that the vast

majority of the bank's officers and directors were drawn

from the ranks of the party hostile to Jackson, not because

the bank supported this party, but because most of the

business men were unfriendly to Jackson, and the officers

and directors had to be selected from the ranks of the

business men. Tet this result, so simple and obvious, natu-

rally appeared to Jackson and his supporters exceedingly

hostile. By the Jackson Democrats the opinion was firmly

held that the branch at Portsmouth was a political engine ;

that Mason, an aggressive and influential politician and the

close personal friend of Webster, owed his appointment to

these circumstances, and especially to Webster's influence l

— in which latter surmise they were quite correct\* — and that

Mason then " undertook to establish " the bank's " absolute

control over both parties." \* Hill, in his letter of July 17,

1829, asserted that all now asked was that it should "not

continue to be an engine of political oppression by any

party;" 4 while in 1832 he declared that the branch "was

made a party engine previous to the last Presidential elec-

tion — its directors were exclusively of one political party —

its favors were dispensed with a view to affect that election ;

and it was the principal instrument to give, in the choice of

electors of President in 1828, a small majority to the party

in that State which has ever since been in a minority." \*

i Woodbury to Ingham, June 27, 1829, H. R. 460, 22d Cong., 1st Boss., p. 440

a "The Portsmouth office which we have this day arranged agreeably to your

recommendation."— Biddle to Webster, Aug. 14, 1828, P. L. £., Vol. II, p. 410.

> Extra Globe, Vol. I, p. 256, quoting a letter from Portsmouth.

\* H. R. 460, 22d Cong., 1st Sess., p. 472.

» C. D., Vol. VIII, Part I, p. 1062, June 8, 1832.

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The Ingham correspondence is of still greater import as

revealing the attitude of the Jackson Democracy toward

questions of privilege and monopoly, and consequently

toward the bank. It shows that the party from its political

principles was necessarily hostile to the bank, and that

Ingham believed, as did McLean, the Kentucky congress-

men, Kendall and Hill, Woodbury, and Major Lewis, that

only "checks and counterpoises " would provide "a just

equilibrium ; " in other words, that only by having an equal

number of directors from both parties could the bank be

kept out of politics. This was absurd, since the bank's

interests could only be injured by adopting any such prin-

ciple for the selection of its directors. On the other hand,

it was a great privileged monopoly, and therefore justly obnox-

ious to the democratic theory of equality. Ingham pointed

this out by asserting that two opposing principles struggled

for control in the management of the bank: the democratic,

which held " that the bank ought to exist exclusively for

national purposes, and for the common benefit of all," and

the aristocratic, which held that it was the " prominent use "

of the bank " to strengthen the arm of wealth, and counter-

poise the influence of extended suffrage in the disposition of

public affairs." 1 Whatever may be said about the first

principle, it is manifestly false to assert that anyone sup-

ported the second. \^The stockholders of the bank certainly

did not invest their funds with the purpose of counterpois-

ing " the influence of extended suffrage " or for any other

political purpose.^ It was enough, however, that the Democ-

racy believed that they did, and that it was correct in con-

sidering the bank as enjoying exclusive privileges in which

the masses could not participate.

The political charges against the bank were rendered

effective by the complaints of the merchants that Mason's

itf. B. 400, 22d Con\*., 1st Sees., p. 406.

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course was offensive to them. 1 The truth is that the office

at Portsmouth had been too free with its accommodations,

and had consequently fallen into difficulties during the pres-

sure of 1828. Hereupon the board had elected Jeremiah

Mason president, and that gentleman proceeded rigorously to

cut off accommodations and collect the debts of the branch.'

In this he had been eminently successful He had reduced

the time of the renewal of accommodation loans from 120 to 60

days, and had insisted on the payment of 20 per cent of the

notes before renewing them, instead of 10 per cent as pre-

viously.' In pursuing these measures Mason acted only as

a business-man, but his acts were excessively irritating to

debtors and gave an opportunity to the politicians.

Biddle, whose apprehensions had been keenly excited by

the similar complaints about the Kentucky offices, immedi-

ately replied to both Woodbury and Ingham, repelling the

charges, and, incited by his suspicions, wrote a second letter to

Ingham showing a spirit of uncompromising hostility both to

what he considered an attempt to involve the bank in politics,

and to the "official lecture," which he thought the secretary

was not justified in delivering. 4 Ingham believed himself

unjustly treated and retorted sharply in a letter which,

according to General Cadwalader, revealed " the writhing of

the scotched snake." b In Biddle' s opinion it revealed far

more than this: it announced relations between the bank

and the administration which he was not inclined to admit

" The Secretary of the Treasury believes," said Biddle, " 1st

That the ' relations between the Government and the bank '

confer some supervision of the choice of the officers of the

i Memorial of June 27, H. R. 460, 22d Cong., 1st Sess., p. 473.

2 Biddle to Ingham, July 18, 1829, ibid., p. 442.

\* Extra Globe, Vol. I, p. 256, quoting a letter from New Hampshire.

« Two letters of Riddle to Ingham, July 18, 1829, H. R. 460, 22d Cong., 1st

pp. 440-46 ; to Woodbury, June 30, 1829, P. L. B. % Vol. Ill, pp. 55, 56.

& General Cadwalader to Biddle, undated, B. P. See Ingham's letter of July 23,

H. R. 460, 22d Cong., 1st Sess., pp. 446-8.

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bank, .... 2d. That there is some ' action of the Govern-

ment on the bank ' not precisely explained, but in which he

is the proper agent; and, finally, 3d. That it is his right

and his duty to suggest the views of the administration as

to the political opinions and conduct of the officers of the

bank." 1 Ingham had not said as much as this, but he

had talked of suggesting the government's views as to the

"proper management' 1 of the bank. His letter certainly

did not tend to change Biddle's opinion of the motive behind

it, nor his desire to teach the secretary to mind his own

business, and he wrote Cadwalader outlining a reply, which

should be sent by the latter, as it " would come better from

you and would annoy the individual more." He was glad,

he said, that they had withstood him.\*

Biddle had scarcely dispatched this letter to Cadwalader

when he was still further confirmed in his conviction that

the real battle was with the administration for the bank's

integrity, by the receipt of a letter from Mason stating that

at Hill's instigation an attempt was being made to remove

the pension funds of the government from the Portsmouth

branch to a state bank in Concord, of which Hill had for-

merly been president\* Immediately afterward the secre-

tary of war ordered the removal of the funds to the Concord

bank 4 "It requires little prescience," wrote Cadwalader,

"to see in these disgusting developments the germ of a

course of systematic hostility against the Bank. In the

hands of impartial and independent men the institution is

not what they wish to make it — an engine of subserviency

to their political objects." \* Nor was this the only added com-

plication. Secretary Ingham objected to paying the com-

i Biddle to Ingham, Sept. 15, 1829, ibid., p. 452.

'From Utica, July 27, 1829, B. P.

• Mason to Biddle, July 31, 1829, H. R. 460, 22d Con\*., 1st Sen., p. 475.

« Aug. 8, ibid., pp. 476, 477. The bank withstood the attempt and it failed.

•To Biddle, An\*. 4, 1829, B. P.

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mission charged by the bank for transferring government

funds abroad, asserted that he could procure the service

elsewhere at a cheaper rate, and threatened to place part of

the public deposits with a state bank, which would oblige

the administration by making the transfers for 1 per cent

commission instead of for 8J. 1

Ingham was now thoroughly exasperated, Biddle only less

so: "If we must fight," exclaimed the latter, "I want no

fairer battle ground." \* After investigating the Portsmouth

affair, he wrote to Cadwalader: "I can now say with the

utmost confidence that the whole is a party intrigue got up

by a combination of small bankrupts and smaller Dema-

gogues." • The business opposition to Mason melted com-

pletely away in the face of investigation. 4 Indignant at the

attempts which he believed were being made upon the

bank's independence, Biddle returned to Philadelphia and

wrote a withering reply to Ingham, in which he took the

liberty of inferring the three points already noted as involved

in Ingham's earlier letter. 5 This action was "altogether

unexpected" by the guileless secretary, and "created a

strong impression ; " in fact, he was deeply incensed that

these meanings should have been read into his letter, and

indignantly repudiated them, at the same time asserting that

the administration did have power over the bank by its

authority to appoint five directors and the secretary's right

to remove the government deposits. 6 The whole letter,

along with Asbury Dickins's comments to Biddle on his

i Cadwalader to Biddle, Aug. 10, 1829, B. P.

2 To Cadwalader, Albany, Aug. Id, 1829, ibid.

s Biddle to Cadwalader, Aug. 28, 1829, ibid.

\* The complainants were asked to meet Biddle at the branch. " They came ; and

some sand that they had signed the petition because they had been asked to do so;

some said that they had no knowledge of the subject ; and others said that they had

signed it because of the difficulties they found of getting discounts."— Webstxb in

the Senate, Feb. 20, 1838, Congrwional 0(o6e,25th Cong., 2d Sess., p. 192.

» Biddle to Ingham, Sept. 15, 1829, H. R. 400, 22d Cong., 1st Sess., pp. 450-56.

• Ingham to Biddle, Oct. 5, 1829, ibid., pp. 460 and 462.

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letter of the 15th of September, 1 leaves no doubt that the sec-

retary was much more ingenuous in his correspondence than

Biddle and most historians have supposed. Dickins' s regret-

ful warnings and pleadings for conciliation convinced Biddle

that he had possibly misjudged the secretary, and in answer

to Ingham's letter, spun out to a prodigious length and full

of the sputterings of inappeasable and helpless wrath, he

returned a good-tempered reply closing the correspondence. 2

" You shall not complain of me now," he wrote to Dickins,

" for I have written as conciliatory as possible an answer to

the voluminous and belligerent epistle of your chief." \* It

is evident that Biddle had mistaken the purpose and temper

of the secretary, who had blundered into a position favor-

able to Hill, but resented with indignation the imputation

of u a connexion with the movements of these other people," \*

the Hills and Kendalls, whose tool he was, but not their

conscious coadjutor. 5

What effect did this contretemps have upon Jackson?

If his own word can be credited, little or none. He wrote

to Biddle:

I feel very sensibly the services rendered by the Bank at the

last payment of the national debt and shall take an opportunity of

declaring it publicly in my message to Congress. That is my own

feeling to the Bank — and Mr. Ingham's also — He and you got into

a difficulty thro' the foolishness — if I may use the term of Mr. Hill.

Observing he was a little embarrassed I said Oh that has all

i Asbury Dickins to Biddle, Oct. 5, 1829, B. P.

a Biddle to Ingham, Oct. 9, 1829, H. B. 4fl0, 22d Cong., 1st Sess., pp. 46&-71.

\* Oct. 9, 1829, P. L. £., Vol. Ill, p. 76.

\* Biddle to Dickins, Sept. 30, 1829, ibid., pp. 73, 74.

\* Parton asserts that Hill's rejection by the Senate to a subordinate post in the

treasury was probably considered by Jackson due to the bank.— Pabton, Life of

Jackson, Vol. Ill, p. 274. This is highly improbable. Benton has no mention of it.

The alleged reason was that Hill had made a scandalous attack upon Mrs. Adams

in his newspaper.— Ibid., and Adams, Memoir; Vol. VIII, p. 217. This was sufficient

reason. There is no trace in the Biddle correspondence of Biddle's having communi-

cated the Portsmouth affair to any of the politicians before the investigation of 1832.

It was kept very quiet.

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passed now. He said with the Parent Board and myself [yourself t]

he had ever[y] reason to be satisfied — that he had heard com-

plaints and then mentioned a case at Louisville — of which he

promised to give me the particulars.

I said Well I am very much gratified at this frank explana-

tion. We shall all be proud of any kind mention in the message —

for we should feel like soldiers after an action commenced by their

General. Sir said he it would be only an act of justice to mention

it [t. e., the bank's services to the government]. 1

This extract shows Jackson amused, indifferent, and open in

his attitude, perhaps a little contemptuous as regards poor

Ingham, whom he certainly did not like, and whose discomfi-

ture was in all probability more pleasing to him than otherwise.

The next movement against the bank foreshadowed Jack-

son's attack in his first message. On the 30th of November

Amos Kendall informed James Watson Webb, editor of the

New York Courier and Enquirer, that the president would

take ground against the bank in his message, and furnished

Webb with a number of queries for publication, in which a

scheme of a substitute for the bank was outlined: 2 Would

the state banks "take measures to satisfy the general gov-

ernment of their safety in receiving deposits of the revenue ;

and transacting the banking concerns of the United States? "

Would "the Legislatures of the several states adopt resolu-

tions on the subject and instruct their senators how to vote ? "

Would "a proposition be made to authorize the government

to issue exchequer bills, to the amount of the annual revenue,

redeemable at pleasure, to constitute a circulating medium

equivalent to the notes issued by the United States Bank ? " •

These queries appeared in the Courier and Enquirer

embodied in an editorial article, with no intimation that

i Letter in Biddle Papers without date or signature, but undoubtedly Jackson's

and written in November.

2 H. R. 460, 22d Con/?., 1st Sess., p. 80, shows that the article appeared on the 90th.

For the fact see Memoirs of J. O. Bennett, p. 111.

• For the queries see Niles, Vol. XXXVII, p. 378, Jan. SO, 1830.

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they came from the administration. In them is to be found

the suggestion of the removal of the deposits, of the experi-

ment of using the state banks as places of deposit, of an

attack by the state legislatures upon the bank, and of a sub-

stitute for the bank's currency supported later by Jackson.

That the act of Kendall was not an isolated one is shown by

the response of the South Carolina legislature. Resolutions

were introduced there requesting their representatives in

Congress and instructing the senators of South Carolina to

oppose the re-charter of the bank unless it were to be con-

fined to the District of Columbia, declaring for a bank with-

out foreign stockholders, and requesting that the Senate

Committee on Finance should be asked to report on the

feasibility of a national bank without private stockholders. 1

To Nicholas Biddle these cumulative assaults were a reve-

lation. He believed it necessary to meet the attempts to over- !

throw the bank which he clearly saw were already making. 1

His method of doing this, after his first ebullition of anger

and indignation expressed in the Ingham correspondence,

was to adopt the means of conciliation suggested by McLean

and Ingham, namely, to appoint friends of the adminiBtra-

1/bsd., p. 275. Resolutions considered Deo. 15. Agreed to by the senate of

South Carolina by a Tote of 28 to 10— Ibid., p. 367.

\* From this time the bank management believed that there was a settled attempt

to secure possession of the bank for political purposes : "And now I have on my table

an official communication of the views of the Administration as to the manner in

which the Bank ought to choose and remove its officers It is regarded gener-

ally by the Board as showing a determination to injure the independence of the

Bank, on a point where it is peculiarly sensitive as well from duty as from honor—

and accordingly they think it should be resisted at all hazards — And so it shall be."

—Biddle to Dickins, Sept. 16, 1829, P. L. £., Vol. Ill, p. 67.

" You do not perhaps know that soon after these people came into power,

there was a deliberation in caucus of the most active of the Jackson party as to the

means of sustaining themselves in place — and the possession of the Bank was

ranked as a primary object."— Biddle to Thomas Cooper, of Columbia, S. C, May 6,

1\*33, ibid.. Vol. IV, p. 481.

The committee of directors in Dec., 1833, made the same charge publicly.—

Report of a committee of directors of the Bank of the United States, t>©c. 3, 1M33, p. 1.

Kendall stigmatised the statement as a falsehood.— Autobiography of Amos Ken-

dall, p. 392. The charge was also denied by Hill, March 3, 1834, C. D., Vol. X,

Part I, p. 770.

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tion to seats at the boards of the bank and the branches.

This was indeed a lame and impotent conclusion after his

brave challenge to the secretary, his bold declaration that

"for the bank .... there is bat one course of honor or of

safety. Whenever its duties come in conflict with the spirit

of party, it should not compromise with it, nor capitulate to

it, but resist it — resist it openly and fearlessly." 1 To miti-

gate the wrath of his enemies and deprive them of their

weapon of attack he appointed men who were friendly to

the administration as directors at Baltimore, 2 New York, 1

Utica, 4 Portsmouth, 5 New Orleans, 6 and the western offices.

He tried to put himself in touch with the administration,

opening a correspondence with Major Lewis, Jackson's most

intimate and confidential adviser; and he expressed himself

44 desirous of treating Major Barry with great kindness and

liberality " — Major Barry owing money to the bank and being

unable to pay it when due. 7

There has been much conjecture as to the origin and

nature of Jackson's opposition to the bank. Historians in

general believe that he did not contemplate action in regard

to it when he first came to Washington as president. His

relations with it, they think, conclusively prove this. It is

true that he had been offended by the refusal of the New

Orleans branch to cash his drafts on the secretary of state/

but he would hardly remember this trivial annoyance. On

the other hand, declare Parton and von Hoist, he had

recommended in 1821 the establishment of a branch at

Pensacola, and so late as 1828 the appointment of certain

i H. R. 460, 22d Cong., 1st Sess., p. 455.

SBiddle to , at Baltimore, Not. 22, 1829, Dawson, Historical MagaMine, Id

ser., Vol. IX, pp. 10, 11.

SBiddle to I. Lawrence, Not. 27, 1829, P. L. P., Vol. Ill, p. 96.

« Biddle to General P. B. Porter, Sept. 25, 1829, ibid., p. 70.

ft Biddle to Cadwalader, Aug. 28, 1829, B. P.

• Biddle to W. B. Lewis, Not. 29, 1829, P. L. P., Vol. in, p. 97.

7 Biddle to Lewis, Dec. 7, 1829, ibid., p. 102. • Pabton, Vol. II. p. 596.

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officers at the Nashville branch. 1 Now there is no doubt

that Jackson had done both of these things, but they have

little significance, since nothing is easier than to secure

signatures to a petition, which was all that either act

amounted to. 1 Moreover, the letter recommending officers

for the Nashville branch was not written in 1828, but in 1818.

With this correction of dates, the whole weight of the argu-

ment is removed, and Jackson's act loses all significance in

the determination of his attitude in 1829.\* Of his opposi- )

tion to the bank before coming to Washington there exists, I

moreover, incontrovertible proof. In 1827 Biddle was

warned that Jackson had opposed the repeal of the Tennes-

see law taxing branches established in that state. 4 James A.

Hamilton, writing of an interview with Jackson in Decem-

ber, 1827, says that " he expressed strong opinions against

the Bank of the United States."\* He had undoubtedly

wished to insert a paragraph attacking the bank in his

first inaugural, but had been dissuaded by politicians wiser

i Pabton, Vol. Ill, p. 257, quoting Hugh L. White's Memoir\*; von Holst, VoL

II, p. 82.

\* See J. Q. Adams, Memoirs, Vol. Vm, pp. 212, 213, commenting on the fact that

Chief Justice Marshall and Justice McLean had actually recommended the notori-

ous Henry Lee for an office, his nomination to which was unanimously rejected by

the Senate, "on account of the surpassing infamy of his character."

\* See the letter in 8, D. 17, 23d Cong., (2d Seas., pp. 283, 234. in signing, Jackson

adds to his name " Major-General Southern Division." He had resigned his com-

mission in 1821 (Pabton, Vol. II, p. WO), and would not hare signed in this fashion

later than that. The letter, moreover, though undated, is placed by the committee

among the documents of 1817. It speaks of the " anticipation of the location at this

place of a branch of the United States Bank." This was anticipated both in 1818

and in 1827, but not in 1828. Jackson could not hare signed in 1827 ; see next note.

« "Mr. Hill one of the Louisville directors, now here," declares that "Oenl

J n had done everything in his power to prevent the repeal of the Law in

Tennessee taxing the B. U S., and would have succeeded if there had been a delay

of a single day more in coming to the decision. The repeal was carried in one of the

Houses, as he states, by one vote. 11 — Cashier McBvaine to Biddle, Jan. 27, 1827, B. P.

"The informant of Mr. Hill of Louisville respecting the Hostility of Gen'l

Jackson to a Tennessee Branch was Colonel Wm. Robinson of Pittsburgh, who hap-

pened to be in Nashville when the subject was discussed, and who stated positively

that the repeal was effected in one of the houses by a single vote."— McBvaine to

Biddle, Jan. 29, 1827. ibid.

\* Reminiscence\* of Jame\* A. Hamilton, p. 69.

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than himself. 1 Again in 1829 Lewis wrote that Jackson had

certainly been led to believe " during the pendency of the

presidential election " that the Lexington branch had acted

toward his candidacy in an unfriendly manner, loaning

money with the object of defeating him. 1 This conviction

gave a personal fl avor to Jackson's opposition, \_,yet that

oppe gjtiQTrwas at bottom nQ i^jgraoTml, but basedjipon con-

stitut ional ancL sflfinl npimnnfii — The bank wa a in Jackson's

opinion unconstituti onal, and, as a powgrf&l privileged

' monop oly, dangerous to soc iety. He himself expressed these

ideas freely to Biddle, and at the same time indicated the

origin of his dislike of banks:

I think it right to be perfectly frank with you. I do not think

that the power of Congress extends to charter a Bank ought of

the ten mile square.

I do not dislike your Bank any more than all banks. But ever

since I read the history of the South Sea bubble I have been

afraid of banks. 1

After this naive and delightfully Jacksonian reason for

i Parton considers this a tradition.— Vol. Ill, pp. 258, 259. Von Hoist also con-

siders it a 4t tradition of the democratic party .... not well founded.' '—Vol. II, pp.

81, 32. But the assertion was made with great particularity by Polk in 1833, and ha

could not be mistaken : " It was very well known that the opinion of the President,

adverse to the United States Bank, was not of recent origin At the Hermi-

tage, before he prepared his inaugural address, he had communicated his opinion —

a fact which was susceptible of proof. But it was thought best not to make public

communication of this opinion, until he should send his first message to Congress.

On this account it was not introduced into his inaugural address."— Dec 90, 1833,

C. D., Vol. X, Part II, p. 2263. See also Blaib, Extra Globe, Vol. I, p. 90; Bancroft's

Eulogy of Jackson, June, 1845 ; Ingebsoll, History of the War of 1812, Vol. II, p,

264. Jackson, in Sept., 1833, said : " The President's convictions of the dangerous

tendencies of the Bank of the United States, .... were so overpowering when

he entered on the duties of Chief Magistrate that he felt it his duty, notwithstand-

ing the objections of the friends by whom he was surrounded, to avail himself of the

first occasion to call the attention of Congress and the people to the question of its

recharter."— Messages and Papers, Vol. Ill, p. 5, paper of Sept. 18, 1833.

a "He certainly had been led to believe from the complaints of his friends,

during the pendency of the presidential election, that the Lexington branch in dis-

pensing its golden favours, in the way of discounts, had manifested great partiality."

—Lewis to Biddle. Oct. 16, 1829, B. P. Lexington was near Clay's residence.

\* Letter to Biddle, in Biddle Papers, no date, no place, no signature, but indu-

bitably Jackson's, and written in Nov., 1829. See for further expression on the con-

stitutional aspect of the question quotations from same letter, p. 192, infra.

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fearing all banks, after this frank confession of constitu-

tional scruples, no one need henceforth seek for the motives

or the origin of Jackson's opposition. He fails to tell

Biddle just when he had read the history of the South Sea

bubble, but whenever it happened it feed him against

banks. Let it be noted, too, that his mBjfiKTwas for banks

in general Jand not for the Bank of the United States in

particular. 1

i \*\* I understand from Dickins .... that General Jackson's antipathy is not to

the Bank of the United States in particular, but to all banks whaterer. He considers

all the State Banks unconstitutional and impolitic and thinks that there should be no

Currency but coin, that the Constitution designed to expel paper altogether as any

part of our monetary system."— C. J. Ingersoll to Biddle, Feb. 2, 1832, B. P.

CHAPTER IX

ATTEMPTS TO SECURE JACKSON'S ASSENT TO A

RE-CHARTER

Biddle was early awake to the possibility of Jackson's

enmity, and began immediately to calculate the chances of

renewal In March, 1829, he thought them good; 1 bnt,

anxious to make them better, he bestirred himself to produce

a favorable effect upon Jackson. His plan was to convince

the president of the usefulness of the bank to the govern-

ment and to the commercial community in its management

of the disbursement of payments of the public debt. 2 He at

once comprehended the position held by Major Lewis, and

in June addressed a letter to him in reference to the appoint-

ment of directors at the Tennessee branch, in which Lewis

might presumably be interested. 8 Lewis in return expressed

himself as " much gratified at the selection " of directors,

and added: " If your Directory is composed of men of influ-

ence, and in whom the people have confidence, it will have

a tendency to prevent opposition in a good degree." 4 In

other words, it was advisable to appoint men who were in

sympathy with the political party in power, for only such

could have the confidence of the people in the sense here

implied.

In October, after the brush with Ingham, Biddle became

aware that Jackson had personal reasons for supposing the

bank inimical to him, and he undertook to remove these

i Biddle to Jos. Kingsbury, March 6, 1829, P. L. £., Vol. HI, p. 18.

iTo A. Dickins, May 19, 1829, ibid., p. 43.

\* As the bank was accustomed to take the opinions of all sorts of persons on

such subjects, where these opinions could be useful, there is no ralid reason to find

fault with this step.

\* Lewis to Biddle, June 28, 1829, B. P.

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impressions. He wrote to Lewis regarding the charges

made against the Kentucky branches, and to rebut these

forwarded a letter from an ardent Jackson partisan who was

a director at Lexington, which indignantly denied the truth

of the reports, and which he asked Lewis to show to the

president. 1 This Lewis did. Jackson was pleased, Lewis

wrote:

It is gratifying to him .... he says to learn that probably

there was no just cause for those complaints, or at least, that

they possibly had been much exaggerated. He requested me to

say, that he has too much confidence in you to believe for a

moment, that you would knowingly tolerate such conduct in the

Branches of your Bank; but from the complaints which are still

made with regard to some of them, particularly the one at New

Orleans, he thinks it not improbable that party feeling may yet

have some influence upon their operations The President

thinks, as you do, that the Bank of the United States should recog-

nize no party; and that in all its operations, it should have an eye

single to the interests of the stockholders and the good of the

country.

"Some of our friends in Nashville," he continued, com-

plain about directors from outside, and that ought to be

corrected " to prevent jealousies and unpleasant feelings." \*

This letter undoubtedly expresses accurately Jackson's atti-

tude toward the bank and its head. It shows that he was

still suspicious of political activity on the part of some of

the offices ; that he believed that the bank should not engage

in politics either for or against him ; that both he and Lewis

thought that Jackson partisans were discriminated against in

appointments to the directories ; and that Lewis was inclined

to place the Nashville office on what he considered a fairer

footing by putting more friends of the administration upon

its board. His reasons for this are political exclusively.

Biddle might well have objected that this was an attempt

i To Lewis. Oct. 14, 1829, P. L. B. % Vol. Ill, p. 75.

> Lewis to Biddle, Oct. 16, 1829, B. P.

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which denied flatly the expressed opinion that party consid-

erations should not be intruded into bank affairs, but he

recognized that Jackson would consider a refusal to place

Democrats on the board as being in itself a political discrim-

ination. Lewis's letter also proves that Jackson was per-

sonally well disposed to Biddle, and such was his feeling for

a considerable period after this date. 1

Altogether Biddle saw reason to think that the situation

was not a difficult one, and that the most material matter

was to disabuse Jackson's mind of the suspicions about the

branches. For this purpose he Bent a friend to Washington,

who reported that the president was satisfied that the parent

board knew nothing of the political abuses at the branches,

if such abuses existed, and asserted that the bank " was a

blessing to the country administered as it was, diffusing a

healthful circulation, sustaining the general credit without

partiality or political bias." 2 Biddle followed up this

auspicious beginning by dispatching the cashier and one of

the directors of the New Orleans office to repel the charges

against it, and succeeded in dispelling all suspicion. " Not

the least doubt remained on his mind," said Jackson, that

the charges against the New Orleans office were unfounded.\*

\*

\*Thus Jackson always nominated Biddle as a government director until the

struggle for re-charter. In July, 1830, Biddle was assured that " he speaks of you in

the most exalted terms and says that there is no gentleman that can be found— would

manage the Bank— better or — do the Bank and Country more justice.\* 1 — J. Niehol\*

president branch of Nashville, to Biddle, July 20, 1830, B. P.

a " I cannot withhold a moment the pleasure it gives me in saying the result of

my visit is most satisfactory, inasmuch as the President expressed himself in ilia

most clear and decided mannor friendly to the Bank \* that it was a blessing to the

country administered as it was, diffusing a healthful circulation, sustaining the

general credit without partiality or political bias that he entertained a high regard

for its excellent President, (I use his own words) who with the Board of the Parent

Bank possess'd his entire confidence and indoed his thanks for the readiness and

cordiality with which they had seemed to meet the views of Government— he said it

was true many complaints had been made of partiality in the Branches in Kentucky

and New Orleans, but further added if these complaints have any foundation, he

was persuaded the Parent board knew nothing of them, and if they did would not

sanction them."— M. L. Bevan to Biddle, Oct. 21, 1829, ibid.

3'\* . . . . that he was entirely convinced that no hostility to his administration

was exercised by tho board of the Parent Bank, and that in reference to yourself

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Biddle thought the moment so opportune that he sent word

to Lewis urging him to procure from the president a favor-

able mention in the annual message of the bank's services in

making payments of the public debt, 1 to which Lewis replied:

" I think you will find the old fellow will do justice to the

Bank in his message for the handsome manner in which it

assisted the Government in paying the last installment of the

national debt' 9 \* And so he did, as anyone may perceive by

turning to the message.

It was at this juncture that Jackson politicians received

appointments to the branch directories from one end of the

country to the other, and Biddle, convinced that the impres-

sion made upon the mind of the president was sufficient,

determined to seize the favorable moment to assure the

bank's future. Perceiving the vanity which was so promi-

nent a feature in the character of Jackson, the astute head

of the bank suggested to Lewis that the hero of New Orleans

might add new glories to the 8th of January by arranging for

the complete discharge of the national debt upon that day

in 1833, just before his final retirement The idea pleased

Jackson. " If you see Mr. Biddle say to him the President

would be glad to see his proposition for sinking or paying

off the three per cent stock," wrote Lewis,\* and Biddle, con-

pmrtieularly he had the most unbounded confidence in the purity of your intention!.

.... He should have been satisfied, he said by your letter alone of the want of any

foundation for the accusations against the office at New Orleans .... not the least

doubt remained on his mind. "—Samuel Jaudon to Biddle, Oct. 26, 1829, ibid.

i In speaking of the amount of debt paid off in 1829 he naturally would say

M that in July last a larger payment of the principal of the public debt was made

than was ever redeemed at any former period— that looking to frequent payments of

a similar kind in future the effect of that in July was an object of great solicitude

and it was very satisfactory to perceive that this large displacement of funds was

accomplished without the least shook or inconvenience to any branch of industry —

1 a result which it it but justice to ascribe in a great degree to the judicious arrange'

wsents of thai excellent institution the B. U. 8.' "—Memorandum given to Mr. Walsh

Not. 9, 1829, the substance of which he was to write to Wm. B. Lewis for General

Jackson's perusal, ibid.

a Lewis to H. Toland, Not. 11, 1829, ibid.

\* Ibid. He adds : " He had better write to me when his leisure will permit and

I will submit it to the General." A little earlier he had written : " Say to Mr. Biddle

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fident that the critical moment had come, submitted a plan

for the extinction of the debt through the renewal of the

bank's charter.

No suspicion has heretofore arisen that the two presi-

dents ever approximated a relation where one could make and

the other consider a proposition of this character. And yet

nothing could be more natural Biddle was not unfriendly

to Jackson, while Jackson expressed a hearty regard for

him. Why should the two not agree upon a plan for the

continuation of the charter and the payment of the national

debt at the same time, and thus settle with mutual satisfac-

tion a question which might give rise to future difficulties?

So Biddle reasoned. His plan was interesting and brilliant:

For a new charter for twenty years the bank would exchange

with the government $7,000,000 of 5 per cent stock held

by it for the government's $7,000,000 in bank stock, and

then in return for one-half of the 3 per cent, revolutionary

stock, the whole of which at the time amounted to over

$13,200,000, the bank would assume the government's obliga-

tion to pay the whole. In this manner over $20,000,000 of

the debt would be paid immediately, leaving only so much

as the government could discharge by January or Febru-

ary, 1833. A small part of this, it was true, would not be

payable until after that date, and the government's creditors

might not choose to surrender it, but in that case the bank,

on payment to it of the amount by the government, would

assume that portion as well, and thus the country would be

completely freed from debt. Briefly stated, this proposition

was that the government should present the bank with

$13,648,124.72, whereupon the bank would discharge at

once $20,296,249.45 of the public debt. At the first glance

this looks as if the bank proposed to present the government

the President is much gratified with the report I have made him upon the project of

his Bank. All things with regard to it will be well."— Lewis tr H. Toland, Nor. ft,

1829. in Biddle's handwriting, B. P.

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with $6,648,124.73, but it most be remembered that the bank

stock which the government held, though nominally worth

only $7,000,000, was worth considerably more in the market

and would appreciate still further if the charter were renewed.

Biddle calculated that it would be worth $8,500,000 in that

contingency, but it was already worth that sum, and with a

renewed charter it would undoubtedly have sold for ten or

eleven millions. Meanwhile the 3 per cent, stock was below

par, so that the sum of that stock would have been worth less

than $13,000,000. On the whole, the bank would have lost

little or nothing if its suggestion had been adopted. Biddle

not only made this offer, but said that the bank would prob-

ably pay a bonus of $1,500,000, and, for Jackson's benefit, he

argued the constitutionality and expediency of the bank at

length, declaring that, if the charter were not renewed, three

months after its cessation would see a suspension of specie

payments in the United States and the ruin of the state

banks. 1

The president's answer to this proposition, contained in

what seems to have been the only communication he ever

i National debt on Jan. 1,1890 .... $48,522,899.93

Redeemable at pleasure, 5 per cent, bank stock $ 7,000,000.00

Redeemable at pleasure, 3 per cent, stock .... 13^96,249.45

Redeemable in 1830 at any time 7,996,798.92

Redeemable in 1831, Jan. 1 and 22 18,901.54

Redeemable in 1832 11,018,900.72

Redeemable in 1833 2^27,363.97

Redeemable in 1834 2^27,363.96

Redeemable in 1835 4,735,296.30

$48,522,869.93

Biddle then says that in consideration of re-charter, the receipt of the $7,000,

000 of 5 per cent, stock subscribed to the bank for the government's shares, and

of half the 3 per cents, (say $6,648,124.72), the bank will giro the government

$7,000,000 of 5 per cent, stock and assume the payment of the principal and interest

of the whole $13^96,249.25 of the 3 per cents., "thus striking off $20,296,249.25 of the

debt." A long calculation is then entered into showing that the rest of the debt,

with the exception of $2,145,096.04, can be discharged on Jan. 1, 1833. The bank would

probably take this from the government, on payment of the principal to it, thus

relieving the government entirely frcm debt.— Biddle to W. B. Lewis, Not. 15, 1829,

and again on the 17th, P. L. B. % Vol. Ill, pp. 84-91. Biddle's addition in the cents

columns is erroneous.

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directed immediately to Biddle, is interesting and curious,

and should have revealed to the latter Jackson's position:

Mr. Biddle: I was very thankful to you for your plan of pay-

ing off the debt sent to Major Lewis. I thought it my duty to

submit it to you.

I would have no difficulty in recommending it to Congress,

but I think it right to be perfectly frank with you. I do not think

that the power of Congress extends to charter a Bank ought of the

ten mile square .... I have read the opinion of John Marshall

who I believe was a great and pure mind — and could not agree

with him — though if he had said, that as it was necessary for the

purposes of the national government there ought t£ be a national

bank I should have been disposed to concur. 1

This was a plain negative to Biddle's project, stating frankly

Jackson's constitutional objections, yet revealing at the

same time his opinion that a bank was necessary to carry

out the financial operations of the government and consti-

tutional if established in the District

Biddle immediately went to Washington for an interview

with the president and his advisers. The arguments he

offered are unknown, but Jackson merely repeated what he

had already written. 2 Biddle was pleased with the inter-

view, however, writing to Robert Lenox that he " found with

great pleasure a friendly feeling towards the Bank in the

minds of the President and his particular friends who for-

merly entertained different views." 8 These particular friends

were not members of the cabinet, for he said later that he

i Letter without date, place, or signature.— B. P.

\* " In regard to what passed at Washington I speak of it with great reserve, but

to yon, I have none— and will therefore say that the President spoke in the highest

terms of confidence in the administration of the Bank — and particularly of the

assistance which the Bank had afforded to the Government, in July last — of which

he intended to bear public testimony in his message to Congress. He mentioned

that he doubted the right of the Government to incorporate a Bank out of the Dis-

trict."— Biddle to Senator S. Smith, Jan. 2, 1830, P. L. £., Vol. m, pp. 129, ISO.

Biddle's plan of a re-charter was sent on the 15th and 17th. On or immediately

after the 17th he went to Washington, and returned on the 26th.

a To Robert Lenox, Dec. 4, 1829, P. L. £., Vol. HI, p. 99. See also letter in Daw\*

son's Historical Magazine, Not. 22, Vol. IX, 2d ser M p. 10.

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had no conversation with " any other member of the admin-

istration." 1 Lewis was, of course, one of the particular

friends, but he had never " entertained different views." a It

is necessary to infer that the others were various members

of the Kitchen Cabinet No doubt he had also learned that

a majority of the cabinet was favorable to the bank.\* But

he had failed completely to perceive in the obscure back-

ground the menacing and sinister figure of the most power-

ful, most determined, and most subtle enemy of the bank,

Amos KendalL The attitude of Van Buren was likewise

unguessed.

So confident was Biddle of a favorable issue that he spoke

unguardedly to his friends of what had passed at the inter-

view, and it was reported to Jackson that he had given

assurances to individuals in Baltimore "that the charter

should be renewed " with the good- will of the president\*

Jackson was surprised and offended, declaring that he had

never given any such assurances, and that " Major Biddle

acknowledged my frankness to him on this subject to Major

Lewis and others." He suspected that Biddle had spread

the report in order to facilitate speculation in the stock. 1

He declared that he was " pledged against the Bank " e — a

i To John McKim, Jr., of Baltimore, Jan. 13, 1830, P. L. £., Vol. Ill, p. 138.

«" . . . . that I ha t© always been in favor of a National Bank of some descrip-

tion, and should not object to the rechartering this present Bank with modifica-

tions."— Lewis to J. A. Hamilton, Jan. 1, 1832, Reminiscence\* of James A. Hamilton\*

p. 236.

\* Jackson says in a letter to Hamilton in relation to the bank paragraph in the

first message, that he " disliked to act contrary to the opinion of so great a majority

of my cabinet."— Dec. 19, 1829, ibid., p. 151.

\* The rumors that "I gave assurances to those gentlemen I saw in Baltimore

that the interest of the Bank stood fair with the administration, that I had every

assurance of the President and others of their friendship for the Bank and their good

will that the Charter should be renewed and that I expected something handsome

from the President in his speech .... must be some great mistake."— Biddle to

John McKim, Jr., of Baltimore, Jan. 13, 1830, P. L. £., Vol. Ill, p. 138.

\* Jackson to J. A. Hamilton, Jan. 1, 1830, Reminiscence\*, p. 154. Hamilton had

it to Jackson a letter from Duff Green, containing reports of Biddle's supposed

iTersation, ibid., p. 152.

•J. A. Hamilton to a friend, Washington, Not. 28, 1829, ibid., p. 180.

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statement which leaves no doubt that he had not been

entirely ingenuous in his conversation with Biddle. Of this,

however, Biddle had no suspicion. When on the 27th of

November Alexander Hamilton, son of Washington's great

secretary, warned him that the president's message would

treat the subject of renewal in an unfriendly manner, 1 he

replied that he did not believe it, since in a "conversation

of a very full and frank character with the President about

the Bank .... he never intimated such a purpose. I

look to the message," he concluded, (< with expectations

of the most satisfactory kind."\* He knew, in fact, that

it would contain words of commendation for the bank. His

surprise and dismay, therefore, when he discovered what

else it contained, were extreme.\*

The message was both surprising and alarming. After

pronouncing an encomium upon the bank's usefulness to the

treasury, Jackson asserted that " both the constitutionality

and the expediency of the law creating this bank are well

questioned by a large portion of our fellow-citizens, and it

must be admitted by all that it has failed in the great end

of establishing a uniform and sound currency." 4 The

declaration that the bank's currency was not sound and uni-

form was particularly offensive to the bank's supporters:

" What do you think of the assertion that the Bank has not

produced an uniform and solid currency?" asked John

Sergeant. " Did you believe that any man who valued his

character for common intelligence and veracity would have

hazarded such a declaration in the face of this community

i Not. 27, 1829, B. P. Hamilton probably received his information from bis

brother, who wrote the final draft of the message.

2 Nov. 28, 1829, P. L. £., Vol. m, p. 98.

s " The result I see with equal surprize and regret .... when I reoolleot all

that I saw and heard at Washington, my surprize at the contents of the

increases every moment." — Biddle to A. Hamilton, Dec. 9, 1830, ibuL % p. 108.

\* Messages and Papers of the Presidents, Vol. II, p. 462.

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and in contradiction of the manifest fact?" 1 Bank stock

immediately declined from 125 1 to 120.\* Biddle consoled

himself with the belief that it was " a measure emanating

exclusively from the President in person, being the remains

of old notions of constitutionality, — that it is not a cabinet

measure nor a party measure," 1 and finally that on the

whole the attack would " rather benefit" the bank. 4 His

opinion as to the president's sole responsibility for the act

was correct ; the moment at which the bank question was to

be a party one was still far in the future. But he was mis-

taken in laying all the stress upon the president's constitu-

tional opinions. Jackson's own words show that he

considered the social reasons as at least equally important\*

In making p ublic his objections to the bank Jackso n is

notJiQjbfi-ce&strrecC His act was not the result of the Ports-

mouth quarrel, for it had been determined upon before that

episode ; nor did it spring from the belief that the bank was

opposed to him politically, for he had been persuaded that

this was not the case. TT^ TOfl fionvincefl that the bank was

i To Biddle, Dee. 11, 1829, B. P. What Jackson meant by a uniform currency

may be inferred from a clause in his farewell address : " The corporations which

create the paper money can not be relied upon to keep the circulating medium uni-

form in amount."— Menage\* and Paper\*, Vol. HI, p. 901. There never was and never

will be such uniformity. He may have meant, however, that the bank's notes were

depreciated when distant from the place where they were made payable ; or he may

have meant the purchase of bills and selling drafts at any rate but par. Gallatin was

inclined to the opinion that he referred to the selling of drafts for a premium.

Gallatin had asked an explanation from the president, but Jackson apparently did

not know what he meant.— Gallatin to Biddle, Aug. 14, 1830, Adams, Gallatin'\* Writ-

Mflt, Vol. II, p. 438.

»Nilbs, Vol. XXXVTJ, p. 275.

\*To George Hoffman, of Baltimore, Dec. 15, 1829, P. L. £., Vol. HI, p. 106.

'For two reasons: (1) because the objection that the currency was not sound

and uniform was known by everyone to be unfounded ; and (2) because the substi-

tute proposed would terrify everyone. On the whole, Biddle was correct in his judg-

ment.— To John McKim, Jr., of Baltimore, Jan. 18, 1830, ibid., p. 141.

\* " I was aware the bank question would be disapproved by all the sordid and

interested who price self-interest more than the perpetuity of our liberty, and the

blessings of a free republican government I could not shrink from a duty so

imperious to the safety and purity of our free institutions as I considered this to

be."— Jackson to J. A. Hamilton, Dec 19, 1829, Remini\*cence\*, p. 151.

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\* n <i t.h Arftfnr ft hf> only fiilf 11ft d \*"\* Ant.y by sp ring ont\_^Tf

Crit icism is to be nffftrftrl a! nil, it. mnflt. hft Hirpftfofl Again at

his presumption in da ring fr dictate while he was completely

ignorant off bflukjn g and monetary affairs. Nevertheles s/lie

was f air to the bank, willin g to hear reason, willing to con-

sult th e opinions of Lewis, Hamilton, and JNic Solas B iddle,

as well as those of Hill, Taney r and Amos KendalL 1

Tf in itnprirt,p^^ to romrmbor tha t Jacks on's hostility was

not ao mnoh to a TiAfinnal , jraTilr aa " to the bank as Or gan-

ized," to a b a nk with oxolu o ivo p ri vil e g es in whic h- the^whole

people^ could not share. He was convinced that some form

of a bank was convenient, and perhaps necessary for carrying

on the financial operations of the government, and in this

message he argued for one with provisions which would not

conflict with the constitution as he understood the constitu-

tion. It was difficult to comprehend just what he meant,

and it is evident that he was not settled in his own mind as

to the precise nature of the bank he wanted. Writing to

Hamilton in December, 1829, he requested him to outline

two plans — the first to be that of a " bank of deposit for the

facility of the transfer of public moneys and the establish-

ment of a sound and uniform currency, making, if you please,

the Custom-house a branch to this National Bank, and

attaching it to the Treasury Department The other of a

mixed character which may fulfil all the purposes of a bank,

and be free from the infringement of State rights and our

Constitution." a Six months later he expresses himself some-

i James A. Hamilton penned the phrases in the first message in opposition to

the bank. He had been requested by Van Buren, Lewis, and others to come to Wash-

ington and tone down the message, especially in relation to the bank. The original

paragraph on the bank, he says, was written " at great length in a loose, newspaper,

slashing style," fairly good evidence that it came from the pen of Jackson himself or

possibly Kendall, Blair, or Hill. Hamilton attempted to persuade the president to

omit the paragraph altogether, but the president declared that it was impossible,

as he was " pledged against the Bank."— Hamilton to a friend, Dec. 28, 1829, £emi-

ntacences, pp. 149, 150.

» Dec. 19, 1829, ibid., pp. 151, 152.

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what more decidedly: "I have often spoken of a National

Bank chartered upon the principles of the checks and bal-

ances of our Federal Government, with a branch in each

State, the capital apportioned agreeably to representation,

and to be attached to and made subject to the supervision of

the Secretary of the Treasury, and an expos6 of its condition

be made annually, in his report to Congress, as part of the

revenue; which might be a bank of deposit only." If,

however, it should be necessary to make it a bank of dis-

count and issue as well, " then it should belong to the nation

exclusively," and he referred to the Bank of the State of

South Carolina as the model for such an institution. 1 What

he jrafarF\*\* fli flT1 was a pnrftly governmental bank, iiL whose

profi ts all the peopl e s hould s hare^whigh was to b e a place

of deposit only, under the control\_Qf\_the\_\_secretary\_ of the

treasury. This, he thonght, would obviate all difficulties,

botE~constitutional, state, and sociaL On the other hand, he

was not absolutely set against a bank of deposit and issue, but

in case such a one should exist, it ought to be on the model

of that of the state of South Carolina. This bank was

owned completely by the state; its president and directors

were annually elected by the legislature in joint session ; it

had no monopoly; made discounts, dealt in exchange, and

issued notes. 3 The feature of state ownership was that upon

which Jackson's attention was fixed. He was much more

inclined to the first plan, however, and adopted it finally as

the only proper one, advocating it in his second message at

considerable length, with the added features of allowing it

to deal in exchange " based on government and individual

deposits," transferring the government funds without charge,

with no stockholders, no capital except the deposits, and no

l To Hamilton, Jane 3, 1830, ibid., p. 167.

\*8tatutc$ at Large of South Carolina, 24 ff., No. 2021. The date of the charter

it Dee. 19, 1812.

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property. 1 The details were not thoroughly worked out, but

it is sufficiently plain that Jackson's bank would have been

something like the present sub-treasury system, with the

additional features of the privileges of trading in exchange

and of receiving the deposits of private individuals.'

After the submission of the message to Congress, the

parts relating to the bank were referred in the Senate to the

Committee on Finance and in the House to the Committee of

Ways and Means. Biddle urged the latter to discuss the

message and recommend a re-charter." The committee acqui-

esced, both it and the Senate committee reporting at length

in favor of the bank. McDuffie's report in the House was

exhaustive. It controverted the president's reasoning at every

point, declared that the bank was constitutional and expe-

dient, that it had " actually furnished a circulating medium

more uniform than specie" and contemptuously condemned

Jackson's proposed bank, "founded upon the credit of the

Government and its revenues/ 9 as being inefficient and

monstrous, giving to the government " a patronage " " prodi-

gious in its influence" and "dangerous in its character,"

and creating a centralizing agency of enormous potency. 4 To

refute Jackson, however, was not to convince him, and the

report only fixed him more firmly in his opinion: "I pre-

sume it to be," he wrote, " a joint effort, and the best that

can be made in its support, and it is feeble it will

i Second annual message, Message\* and Papers, Vol. II, pp. 528, 529. See also

Ihgxbsoll, Vol. II, pp. 283, 284, where Jackson declares this " the only safe outline

for a bank or government deposite."

s Jackson wrote Lewis, Jan. 1, 1842, that his plan did not contemplate note issues

by the government.— Sumneb's Jackson (revised), pp. 286, 287, quoting Ford manu-

script letters of Jan. 1 and Jan. 15, 1842. The wonder is that anyone should ever

have supposed that Jackson's plan contemplated note issues. The Ford manuscript\*

are now in the Lenox collection of the New York Public Library.

« Biddle to Joseph Hemphill, Dec. 22, 1829, P. L. £., Vol. HI, p. 118. Biddle sup-

plied the facts for both reports, and much of Smith's report is word for word as he

wrote it for the senator.

« Report of April 13, 1830, H. R. 858, 21st Cong., 1st Sess., pp. 14, 26, 27. The italios

are McDuffie's.

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not go unanswered when a proper time arrives." 1 He

resented the committee's interpretation of his bank plan. 9

That the report had aroused his temper, and that he had

reverted to his suspicions of the bank's corrupt activity in

politics, is also evident The bank was " the present hydra

of corruption, so dangerous to our liberties by its corrupt-

ing influences everywhere, and not the least in the Congress

of the Union." \* His determination that the bank should

not be continued in the form in which it existed is shown in

a letter of June 26 to Lewis, wherein he censures Duff Green

for laxity in making attacks upon the bank, and asserts that

another paper must be founded for that purpose. 4 The

Globe, with Blair as editor, was the result

Biddle himself was apprehensive lest Jackson should be

irritated by the reports of the committees, and was con-

vinced that conciliation was the best policy. 6 He adopted a

curious method of conciliation. With remarkably bad

judgment, he proceeded to scatter the reports from one end

of the country to the other as a species of appeal against the

president He reprinted thousands of copies at the expense

of the bank, and, as if this were not sufficient, he sent ex-

tracts to the newspapers so as to give them wider circulation.

He paid for the printing of other articles as well, and he

secured from Gallatin a long and exhaustive treatise which

i Jackson to J. A. Hamilton, May 3, 1890, Reminiicence\*, p. 164. The italics are

Jackson's.

\* u I have had no conversation with Mr. McDnffie on the subject of Banks ; nor

never did I contemplate such as in his imagination he has assumed, and recom-

mended in his Beport."— Jackson to Hamilton, June SI, 1830, ibid. y p. 167.

>In the letter of June 3, Jackson shows temper by mentioning the bank on

three separate occasions as the " hydra of corruption."— Ibid.

« " The truth is, he [Duff Green] has professed to me to be heart A soul, against

the Bank, but his idol [Calhoun] controls him as much as the showman does his

puppits, and we must get another organ to announce the policy, A defend the

administration,— in his hands it is more injured than by all the opposition."— Wheel-

ing, June 26, 1830, Suiora's Jackmm (revised), p. 206, quoting Ford manuscripts.

\* " What I am most anxious about now, is that the President himself should not

feel vexed at being thus contradicted."— To Senator 8. Smith, April 22, 1880, P. L. £.,

Vol. Ill, p. 227.

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took the president's message as a text. 1 How irritating and

offensive all this was to Jackson may be inferred from what

he had already said about McDuffie's report.

That Jackson would " persevere in his opinion, and refuse

to sign a Bill," Biddle could not believe. 9 Lewis remained

cordial, and sagaciously continued to furnish good advice

and the names of Jackson partisans who should be made

directors at the branches." Biddle took the advice and

named the directors, telling Lewis that he ought to be sat-

isfied, " for out of the whole Board [at Nashville] a very

large proportion are of gentlemen nominated by yourself." 4

He assured Lewis that the bank entertained kindly feelings

toward the president, and wished to know if the rumors

were credible that the president had declared that he would

veto a bank bill. 6 To this Lewis replied:

I told you in Philadelphia when you first mentioned the thing

to me, that there must be some mistake because the report was at

variance with what I had heard him say upon the subject. In con-

versing with him a few days ago upon the subject he still entertained

the opinion that a national Bank might be established that would be

preferable to the present U. S. Bank; but that if Congress thought

differently, and it was deemed necessary to have such a Bank as

the present, with certain modifications he should not object to it\*

This letter is a curious commentary upon Jackson's of

June 3, where he repeatedly stigmatizes the bank as the

"hydra of corruption," and yet it is not necessarily at

i Gallatin to Walsh, April 27, 1830 ; Adams, Writings of Gallatin, Vol. II, pp. 425-7.

Biddle furnished Gallatin with the necessary documents and information (ibid^

p. 429), and offered to pay Gallatin $1,000 for the work.— Gallatin to Biddle, Dec. 5,

1830, ibid., pp. 443, 444. Gallatin refused payment. Biddle also sent a clerk from

the bank to assist in making digests, etc. ; sent his own secretary to give whatever

assistance needed ; read the proof, and gave advice. In many particulars the article

follows the statements and arguments furnished in Biddle's letters. The article

appeared in the American Quarterly Review for Nov., 1830.

a Biddle to S. Smith, April 22, 1830, P. L. P., Vol. Ill, p. 227.

« Biddle to Lewis, Feb. 24, 1830, ibid., p. 185; Lewis to Biddle, May 3, 1830, and

June 13, 1830, B. P.

« To Lewis, Juno 22, 1830, P. L. P., Vol. Ill, p. 277.

& May 8, 1830, ibid., p. 240. « To Biddle, May 25, 1830, confidential, P. P.

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variance with it Omit the temper in Jackson's letter, and

there is no difficulty in reconciling the two. Provided that

Jackson was not further irritated, Biddle might still hope to

receive his consent to a new, though modified, charter.

Biddle immediately wrote to Edward Livingston, asking

him to have a conversation with the president on the sub-

ject, 1 and, to leave no stone unturned, he instructed President

Nichol of the Nashville office to have an interview with

Jackson during the president's visit to Nashville in 1830,

and attempt to convince him of his mistake in the message

of 1829.' Nichol did not neglect his instructions. He

reported that Jackson appeared "to be well satisfied" with

the bank's management in transferring the funds of the gov-

ernment and of individuals, and admitted that "a Bank

such as the present " was alone capable of rendering such

facilities. " The only objection he appears to have to the

present Bank is that a great part of the stock is held by

Foreighners — consequently the interest is taken from the

country — .... and I am well convinced that he will not

interfer with Congress on the subject of renewing the char-

ter of the Bank altho' on this subject he keeps his opinion

to himself." \* All this was reassuring, though Jackson had

i May 27, 1830, P. L. B. % Vol. in, p. 2S6.

\* To Josiah Nichol, June 22, 1830, ibid., p. 275.

» "The President of the United States arrived in town last Tuesday I done

myself the pleasure of waiting on him, as an Old friend .... during his stay at my

house I had frequent opportunities, and did not neglect the subject of your letter —

I enforced every argument that I could makejmar on the subject —or that would be

of any service in removing his prejudices — .... he appears to be well satisfied

with the facilities that the Bank has given to Government and individuals — in

transferring their funds from One point to another — and acknowledges that a Bank

such as the present only can do so — he appears to be generally pleased with the

Management of the Bank of the United States and Branches — and particularly so

with this office. I have taken considerable pains and gave him all the information I

consistently could on Banking subjects — and believe have convinced him that the

present Bank and Branches — could not be dispenccd with without manifest injury

to the Country and particularly so — to this Western country — as no other currency

could be substituted." Ho then states Jackson's objection to foreign stockholders,

and adds: " He is well satisfied that Politicks have no influence in Bank or in the

Choice of Directors."— Nichol to Biddle, July 20, 1830, B. P.

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said no more than he had in 1829. He was quite capable of

keeping his own counsel, and meanwhile he had discovered

a new objection in what he considered the loss of the interest

on the stock held by foreigners. Biddle answered imme-

diately, refuting at length this supposed objection, and

urging Nichol to press these points upon the president 1

By autumn Biddle had recovered more than his former

confidence. " The worthy person who first made the attack,"

he assured Gallatin, " looks at the matter now with different

feelings." His advisers " studiously disclaim all participa-

tion" in the opinions of the first message; both houses of

Congress are favorable, and on the whole it seems best " that

the Bank should apply at the next session of Congress for a

renewal of its charter." 2

Despite this robust confidence, Biddle at times felt appre-

hensive that something was amiss. The newspapers sup-

posed to voice the sentiments of the administration showed

ceaseless hostility ; in May resolutions were brought into the

House declaring the bank unconstitutional, asking for a full

report on its affairs, and asserting that the House would not

consent to a re-charter; and, though these were voted down

by large majorities," they were ominous ; at Boston, in June,

the collector of the port attempted to remove the deposits

from the branch to a state bank, 4 and obscure hints con-

1 To J. Nichol, Aug. 3, 1830, P. L. £., Vol. HI, p. 814.

2 " The worthy person who first made the attack, looks at the matter now with

different feelings. Those about him studiously disclaim all participation in the

opinions announced by him, and from a great mass of observations from various

quarters, I have very little doubt that there is a decided majority of both houses of

Congress favorable to the renewal of the charter. My present impression is there-

fore .... that the Bank should apply at the next session of Congress for a renewal

of its charter. This it can well do after the invitation given by the President and it

is I think of great importance to approach the question before it becomes involved

in the controversy for the Presidency."— To Gallatin, Sept. 9, 1890, ibid., pp. 345, 346.

« Vote, 89 to 66, May 10, 1830.-C. /)., Vol. VI, Part II, pp. 921, 922.

\* " The Collector at Boston has transferred, or means to transfer, the collection

of his Bonds from the Branch to a State Bank."— Biddle to Dick ins, June 24, 1830,

P. L. £., Vol. Ill, p. 281. The bonds have been u restored by order of the Secretary."

—Biddle to S. Frothingham, of Boston, Aug. 20, 1830, ibid., p. 334.

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tinually reached Biddle of Jackson's implacable hostility, and

of a coalition against the bank between Van Buren and cer-

tain Richmond politicians. '

Jackson's second message disappointed Biddle's prevail-

ing hopes and justified his occasional fears. It declared

that nothing had "occurred to lessen in any degree the

dangers which many of our citizens apprehend from that

institution as at present organized," again recommended the

creation of a bank " as a branch of the Treasury Depart-

ment," which should obviate constitutional and other objec-

tions, outlined his plan at length, and concluded by saying

that it was the president's object to call "the attention of

Congress to the possible modifications of a system which

cannot continue to exist in its present form without occasional

collisions with the local authorities and perpetual apprehen-

sions and discontent on the part of the States and the people." 9

Jackson's attitude had clearly not changed in the slightest

degree. He was unalterably opposed to the bank as organ-

ized, and wanted a national bank of another model Repre-

sentative men of his own party were, however, convinced

that, if he was once persuaded that his project was impos-

sible, he would be willing to sign a bill re-chartering the old

bank. 1 His message allows as much to be inferred, since it

is against the bank "in its present form" that his oppo-

sition is directed. Immediately after the message Lewis

repeated the opinion he had more than once expressed, that

a bill to re-charter " with certain modifications " would re-

ceive the president's assent What these modifications were

does not appear, but it is certain that somewhere between

the president's scheme and that of the existing bank a com-

i Biddle to James Robertson, of Richmond, Not. 29, 1830, ibid., p. 396.

\* Menage\* and Paper\*, Vol. II, pp. 528, 529, Dec. 6, 1830.

» " If the President finds that his scheme is not likely to take, I do not beliere he

will be opposed, altogether, to the present Bank."— Lewis to Biddle, May 25, 1830,

confidential, B. P. Senator S. Smith wrote to the same effect on Dec. 12, ibid.

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promise could be found. 1 Nor could it be long before the

president would surrender his plan, for it met with no en-

couragement whatever from the majority of his own party.

Biddle, however, was keenly disappointed. "Well what

does all this mean?" he queried; "whose attack is this?" 1

Meanwhile the presses supporting the bank treated the presi-

dent's message with insolence and his bank plan with con-

tempt The attacks apparently exhausted the patience of

both Jackson and Van Buren. The latter declared that

"such severity of animadversion on the part of the Bank

was felt and would do the institution much injury," it being

taken for granted that the attacks emanated from the bank.\*

"If that ground be taken, the Bank must fail," warned

Senator Smith six months later. 4 But Biddle would not

interfere with "the freedom of the press." He was irri-

tated, and affected to have " not the slightest fear " of either

General Jackson or Martin Van Buren. " Our countrymen

are not naturally disposed to cut their own throats to please

any body, and I have so perfect a reliance on the spirit and

sense of the nation, that I think we can defend the institu-

tion from much stronger enemies than they are." \* Perhaps

Nicholas Biddle had never read Hamilton's sagacious saw

that " men are reasoning rather than reasonable animals,"

i"I gathered from a conversation with Major Lewis, .... that altho' the

President is decidedly in favor of a Bank such as he recommends to Congress, yet if

a bill were to pass both houses, renewing the charter of the Bank United States

with certain modifications, the President would not withhold his approval — What

the modifications were I could not distinctly understand ; but I believe that the prin-

cipal one was to take from the Bank the right of establishing branches in the states,

unless with the consent of the states."— Cashier B. Smith to Biddle, Washington,

Dec. 13, 1830 confidential, B. P.

a To S. Smith, Dec 10, 1830, P. L. £., Vol. HI, p. 411.

\* \*\* I called yesterday on the Secretary of State, and found him very sensitive on

the last publication in Webb's paper on that part of the message, which related to

the Bank, he said that such severity of animadversion on the part of the Bank was

felt and would do the institution much injury." The same opinion was expressed

by the Speaker, and the general improssion seemed to be that Biddle was respon-

sible for the publications.— Senator S. Smith to Biddle, Dec. 19, 1830, confidential, B. P.

\* Smith to Biddlo, June 3, 1831, ibid.

& To Cashier M. Robinson, of New York, Dec. 20, 1830, P. L. £., Vol. HI, pp. 423, 424,

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or, if he had, he had not bestowed upon it the reflection it

deserves. Instead of moderating the ardor and the wrath

of the journalists, Biddle redoubled his exertions to influence

public opinion. He secured letters from ex-Presidents

Madison and Monroe, expressing opinions favorable to the

bank's constitutionality and expediency; 1 he published

floods of articles at the bank's expense: reports of Smith

and McDuffie, answers to Benton, Gallatin's treatise,

speeches of congressmen, and the opinions of less distin-

guished writers on finance poured forth in ever-increasing

torrents.

Meanwhile Jackson's partisans were not idle. The Globe

and its following fulminated against the bank in the most

violent fashion. The charges of political activity at the

Kentucky branches were renewed. Wayne, of Georgia, in

the House, moved to refer that part of the message dealing

with the bank to a select committee, instead of to the

friendly Committee of Ways and Means. The motion was

lost by a vote of 108 to 67.\* In the Senate the indefati-

gable Benton presented a fesolution against the renewal of

the charter," for the purpose of creating an opportunity to

deliver a speech which should arouse "the masses" against

the bank. 4 It was a long, involved performance, revealing

abysmal ignorance of banking affairs, but not the less effect-

ive on that account, since "the masses" were even more

ignorant than the orator. Moreover, it was particularly

strong in its appeal to their prejudices against exclusive

privileges which made " the rich richer and the poor poorer."

i Biddle to C. J. Ingersoll, Jan. 15, 1831, ibid., p. 442; Biddle to Silas E. Burrows,

March 3, 1831, ibid., p. 484. Crawford also wrote a letter in support of the bank.— To

Ingersoll, Dee. 5, 1831 ; Miller, Bench and Bar of Georgia, Vol. I, pp. 242, 243, and

Nilks, Vol. XLI, p. 301. For letters of Madison, of Feb. 2 and Jane 25, 1831, see

Nzlxs, Vol. XL, pp. 56, 357 ; for that of Monroe, Jan. 20, 1831, ibid., Vol. XLI, pp. 82 ff.

» C. Z>., Vol. VII, pp. 350, 354. • Thirty Fears, Vol. I, pp. 187 ff.

\* " It was a speech to be read by the people — the masses — the millions ; and was

eonoeired and delirered for that purpose."— Ibid., p. 204.

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The motion to grant leave to introduce the resolution was

lost by a vote of 23 to J

Tha^ta4e- 4egistafurei^were also called upon to act. In

Febru friy the ^New York legislature took up a resolution

against re-charter. Biddle was active in trying to thwart

its passage, and for a time succeeded, but other influences

finally preponderated and the resolution was passed. 9 Simul-

taneously a resolution requesting re-charter was brought

into the legislature of Pennsylvania. Biddle urged its

adoption and, under the assiduous lead of C. J. Ingersoll, it

was carried almost unanimously. It declared u that the

constitution of the United States authorizes, and near half

a century's experience sanctions, a Bank of the United

States as necessary and proper to regulate the value of

money and prevent paper currency of unequal and depre-

ciated value." \* The two great states were thus arrayed in

hostile columns, and Jackson was warned that he must tread

carefully if he would secure the support of both. In July

the Republican members of the New Hampshire legislature

passed a resolution " in decided opposition to re-chartering

the United States Bank." 4 The same month the secretary

of war again attempted to remove a part of the pension

fund, this time to a bank in Albany, N. T., which was the

center of opposition to the bank in that state. 6

Biddle, however, now understood the president's position

exactly, and had determined to take no chances. The bill

for re-charter, he wrote, must not be brought forward at the

short session of 1831, for, if it were, it would probably be

postponed.

i Thirty Yean, Vol. I, p. 204.

2 For resolution see Niles, Vol. XL, p. 114. Biddle believed that Van Barm was

responsible, and it can hardly be doubted that he was right.— Biddle to NiohoUs

Devereux, Feb. 17, 1831, P. L. 2\*., Vol. Ill, p. 470.

3 Ingersoll, Vol. II, p. 268. For Ingersoirs part in the matter the Biddle

Papers are authority. For the resolutions see Niles, Vol. XL, pp. 09, 73, The

lntions passed unanimously in the senate ; in the house by 75 votes to 11.

« Pabton, Vol. Ill, p. 384. g H. R. 460, 22d Cong., 1st Sess., pp. 481-9.

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Once brought forward and postponed, it would of course be

blended up with the election, and become one of those political

matters judged exclusively by party considerations. On the other

hand if it passed through both Houses, and was negatived by the

Pres't, from that time forward it would become a question

between the Bank and him, and if he were re-elected, he would

construe it as a decision by the nation against the Bank, and act

accordingly. 1

Shrewd calculation could not possibly analyze a political

situation more accurately, and it would have been well if

Biddle had never forgotten his own wisdom. To avoid

blending the question with the election, to hinder its

becoming " one of those political matters judged exclusively

by party considerations" — these were the guide-posts to

success. Nor could inspiration itself foretell more precisely

the result of a failure to remain true to these precepts ; the

question would become one between Jackson and the bank,

and if re-elected " he would construe it as a decision by the

nation against the Bank, and act accordingly."

In January Biddle was certain " that the President aims

at the destruction of the Bank ;" 2 in February he was almost

convinced that they must fight;\* in March he was utterly at

sea as to the president's position ; 4 in April and May all his

hopes flashed up once more, for the cabinet had gone to

pieces and the change substituted "an avowed friend Mr.

Livingston, for a decided enemy in Mr. Van Buren. The new

Secretary of the Treasury is also a known friend." 6 The

i Biddle to Joseph Hemphill, Dec. 14, 1830, P. L. £., Vol. Ill, p. 414.

2 To Jonathan Roberts, Jan. 15, 1831, ibid., p. 444.

i "The President has assailed it, his partisans, those who claim to be his special

friends, unite in this denunciation — they wish to force it into a question between

the ascendancy of General Jackson and the destruction of the Bank — and it is to

be feared that they may succeed."— To Nicholas Devereux, Feb. 17, 1831, ibid., p. 470.

\* \*\* On the subject of the determination of the President towards the Bank, I hare

heard so much A such various opinions that I hare ended by knowing nothing."—

To Leslie Coombs, of Lexington, Ky., March 23, 1831, ibid., p. 496.

\*To J. Hunter, of Savannah, May 4, 1831, ibid., p. 514. It was even believed that

the change in the cabinet resulted in part from a change in the president's opinions

about the bank. Justice Johnson of the Supreme Court assured Biddle " that the

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hopes were justified. The head of the bank immediately

put himself in touch with the two secretaries, and was soon

assured of their assistance. He was now sanguine of suc-

cess, and on September 2 the stockholders in their trien-

nial meeting authorized the president and directors "to

apply to congress for a renewal of the charter of the bank"

at any time within the three years next succeeding. 1 Con-

gressmen who were directors at the bank or its offices were

left off the boards. 2

The two secretaries, acting in conjunction with Biddle,

exerted their powers to produce a change of sentiment in

their stubborn chief, and with excellent success. Convinced

that his own plan could not succeed, Jackson prepared to

accept the alternative of the old bank with a modified char-

ter. Livingston and McLane then argued that he ought not

to mention the subject in his next message. Jackson agreed

even to this, " tho' reluctantly." Biddle, however, on learn-

ing of this decision, declared that he considered it better for

the bank that the president should speak, " that his silence

would not be so useful as his mentioning the subject," and

suggested that he should say that he now left the matter

entirely " with the representatives of the people." Biddle

also urged McLane to recommend a re-charter in his report

of 1831. At first McLane thought he could not go so far,

but finally acquiesced, and in the presence of Livingston

informed the president that in his report as secretary of the

treasury he would advocate a re-charter "in the strongest

manner he could." Jackson "made no objection whatever, n

and also consented to mention the bank in the message in the

manner which had been suggested by Biddle. The secretary

Bank have nothing to apprehend from the present Cabinet, nay there is much

to think that a leading object of the change, was a change of Policy on seTerml

Points on which more correct Information has been elicited."— W. Johnson to B.

Smith for Nicholas Biddle ; R. Smith to Biddle, Washington, Aug. 9, 1831, B. P.

i Niles, Vol. XLI, p. 119.

> Biddle to N. Silsbee, Nov. 21, 1831, P. L. £., Vol. IV, p. 4L

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then, "with a view to show the Pres't the full extent to

which his report might lead," pointed out the possibility

that the Committee of Ways and Means might choose to act

upon the report, and immediately bring in a bill to re-charter,

which he, McLane, could not oppose. The president answered

only that " he would be sorry if the question were forced

upon him in that way." After this interview with Jackson,

McLane went to Philadelphia to talk over the prospects of

the bank with its president. Biddle showed anxiety about

the forthcoming message, and insisted that the president

must not express " a shade of opinion" against the bank, "or

any declaration that having once expressed his views and

having no reason to change them, he would now leave it to

Congress." McLane assured Biddle that " no such expres-

sion could or should be introduced." Jackson's position was

discussed, and the secretary said that the bank should wait

until after the election before petitioning for re-cfcarter, for

if the measure were brought forward earlier, the president

would consider it a defiance and act accordingly. " On the

other hand, if given time the President would probably

acquiesce in a re-charter." That this was Livingston's

opinion is also well known. 1 Some conversation respecting

the details of the bill then followed, and the two men parted

with mutual satisfaction. 2

i Livingston said " that, at this stage of the conflict, the President was really

disposed to cease the war upon the bank."— Pabton, Vol. Ill, p. SK>.

\* " About ten o'clock to-day Mr. McLane Secretary of the Treasury called to see

%ne at the Bank. He had come to Philadelphia principally for the purpose of con-

vening with me after he had seen the President.

" He now stated that he had seen the President, and explained to him the course

which he proposed to pursue in regard to the Bank. He had done this in order that

there might be no misapprehension on the part of the President of his views and the

consequences which might result from what he proposed to say in his report.

44 He said to the President that he thought the act of Congress which directed

the Secretary of the Treasury to report annually to Congress made it the duty of

that officer to present his own views and on his own responsibility and that the

Executive stood rather in the light of a moderator between him (the Secretary) and

the Legislature. That such had always been the construction of the powers of the

Secretaries. (This was obviously an infusion by Mr. Dickins to whom I left a

volume with all the passages marked which I thought might encourage this opinion.)

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At last the bank seemed to be nearing the goal it had

long striven to reach — a re-charter with the assent of the

president. Biddle, Livingston, McLane and Jackson now

acted under a sort of informal compact: the secretaries to

work for re-charter, Jackson to remain quiescent for the

present, but to sign a bill in the long run if his wishes were

met, and the bank on its part to wait until after the election

before presenting its petition for a charter, and to accept

the modifications desired by the president

•

He proceeded to explain to the President what his intentions were. He means to speak

of the power of the Government to pay off the whole of the debt on the 3d of March 1833

with the aid of the Bank stock — that this stock if sold out would occasion alarm in the

country and the panic would sink its value— whereas he was satisfied that the Bank

would take it at a reasonable price, not less certainly than eight millions. This would

give him an opportunity of speaking of the Bank in the most favorable manner,

recommending the continuance of the charter of the present Bank in preference to a

new one, with such modifications as without injuring the institution might be use-

ful to the country and acceptable to the Executive. This he meant to present in the

strongest manner he could to Congress. All this he explained particularly to the

President who made no objection whatever. For greater precision he had put down

the heads of what he meant to say in his report and showed them to the President.

Mr. Livingston by request of Mr. McLane was present at this meeting.

41 It had been previously understood between Mr. Livingston and Mr. McLane

that the President should say nothing in the message about the Bank. The Presi-

dent had acquiesced tho' reluctantly in this, because he thought he oould not well

be silent with consistency. But in my conversations with him Mr. McLane I had

expressed the opinion that his silence would not so be useful as his mentioning the

subject. The matter was therefore renewed with Messrs. Livingston and McLane

and the Pres't and it was resolved that he should introduce the subject in this way

— that having on former occasions brought the question before Congress it was now

left with the representatives of the people.

" Mr. McLane with a view to show the Pres't the full extent to which his report

might lead, said that perhaps when his report was presented and referred to the

Committee of Ways and Means Mr. McDufne in his present mode of thinking in

regard to the Bank might choose to introduce a bill into Congress for continuing the

charter and if so he (Mr. McLane) could not with the views which he entertained

of the Bank make any opposition to it. The President said he would be sorry if the

question were forced upon him in that way.

44 1 said it would be necessary to scan very accurately the Pres's speech so that

there might not be a shade of opinion expressed against it, or any declaration that

having once expressed his views and having no reason to change them, he would

now leave it to Congress Ac. Mr. McLane said certainly no such expression could

or should be introduced, as it would not be in harmony or consistency with his own

report.

44 Mr. McLane said that he would be willing to charter the Bank without any

bonus— but intimated that he thought a large bonus would be required, and said

that this should be considered in our proposed purchase of Bank stock.

44 He said that he thought the greatest danger of the Bank was from those who

wished to pull down this Bank in order to build up another. That a Mr. West of

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These modifications are not known certainly, but may be

inferred from what Jackson afterward wished. The govern-

ment was to cease holding stock in the bank, as may be

seen from Biddle's memorandum and from his correspondence

with the secretary. The bank would take the stock and

thus assist the government in paying off the national debt,

as suggested by Biddle to Jackson in 1829. \* The bank's

Salem had been very pressing on that point. I said there were I believed some capi-

talists in Boston and New York who were anxious about it— but I thought they had

little political weight. He said that the argument was that to continue it would be

a monopoly.

" In regard to the period of applying for the renewal, he does not wish to be

considered as the adviser of the Bank because it might be imputed to him that he

was acting in concert with the institution— but he renewed the opinion which he

expressed at Washington that it was doubtful (indeed he seemed to be more inclined

now to think it inexpedient) whether it would be expedient to apply this year.

His idem was that if it were put to the President as a test, he would be more dis-

posed to reject it on that very account. The President is now perfectly confident of

his election — the only question is the greater or less majority— but he is sure of

success and wishes to succeed by a greater vote than at the first election. If there-

fore while he is so confident of reelection this question is put to him as one affecting

his reelection he might on that account be disposed to put his veto on it, if he be as

it were dared to do it. For what I see says Mr. McLane of the character of General

Jackson I think he would be more disposed to yield when he is strong than when he

is in danger.

"The footing then on which the matter now stands is this :

44 The President is to say that having previously brought the subject to Congress

he now leaves it with them.

44 The Secretary is to recommend the renewal.

44 This latter point pleases me much. When I saw him at Washington he did not

think he could go so far as to originate a recommendation of the Bank and I therefore

examined all the reports of all the Secretaries to show that the proposals for the

Banks all originated with them — and I left the volumes of these reports in Mr.

Dickins's hands marked, so that he might urge them on the Secretary's attention.

44 He thinks he can present the tariff question strongly — he will then press with

equal strength the Bank question and if he can arrange the question of the public

lands (the surrender to them of the lands within their limits at a certain price so as

to make the landholding states pay in stock to the old States the proportion which

the latter have a right to— the Bank would be put in such good company and on

such a footing that even Mr. Benton could not attack it.

44 On his way to Mr. Carroll's with the President the latter adverted to the incon-

sistency of those who pulled down the old Bank to build up the new, and particu-

larly of the objection then made that foreigners were stockholders. This he

considered an unfounded objection. (He mentioned this to me at Washington.)" —

Memorandum by Biddle, written Oct. 19, 1831.

This interview with McLane is undoubtedly that referred to by Weed in

his Autobiography, pp. 373-5. The account in Weed is evidently inaccurate, bat,

excepting what he says about Webster and Clay, may be reconciled with Biddle's

memorandum.

i See memorandum. Also Biddle to McLane, Oct. 21, 1831, offering on the part

of the bank to pay at least $8,000,000 for the government stock in the bank.

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capacity to hold real estate was to be limited and the number

of offices in any state fixed at not more than two ; the permis-

sion of states was to be secured before establishing offices;

all the bank's notes were to be issued from the parent office,

which was to be permitted to have two officers whose

sole business should be the signing of the notes, and the

states were to be allowed to tax the branches. 1 There was

nothing in all this to which the bank might not well agree.\*

The president's message in 1831 spoke of the bank in

terms which its dismayed enemies considered indicative of

a change on the part of the president, or at least a desire to

avoid the issue, while the secretary's favorable report created

a sensation. 3 But to Biddle's distress McLane had been

unable to fulfil his promise that the president should not

i See the agreement with Livingston in chap, x, "The Straggle for the Charter.\*\*

Shippen, of Louisville, wrote Biddle that he had seen a letter from the presi-

dent's private secretary : \*\* The substance of the letter is, that the Pres'dt does not

consider himself pledged against a renewal, and that if Congress passes a BUI with

proper modification\* of the charter his approval will not be withheld."

Modifications : (a) no more than two branches in each state ; (6) bank stock

now owned by government to be sold to individuals; (c) limitation of capacity of

the institution to hold real estate ; (d) take away power to loan money on a pledge

of merchandise ; (e) give bank power to appoint two officers to sign notes, and aU

notes to issue from the mother bank; (/) existing provisions in regard to govern-

ment directors and deposits to remain ; (g) the corporation to be rendered suable in

a state.— Cashier Shippen to Biddle, Dec. 6, 1831, B. P.

2 It was, of course, impossible to keep the agreement with the administration

entirely secret, and rumors respecting it were soon in circulation. " The Telegraph,\*'

says Niles (Vol. XLI, p. S25, Dec. 81, 1831), " with reference to the report of the secre-

tary, asked — ' But what will Mr. Ritchie do with the bank? What will he think of

this " admirable state paper," when he learns that a bill to re-charter the bank, the

joint production of the treasury and of the bank, had already received the sanction

of the president, before the message was transmitted to congress? 1 " The Globe

hereupon denied the report, saying that it was authorised to do so. The National

Gazette did the same for the bank. The Telegraph thereupon explained that there

had been a misapprehension.— Niles, ibid., and footnote. The New York Enquirer

declared " from the most unquestionable authority " that Blair, in the Globe, did not

speak with the authority of the president.— Ibid., p. 338, Jan. 7, 1832.

3 "The annual treasury report has caused much speculation and remark

The 'Globe' .... dissents from the opinions of the secretary as to the bank of

the United States, and they seem to have given the venerable editor of the 4 Richmond

Enquirer 1 the horrors — but the strangely moderated tone of the president's message

in respect to that institution, ought to have prepared him for something. 11

\* 4 For ourselves, wo have not been ablo to draw a long breath since we read it ;

and cannot pretend to say what wo think of it until we have recovered a little from

the shock of surprise which it gave us." — Ibid., p. 281.

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declare his opinions unchanged. On the contrary, Jackson

asserted that he still entertained "the opinions heretofore

expressed in relation to the Bank as at present organized,"

but deemed it his duty " to leave it for the present to the

investigation of an enlightened people and their representa-

tives." 1 This to Biddle seemed ominous, but he expected

too much. The president's remarks should not have dis-

heartened him, especially as Jackson repeated his trite "as

at present organized." The arrangement with McLane was

that there should be modifications, and therefore a bank

organized in a different manner from the existing one.

Moreover, it appears certain that Jackson was willing to

make the concessions expected. Writing to Hamilton at

this time, he said that his opinions had not changed; that

he and McLane did not differ, as some supposed, and then

added: "Mr. McLane and myself understand each other,

and have not the slightest disagreement about the prin-

ciples, which will be a sine qua non in my assent to a bill

rechartering the Bank." a This sentence can only mean

that Jackson had agreed that upon certain points being con-

ceded he would assent to a re-charter. The bank might

with safety have continued under the agreement made with

McLane.

But Biddle was suspicious and distrustful Moreover,

the comments of the administration papers dismayed and

disheartened him. 3 There was also a powerful attempt mak-

ing to establish a new bank, which he feared would receive

Jackson's support Finally his friends among the National

Republicans were assuring him that it was only in conjunc-

i Memaoe\* and Paper\*, VoL II, p. 558, Deo. 6, 1831.

\*Dec 12, 1831, Reminiscence\*, p. 234.

s " The style of the paragraph in that passage about the Bank, with the com-

mentary of the Globe, the Richmond Enquirer and the Standard, I confess shake

my confidence much. It is not in such an ambiguous tone that a President should

■peak, or suffer his dependants to speak."— Biddle to Dickins, Dec. 20, 1831, i\ L. £.,

VoL IV, p. 60.

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tion with them that he could secure a re-charter, and urging

that now was the only time. The pressure was intense from

both sides, to act and not to act, and his hopes and fears

haled him either way. Decision was necessary, and at last

he made it, and made it wrong. He chose to enter into

open conflict with the president, and the bank was over-

thrown as a consequence.

CHAPTER X

THE STRUGGLE FOR THE CHARTER

Henbt Qlay is universally regarded as responsible for

the fi jottranrft of ifr ft-frf m h i niry tlm ^ ftTfroT3TJLnn h\* 1832.

Thi« opinion ifl piiata ^en arij ^iin jnflt. Clay's influence was,

of course, directed to this end, but it was only a minor

element in the ultimate decision. Nicholas Biddle was the

respo nsible actor, and he was not the man, to be forced into

any r^nn^ nf anfinn which he di d not approve.

Clay's position is easily determinable! He had early

considered the advisability of bringing the bank issue for-

ward. In May, 1830, he expressed the opinion that it was

too soon to decide " on the question of the renewal of the

charter " l In August he had " great doubts of the expe-

diency of making the application until the next Presidential

Contest " was decided, and thought that the bank ought to

avoid mixing " the two questions." a In September he con-

sulted Biddle on the subject, and the latter answered that he

was "satisfied that it would be inexpedient," and "that

nothing but a certainty of success should induce an appli-

cation now." 8 It was not until November, 1831, that Clay

advised "an immediate application to be made," having

changed his mind about the necessity of waiting until after

the election. 4 The following month the National Repub-

i Clay to Francis Brook, May 23, 1880, Colton, The Private Correspondence ef

Henry Clay, p. 271.

\* " He has great doubts of the expediency of making the application until the

next Presidential Contest is over, and thinks that the Bank ought as far as possible

to avoid any measures which would hare a tendency to mix or connect the two

questions." At this time he suspected that Jackson wished to make it a campaign

issue.— J. Harper to Biddle, Lexington, Aug. 20, 1830, B. P.

\* Biddle to Clay, Nov. 3, 1830, Clay'i Correspondence, p. 287.

\* In a conversation with John Tilford, of Lexington, Clay said that about a

year before he thought that the bank should wait two or three years before asking

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licans at the Baltimore convention placed the bank in

their platform, lauding it as a "great and beneficial institu-

tion," which Jackson had "gone out of his way .... to

denounce .... as a sort of nuisance," upon whose " imme-

diate destruction" he was intent. He was "three times

over pledged .... to negative any bill that may be passed

for re-chartering the bank," and would in all probability

attempt to replace it by " the extraordinary substitute which

he has repeatedly proposed," and which would bestow upon

the executive almost despotic power, placing in his hands

"the means of corruption without checks or bounds." 1 The

National Republicans were evidently persuaded that Jack-

son's position could be seriously shaken by injecting the

issue into the campaign ; and Clay, as the leader of the

party, became warmer in his advocacy of this maneuver.

He declared that Jackson was "playing a deep game to

avoid, at this session, the responsibility of any decision on

the Bank question," 2 " that now or never, was the time to

act with any chance of success," and that " the declining to

memorialize" might be considered "as an electioneering

step against " the Clay party. 8 This was a plain hint that

the bank must expect no aid from the National Republicans

for a re-charter, " but that he now thought differently and would advise an imme-

diate, application to be made by them."— Tilford to Biddle, Lexington, Nov. U,

1831, B. P.

i Niles, Vol. XLI, p. 310.

a To Francis Brook, Dec. 25, 1831, Clay"\* Correspondence, p. 322.

a Clay told President Smith of the Washington branch that " he had heard on

good authority" that Jackson had said " that either the Bank or Andrew Jackson

must go down," but Clay thought it was probable that he would sign a bill passed

before the election ; but after that Clay " did not doubt his rejecting it— That now

or never, was the timo to act with any chance of success." Smith said that Jack-

son's friends would consider this as an electioneering step on the part of the bank

against him. To this Clay replied that " there was another aspect of the subject

under which those opposed to the President, and in general friends of the Bank,

might consider the delay to memorialize, especially after the action of the stock-

holders on the subject, as an electioneering step against them ; that already rumors

of a coalition to this effect were circulated."— President S. H. Smith to Biddle,

Washington, Dec. 17, 1831, B. P.

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unless it was willing to lend mutual assistance. 1 Biddle and

Clay do not seem to have had any interview, however ; and,

in response to a letter from Clay, Biddle replied: "Nothing

is yet decided, altho' the subject is under serious and

anxious consideration," a Clay was not in Biddle's secrets,

for he knew nothing of the dealings with the cabinet, 8 and

on the very day that Biddle wrote the foregoing non-com-

mittal letter to him he declared to another correspondent:

"My own individual impression is that such an application

would be advisable, and it is at this moment under serious

consideration," \*

The month succeeding President Jackson's third annual

message was the most critical in the bank's existence. All

through that month Biddle was weighing the chances for

and against, expending all his energy and intellect in sifting

out the various assurances given him, interviewing those

best informed, taking the opinion once more of the leaders

in the cabinet, and finally sending to Washington his con-

fidential coadjutor, General Thomas Cadwalader, to look

over the ground carefully before any decision was made.

During all this time he never exhibited the faintest trace of

wavering on account of the opinion of either Clay or

Jackson partisans, unless that opinion appealed to his intel-

lect as sound and valid.

The man among the National Republicans who appar-

ently had most influence in determining Biddle's decision

was John Sergeant, the party's candidate for vice-president,

a Philadelphian, an intimate friend, and one of the stand-

ing counsel of the bank, whose opinion was asked in every

i 4 It is said that Messrs Clay and Webster declared, that if the application for

the Charter was not made at the present session, that no reliance should be placed

on their support at a future time."— Henry Toland to Biddle, March 13,1832, ibid,

2 Dec. 22, 1831, P. L. B., Vol. IV, p. 63.

» He says " already rumors of a coalition to this effect were circulated " (see

note 3, p. 216; a remark which shows that he knew nothing on the subject.

♦To Nicholas Devereux, of Utica, Dec 22, 1831, ibid. % p. 6L

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conjuncture and frequently adopted. Next in influence

stood Webster, whose relations to the bank were precisely

similar. On his way to Washington, in the autumn of 1831,

Webster had stopped in Philadelphia, and in an interview

with Biddle had pressed upon him the expediency of apply-

ing immediately for a re-charter, in opposition to the wishes

of Jackson; and when he reached the capital he wrote

saying that he had conversed with many of the politicians

there, and that the result was " a strong confirmation of the

opinion which I expressed at Philadelphia that it is expe-

dient for the Bank to apply for the renewal of its Charter

without delay." 1 He was very much set in this opinion.

Cadwalader assured Biddle that some of the members of the

Clay party "would be lukewarm or perhaps hostile, if we

bend to the Government influence, 9 ' and significantly added

in a footnote, " Webster would be cold." a Nevertheless, if

Biddle chose to disregard the displeasure of his friends, one

may aver confidently that the party could not oppose the

bank on principle and would in the end vote for it, however

reluctantly.

But the question which tortured him incessantly was:

What would Jackson do? If Biddle could have received

assurance from the president that he would approve a bill

for a modified charter, there can be no doubt that Biddle

would have acted in union with him. But it was precisely

this assurance which he could not procure, although Jackson's

friends were confident that the president would yield in the

end, and absolutely sure that he would not sign a bill now.

Senator Samuel Smith warmly counseled delay, and said that

he was "authorized" by McLane to say that it was "his

deliberate opinion and advice that a renewal of the Charter

ought not to be pressed during the present session. ....

The message is as much as you could expect," he continued.

i To Biddle, Deo. 18, 1831, B. P. 2 Dec. 25, 1831, ibid.

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"It shows that the Chief is wavering." Time would set him

right, and all of the cabinet excepting Taney were favorably

disposed. 1 Lewis's advice was to the same effect; 2 and this

was, indeed, the universal opinion of the Democratic friends

of the bank. 3

When, therefore, Cadwalader went to Washington as the

bank's agent, his principal object was to discover the presi-

dent's attitude. He had first of all "a long and frank con-

versation with Mr. McLane," who assured him "positively

that the President" would "reject the Bill if the matter is agi-

tated this session." The bank must wait\* No one, however,

could speak authoritatively for the president, and unless

assurance could be given Biddle was disposed to act To

Cadwalader he wrote:

I of course abstain from forming any definite opinion, but

I will mention to you exactly my present state of mind. If Mr.

i " I had last night a long conversation with McLane, and I am authorized by him

to say, that it is his deliberate opinion and advice that a renewal of the Charter ought

not to be pressed during the present session, in which I concur most sincerely— The

message is as much as yon could expect. It shows that the Chief is wavering. If

pressed into a Corner immediately, neither McLane or myself will answer for the

consequences. Bat we both feel confident of ultimate success, if time be given for

the P 1 to convince himself of the Error into which Opinion long formed, (preju-

dice if you please) had committed him. Every day new converts are making

Every one of the Cabinet except Taney is favorable."— Senator Smith to Biddle, Dec.

7, 1831, ibid.

2 4t I told General W. that Major Lewis had spoken very freely on the subject of

pressing the renewal this winter — that if the friends of the Bank pressed it now, it

would be construed as an act of coercion on him — that the President was not a man

to be forced into any measure, and would be more likely to veto the bill before the

election than afterwards, as in the one case his signing it would appear to be the

result of fear, and in the other, of choice— and that General Jackson was not a man

to be forced in any thing."— B. Smith to Biddle, Washington, Dec 14, 1831, private

and confidential, ibid.

\*Bkhton, Thirty Years y Vol. I, p. 227.

\*"I have had this morning a long and frank conversation with Mr. McLane. He

says positively that the President will reject the Bill if the matter is agitated this ses-

sion. He (the Pros' t) and those about him would regard the movement, before

the election, as an act of hostility — or as founded on the idea that his opinions

would bend to present views — and that his fears would induce him to truckle — Mr.

McL. is sure that under such circumstances he would apply his veto,— even if cer-

tain that he would thereby lose his election. The question he says cannot now be

started without being regarded as a party one."— Cadwalader to Biddle, Washing-

ton, Dec. 21, 1831, B. i\

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McDuffie could insure a reference to the Committee of Ways

and Means, and a favorable report of that Committee I would not

hesitate to try it, if I could rely on a majority of one only in each

house. 1

Cadwalader agreed, and said that " McDuffie leans in favor

of going it now," but both McDuffie and he thought " it

best not to decide until after a conference with McLane

and Smith." a The question then was to be decided after tak-

ing the opinions of three Democrats — McDuffie, Smith, and

McLane — one for and two against immediate application.

The introduction of McDuffie's name into the correspond-

ence between Biddle and Cadwalader is significant. It was

he, and not Clay, who took the principal part in bringing

the bank into the field. It was his advice that was asked

and followed. As chairman of the Committee of Ways and

Means, as a Calhoun man, and as the leader of the very few

representatives from South Carolina in favor of the bank, his

support was not less important than that of Webster or that

of Clay, and had he at any moment advised delay, delay

would have followed. He was positive, however, that

now was the time. On the 29th Cadwalader wrote that

McDuffie and he were convinced that the bank must act

He was sure that the president would "never sign" and that

it was advisable to put the question before the people in

order that the country might get to the point where a two-

thirds majority of Congress might be had. McDuffie and he

had listened to McLane's arguments and thought nothing of

them. 8 The conference between the four men changed in no

respect the opinion of the two in whose hands was the ulti-

mate decision. Biddle was equally certain that the time had

i To Cadwalader, Dec. 24, 1831, B. P. a To Biddle, Dec. 25, 1831, ibid,

3 " The President would be at least as likely to sign now, as at any future time,

though all the information I have got leads me to the belief that he will never sign."

" McDuffie insists that now is the time. If you delay a session you might as well lie

down. McDuffie and I have heard McLane's talk and think nothing of it. 1 ' He thinks

if a veto is certain, that it is desirable now in order that the people may elect a con-

gressional majority of two-thirds for the bank bill.— To Biddle, Dec. 29, 1831, ibid

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arrived, and was ready at any moment to forward the bank's

memorial to Congress. He waited, however, until Cadwal-

ader's return to Philadelphia, that they might talk the

matter over together. 1

Conversation with Cadwalader only fixed him more firmly

in his resolution, but action was still postponed until McLane

could send in a communication. 2 This was delayed, and on

the 6th of January, 1832, Biddle notified McDuffie and Sena-

tor Smith that the application would be made, 8 and forwarded

the memorial to Senator Dallas. 4 He wrote Webster also,\*

but sent no word to Clay. There was no hesitation, no sign

of being forced into the step. " I have scarcely given to any

question a more deliberate attention than I have bestowed on

this, and after procuring all the information within our

power, and deliberating upon it long and anxiously, I have

made up my mind on the clearest convictions." His reasons

were: that the stockholders were unanimously for it now;

that delay would put the question off until 1834, a date too

near the expiration of the charter; that the question was a

business, not a political one ; that postponing on account of

the election would in effect be a discrimination against the

National Republicans; that the president had three times

brought forward the question and therefore distinctly inti-

mated that it ought to be settled. 6 He laid particular stress

upon the argument that to postpone would be to discriminate

in favor of Jackson and so make the bank a political issue 7 —

i " I am waiting anxiously for some signal to more — and the moment yon hoist

it, we will send yon a memorial. All oar information and all my reflections go that

way. The question was almost settled in my mind when I found that Mr. M. though

opposed would not be vexed. In truth I hope he will be friendly." He added that

he was convinced that the president would not sign. Stories to that effect had

reached him which rendered him sure of it.— To Cadwalader, Dec. SO, 1831, ibid.

a To McDuffie, Jan. 5, 1832, P. L. £., Vol. IV, p. 79.

S Ibid., pp. 80, 83. « Ibid., p. 81. & Ibid., p. 89.

eTo J. W. Webb, Jan. 5, 1832, ibid., pp. 74, 75.

7 " Now if we postpone it on account of its effect on one of the candidates for

the Presidency, we in fact take the side of that candidate. We make ourselves a

party to the election, we violate our neutrality."— Ibid.

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an absurd argument which would not have been hazarded six

months earlier. On the very day that Biddle wrote this

letter McLane sent his deferred protest, deprecating imme-

diate application, arguing that this Congress was not elected

to decide the question; that it would inevitably get mixed

up with the presidential election; that Jackson would be

offended ; and that, since his advice had not been taken, he

could not interpose against a Veto. 1

That Biddle in giving his reasons had not exhausted the

arguments for the bank's action is self-evident The opinion

was firmly held by the Clay men that application at that time

would defeat Jackson. If he vetoed the bill, he would lose

Pennsylvania; if he failed to veto, after his past position, he

would lose many southern and western votes. These were

the determining political considerations with the National

Republicans, 2 and it was the belief in the influence of the

former upon Jackson which gave the bank a hope, though

but a slender one, that the president would yield. Yet this

very motive for acting must draw down upon the bank con-

demnation, for the act determined by it inevitably linked

the destiny of the corporation with that of a political party,

making the question of re-charter one to be decided by

political rather than by business considerations. It is infer-

able, also, from Cadwalader's letters that another motive

influencing the bank was the hope that if Jackson vetoed

the bill a two-thirds majority of Congress favorable to

re-charter could be secured at the coming elections. This

was preposterous.

i Jan. 5, 1832, B. P.

2 " McLane told me that he had most earnestly urged Mr. Clay not to attempt to

pass a Bank bill at this Session, insisting that, if deferred to the next Session, he

was satisfied that he could by that time, and by a Bank bill so framed as would be

as useful as was necessary, induce Jackson to approve it. But that Clay persisted

in the hope that, if the President approved the bill, he would lose the support of

those of his party who had approved his opposition to the Bank, and a vast many

others who approved of the State Bank system. And, on the other hand, if the

President vetoed the bill, he would lose Pennsylvania and his election."— J. JL

Hamilton to a friend, March 14, 1882, Aemtniscencet, pp. 248, 244.

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Both Jackson and McLane were bitterly offended by the

bank's action, and felt that they had just reason to complain.

Jackson in particular must have been deeply irritated, since

he had been persuaded to soften his message on the under-

standing that the bank would not make application until

after the election. 1 He did not leave his friends in doubt as

to his attitude. When informed that the object was to force

him to assent to the bill or to lose Pennsylvania's vote, he

retorted: "I will prove to them that I never flinch; that

they were mistaken when they expected to act upon me by

such considerations." 9

Not only did the bank decide for itself the time and mode

of applying for re-charter, but it selected its own cham-

pions. General Samuel Smith, who, as chairman of the

Senate Committee on Finance, would have been the logical

person to present the memorial, was set aside, because it was

feared that he would not press the bill with sufficient determi-

nation, and Senator Dallas, a Pennsylvania bank Democrat,

was selected in his stead. Dallas was gratified, having

desired the distinction as the son of the man generally

credited with being the creator of the bank, and he assured

Cadwalader that he would not yield to Jackson's wishes to

postpone the measure. 3 In the House, McDuffie, chairman

of the Committee of Ways and Means, was the bank's

chosen leader.

On the 9th of January, to the surprise of the majority of

both its u friends and foes," few of whom had " calculated

i Senator Smith said that McLane was hart, and would not support the bank.—

C. J. Ingersoll to Biddle, Feb. 5, 1832, B. P. " I understood him to say that the Presi-

dent toned down the last message on the understanding that he should not hare the

question op until after the election. 1 '— Same to same, Feb. 29, 1832, ibid. It is eri-

dent, too, that the morement compromised McLane's position in Jackson's cabinet.

a J. A. Hamilton to a friend, Washington, March 14, 1832, Reminiscence\*, p. 243.

• Cadwalader to Biddle, Dec. 29, 1831, B. P. It was also determined that no

National Republican should be intrusted with this task, it being considered best to

hare a partisan of the president present the bill.— Ibid. This is in direct opposi-

tion to what Sargent says Biddle told him.— Saboxmt, Public Men and Events, Vol.

I, pp. 213, 214. Sargent is, of coarse, mistaken.

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that a memorial would be presented this Session," 1 the

bank's application was made in both houses. Dallas, to the

chagrin of the ardent bank men, played his part but indif-

ferently, using language which revealed the opposition of

the bank wing of the Jackson party to the present applica-

tion. He wished it understood that he had discouraged the

presentation, because he considered it too early, and because

this particular Congress had not been elected for the purpose

of deciding the issue. 2

The bank did not leave its memorial unsupported. Biddle

sent Horace Binney, a remarkably able lawyer, to Washing-

ton to see the bill through Cqngress, and at the same time

busied himself in securing petitions for the re-charter from

state banks and merchants throughout the country.' He also

exerted all his skill to procure a resolution from the legis-

lature of Pennsylvania instructing the senators and request-

ing the representatives in Congress to vote for the bilL

Early in February Biddle was informed that this attempt

had been completely successful, the legislature passing the

instructing resolutions by an almost unanimous vote. 4 At

the same moment he was told by a friend who was on an

intimate footing with Jackson that the president might still

be induced to sign a bill. 5 •

At once his active mind reverted to his former project

of securing a new charter with the assistance of Jackson.

How little he felt bound to the National Republicans is

apparent from his immediate decision to leave them com-

pletely and throw himself upon the president, as well as

by his declaration to Charles J. Ingersoll that he cared

i John Connell to Biddle, Washington, Jan. 10, 1832, B. P.

2 C. D., Vol. VIII, Part I, p. 54. « P. L. P., Vol. IV, pp. 96-116.

\* Unanimously in the senate ; in the house by a vote of 77 to 7. — Nujbb, VoL

XLI, p. 436.

& S. E. Burrows to Biddle, Feb. 5, 1832, B. P. Burrows says that he has just spent

three days witn the president, and is confident that the bank can be re-chartered

with Jackson's consent.

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"nothing about the election." \* The prospect of Clay's

chagrin and Webster's coldness did not deter him for a

moment On the 6th of February he urged Dallas to take

the resolutions of the Pennsylvania legislature to Jackson,

warn him not to anger the state, and offer in the name of

the directors to accept a bill with modifications. 8 At the

same moment he asked Ingersoll to take similar action.

Let the Pennsylvania delegation press it upon the president ;

get McLane and Livingston started; "Try if you cannot

bring it about without loss of time." The bank could not

withdraw the bill, but was perfectly willing to make it an

administration measure, accepting whatever modifications

the president might desire.' Dallas disappointed him. 4

Ingersoll, on the contrary, was delighted with the plan, and

eagerly seized the opportunity. He hastened to Livingston

and presented Biddle's letter to him. Livingston agreed

that the procedure was the correct one, and said that the

president would not oppose the bill on constitutional

grounds, "but had certain notions of his own on the frame

of the charter which ought to be complied with." Let him

frame it to suit himself, replied Ingersoll Livingston then

said that he would attempt to secure the success of the plan ;

that McLane could not remain neutral ; and finally outlined

the modifications upon which he thought Jackson would

insist.

Livingston approached the president at once, and McLane

joined him in the attempt to secure Jackson's assent. Jack-

l Feb. 18, 1832, P. L. P., Vol. IV, p. 187.

s Io do i riff this he would make his own fortune. Please tell him so. The presi-

dent, too, would be elected.— Biddle to Binney, Feb. 6, 1832, ibid., pp. 150, 151.

>Feb. 6, 1832, ibid., p. 152; also Feb. 9, 1832, ibid., p. 162.

♦ Biddle to Ingersoll, Feb. 13, 1832, ibid., p. 168.

ft Ingersoll to Biddle, Feb. 9, 1832, B. P. See Ingersoll' s account. War of 18X1,

VoL II, p 268, where, however, he does not mention his own agency.

The modifications mentioned by Livingston were as follows : The bank to possess

only real estate enough to carry on its business ; states to be permitted to tax the

branches ; some additions to be made to the capital, so that new subscribers to the

•took might be accommodated.

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son, said Livingston, was particularly anxious that the

government should cease to be a stockholder, and also

desired the modifications already mentioned. 1 Biddle was

pleased to hear this, and declared that the bank would go

nine-tenths of the way to meet the president "Let him

take the charter and make any changes he likes, let him

write the whole charter with his own hands. I am sure

that we would agree to his modifications; and then let him

and his friends pass it. It will then be his work. He will

then disarm his adversaries." 2 On the 21st of February

Ingersoll wrote that Livingston had " got most if not all

the President's advisers to second our movement and that

he thinks it will succeed" ' In another letter of the same

date he transmitted the intelligence that the entire cabinet,

with the exception of Taney, was favorable. On the 22d he

had a decisive interview with Livingston, who outlined the

modifications which the president had finally determined

upon. The government was not to hold any stock, but was

to continue appointing directors on the parent board, and

in addition to appoint at least one director at each of the

offices; the states were to be permitted to tax the bank's

property at the same rate used in taxing the property of

state banks ; no real estate was to be held excepting such as

was absolutely needed. These were the president's terms.

His friends added several others: a certain proportion of

the capital stock was to be open to new subscriptions, the

directors were to nominate two or three of their number, and

the president of the United States would appoint one of these

president of the bank. 4 Biddle agreed to all of these terms

i Ingersoll to Biddle, Feb. 12, 1832, B. P.

a To C. J. Ingersoll, Feb. 13, 1832, P. L. £., Vol. IV. p. 167.

> Ingersoll to Biddle, Feb. 21, 1832, B. P.

\* Livingston said : " I wish you would ascertain from him whether the Bank will

agree to the President's views of the terms for a new charter, and he proceeded to

recapitulate them — As my memory might fail me in some particulars, said I,

suppose I make a written note of them. Very well he rejoined, and accordingly

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excepting the last, which he passed without mention. 1 All

was now considered settled, and Biddle was pleased that

finally, after three attempts, the goal would be reached, with

the consent of the president What the dismayed Clay

men would say to this he neither asked nor, apparently,

cared. The welfare of the bank, and not the election of

Henry Clay, was the consideration which swayed him. His

one fear now was that the friends of the institution, in con-

junction with some of its enemies, might postpone the bill, 2

in which case the plan of securing a charter in agreement

with the administration would fall to the ground, since

I sat down at his desk, made the enclosed minute with his assistance, read it to him

when done— and we parted on the footing of his unreserved declaration of his desire

that I would submit them for your approbation or otherwise, as maj be.'\*

THS INCLOflUM

M 1. No government interest in the bank.

" 2. Appointment of one and more directors at the branches.

\*\*S. Gorernment represented there.

"4. Taxation by states of property of bank— i. e.— property in bank whether

real or personal to be liable to same role of taxation of State as their own property.

"5. No real estate except such as b'ot in to secure debts and to be sold in

reasonable time.

" 6. Oorernment to hare no interest in Bank.

M 7. Certain proportion of capital thrown open for new subscription, which

may be done by pro rata deduction from present capital.

" 8. Directors to nominate two or three friends of them President of the United

States to choose one a President.

\*\* written 22d February in Mr. Livingston's house and presenos, read to and

sanctioned by him. C. J. Iwouboll."

In the body of the letter Ingersoll again wrote out the conditions revised as

follows:

" 1. Government no interest in the Bank.

" 2. President to appoint a director at each branch,

" 3. The States to tax its property as they tax own.

" 4. Bank to hold no real estate except such as was taken in payment or secur-

ity of debt, and to part with in set time.

44 These the Pres's terms.

44 5. Certain proportion of capital stock to be thrown open to new subscriptions.

44 This not President's, but Mr. L. seems to be very tenacious of it.

44 6. Directors to nominate annually 2 or 3 persons of whom President to appoint

any one President of the Bank.

44 This neither Pres's nor L's, but others."— Ingersoll to Biddle, Feb. 28, 1832, P. P.

i Biddle wrote out at length the other five points, and assented to them without

reservation.— Biddle to Ingersoll, Feb. 25, 1832, P. L. P., Vol. IT, pp. 247-50.

\*This is "the greatest danger now."— Biddle to Herman Allen, of Burlington,

Vt\* Feb. 27, 1832, ibid., p. 189 ; also to J. W. Webb, Feb. 20, ibid. % p. 176.

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the president would prefer postponement to any action

whatever.

All these fair prospects were unexpectedly blighted by

what appears on the surface to be a remarkable fatality, but

which fuller knowledge may show to have been no chance

medley. It must be recollected that Congress thus far had

taken no decisive step on the subject, so that the president

considered himself as yet unfettered in his action. Just at

the moment when agreement had apparently been reached,

Senator Benton, the inveterate enemy of the bank, resolved

that Congress should act, and in such a way as would pre-

clude for the time being any further consideration of the

plan now before Jackson. Was he acting in conjunction

with those of Jackson's advisers who opposed the bank,

knew what was being done, and had determined to check\*

mate the skilful moves of Biddle and Ingersoll ? Or was

Jackson himself playing fast and loose with McLane and

Livingston ? The latter conjecture is rendered probable by

a letter of February 16 from C. C. Cambreleng to Jesse

Hoyt, wherein he says :

Judge Clayton of Georgia has a resolution prepared and will

offer it as soon as he can — it will cover the objects in view — I

shall see the President to-night — who has a confidential director

on the spot. You need not fear but what we shall take care of the

Mammoth in some way or other. 1

Certain it is that the opponents of the bank had resolved that

the institution should be investigated. The result would be

fatal to the bank's hopes. The president would do nothing

until after investigation, and nothing then if the investiga-

tion did not show the bank spotless, 2 which it certainly

would not do to Jackson's satisfaction. Benton's account of

i Mackenzie, Lives of Butler and Hoyt, p. 101.

\* " On the other hand, should that enquiry not be made successfully and a Bank

bill be passed, the President will most certainly veto it. He is open and determined

on this point. I conferred with him yesterday on the subject."— J. A. Hamilton to a

friend, Washington, March 14, 1832, Reminiscences, p. 243.

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bis maneuver is that he wished to employ this means in

order to furnish campaign material against the bank. 1 He

and his friends therefore determined that an investigation of

its affairs should be demanded in the House. This would

place the bank party in a dilemma. " If the investigation

was denied, it would be guilt shrinking from detection ; if

admitted, it was well known that misconduct would be found" 1

Benton provided A. S. Clayton, of the House, with a number

of charges of misconduct and violation of the charter, and

on the 23d of February Clayton demanded an investigation.\*

The act was immediately fatal to Biddle's well-laid plans.

The president " must needs await the issue " of the inquiry,

said Livingston; 4 and an investigation must take place;

there must be no shirking examination, if the president was

to do anything for the bank. 5 On the 6th of March Living-

ston asserted that the president would assuredly have signed

the bill agreed upon were it not for the action of Congress;\*

and on the 14th he repeated that there was " nothing in

the way but the Inquiry." 7 The president's position, how-

ever, was now completely changed. Neither he nor any

other man knew what he would do. 1

Clayton's demand for an investigation was acceded to

by the bank's supporters after a heated debate, McDuffie

for some unknown reason allowing it to take place under

conditions unfavorable to the bank. 9 Speaker Stevenson,

l " Oar coarse of action became obvious, which was — to attack incessantly,

assail at all points, display the evil of the institution, rouse the people — and prepare

them to sustain the veto."— Thirty Yean, Vol. I, p. 235.

> IbuL % p. 230. > Ibid., pp. 237, 238. \* Ingersoll to Biddle, March 1, 1832, B. P.

• Same to same, March 3, quoting Livingston, ibid.

• Same to same, March 6, 1832, ibid. T Same to same, March 14, 1832, ibid,

l Same to same, March 11, 1832, ibid. Had talked with Lewis, " who does not

know what the President will do." Same to same, March 14, has had "the most

satisfactory interview " with Livingston, bat nothing to be done yet.

• See Adams, Memoirt, Vol. VIII, p. 483. His action, said Ingersoll, was a

\*\* capitulation." Adams said to Ingersoll, " he is politically either a coward or a

traitor." Ingersoll thought it was want of nerve and coolness.— To Biddle, March 2,

1882, B. P. On March 6 Ingersoll concluded, however, that MeDaffie's object was to

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who was an uncompromising enemy, appointed a select com-

mittee with an anti-bank majority. The committee failed,

however, to substantiate a single one of the multifarious

charges. Indeed, the report showed total ignorance of bank-

ing operations and an astounding incompetence on the

part of the majority. They were bewildered by the heaps

of abstruse documents placed before them, they had no

training in monetary affairs, and, worst of all, no kind-

hearted bank president volunteered to lead them through

the doleful labyrinth. The result was an absurdly incon-

sistent and blundering report, which was completely refuted

by the minority, and torn to tatters by a minority of the

minority, John Quincy Adams, whose talents for invec-

tive and scathing denunciation never appeared to better

advantage. Clayton's report was not only admittedly a fail-

ure, but it was greeted with shouts of Homeric laughter by

every man of understanding. " I almost pity Clayton. He

is quite prostrated," wrote Watmough to Biddle, 1 and Niles

declared that the report made converts to the cause of the

bank. 2

Nevertheless, the understanding ones were mistaken,

for " the people," who do not need to understand, were con-

vinced that something was wrong with the bank, and they

were to determine its fate.' More important still for the

moment was the effect upon Jackson, who was convinced

press the tariff question before the bank.— To Biddle, ibid, Biddle was disgusted.—

To C. J. Ingersoll, March 4, 1832, P. L. £., Vol. IV, p. 202. He considered " McDuffle's

acquiescence unfortunate."— To Edward ETerett, March 10, 1882, ibid.

i May 2, 1832, B. P.

\*\*\* Some who had donbts as to the correctness of its [the bank's] proceed ings ,

were satisfied by the shewings of its enemies, .... that all was right 1— and others,

who were opponents of the institution, hare laughed so much at the solemn arraign-

ment of the charges and statements against it, as to become quite good-humored,

and now feel entirely willing to renew its charter, with a few modifications of the

present powers of the institution."— Nh.es, Vol. XTJT, p. 209.

•The fate of the bank and the condemnation of its opponents are unconsciously

pronounced by Benton in these words : " Certainly the great business community,

with few exceptions, comprising wealth, ability and education, went for the bank,

and the masses for General Jackson."— Thirty Yeart, Vol. I, p. 228.

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that the charges had been fairly established. 1 So much may

be gathered from his veto message, wherein he declares that

the examination was " unwillingly conceded and so restricted

in time as necessarily to make it incomplete and unsatisfac-

tory," but yet it disclosed "enough to excite suspicion and

alarm, .... enough to induce a majority of the committee

.... to recommend a suspension of further action upon

the bill and a prosecution of the inquiry," and that " it was

to have been expected that the bank itself, .... would

have withdrawn its application for the present, and demanded

the severest scrutiny into all its transactions." 2 Jackson,

then, was confirmed in his suspicions of the bank's integrity,

and believed that the investigation imposed upon the direc-

tors the duty of withdrawing their application. The plan

of re-chartering the bank at this time with his consent was

no longer tenable.

It remained to do one of two things: either to withdraw

the bill, or to press forward in the hope that the president

could be persuaded to assent or that the necessary two-thirds

majority for the bill could be secured. Rumors that the

measure would be deferred had existed, and they revived

now.\* But on this point Biddle was inexorable. The

measure could not be withdrawn without a tacit confession

of error in having presented it The leaders of the National

Republicans were also resolved that there should be no

postponement. 4 I t was th is dog ged resolution to press for-

1 "The affairs of the Bank I anticipated to be precisely such as 70a have inti-

mated. When folly disclosed, and the branches looked into, it will be seen that its

corrupting influence has been extended eTerywhere that could add to its strength

and secure its recharter."— Jackson to James A. Hamilton, March 28, 1832, RenU-

ni9cenct» y p. 244.

2 Mcuaot\* and Papery Vol. II, p. 589. > McLane to Biddle, April 8, 18S2, B. P.

\* " Messrs. Clay and Webster replied .... that they were confident of their ability

to carry a bill through Congress re-chartering the bank, eTen though the bill should

encounter a presidential Toto ; but that they could not be responsible for the result

if, in the heat of the contest, the bank, abandoning its reliable friends, should strike

hands with its foe."— Wkkd, Autobiography, Vol. I, p. 874. See oorroboratiTe state\*

meats in Inokrsoll, Vol. II, p. 269.

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ward, despite Jackson's opposi tion, which rui ned the insti-

t ution, becomin g "the great cause of the conflict which arose

between the Bank an d the President," ' and it explains

Livingston's assertion that the veto "co uld not have been

avoided ; the managers of the bank drew it on jhems elvee."\*

Nevertheless, though Hetermined to prosecute the attempt

notwithstanding the opposition of Jackson, Biddle resolved

to approach him once more. On the 20th of May he took

up quarters in Washington to manage the campaign in

person, and immediately attempted to return to the plan

so near success before the fatal investigation. He sought

out McLane and had a "full and frank conversation"

with him on the subject He then saw Livingston. He

argued that the investigation had resulted so favorably

for the bank that it disarmed, "or ought to disarm some of

the hostility hitherto entertained." Consequently Jackson

could revert to the project agreed upon before the investi-

gation, the bank being willing to accept "such modifi-

cations as would be agreeable to the administration." It

was awkward, he said, to have "the measure before Congress

while the Department to which it belonged had no cogni-

zance of it." McLane and Livingston conferred together,

probably consulted the president, and took once more the

sense of the cabinet. But the situation was unchanged.

Livingston assured Biddle that "the awkwardness was

irretrievable." 8 Jackson would be satisfied only by the

withdrawal of the measure.

i Ingersoll to Biddle, Washington, Jan. 18, 1833, B. P.

2 Livingston to Dallas, Aug. 26, 1832, Hunt, Life of Livingston, p. 870.

s "On my arrival I began with a full and frank conversation with Mr. McLane

on the subject of the Bank and at his suggestion saw Mr. Livingston — after which

they conferred — and I saw Mr. Livingston.

u The general purport of my communication was this. The investigation has

given a new aspect to our affairs — it disarms, or ought to disarm some of the hos-

tility hitherto entertained towards it, and furnishes a new motive for pressing a

decision. Under these circumstances it would be very agreeable if the Executive

would concur in promoting the object— which we would gladly attain by accept-

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Having failed in this last attempt, nothing remained but

to press the bill, 1 making it as unobjectionable to the presi-

dent as possible, in the hope that his assent might thus be

secured. As Biddle knew precisely the kind of a charter

which the president could be brought to compromise upon,

the task was not difficult; and a reading of the bill to con-

tinue the bank will show that some attempt was made to

meet the president's wishes. 1

After the interview with McLane and Livingston, Biddle

had a conference with McDuffie and Webster, and it was

determined to take up the bill in the Senate first.' Accord-

ingly on the 23d of May Dallas, reporting from the Select

Committee to which the petition for re-charter had been com-

mitted, 4 outlined the amendments to the original charter

which the bank party was willing to grant. A number of

other amendments was suggested, both by the friends and

by the enemies of the bank. The southerners wanted the

rate of interest lowered, 5 and it was proposed that, instead of

demanding a bonus, the rate should be 5 per cent\* Mangum

thought that this concession would tend most materially to

"allay public excitement in the South." 1 Other amend-

ments offered demanded that no branch should be established

ing such modifications as would be agreeable to the administration. I stated more-

orer the extreme awkwardness of haying snch a measure before Congress while

the Department to which it belonged had no cognizance of it — and my anxiety to

cooperate with the Executive in modifying and perfecting the measure. I need not

detail peculiarity of their situation which makes them passive and all that I could

learn from Mr. Livingston was that the awkwardness was irretrievable— and that it

only remained to make the bill as unexceptionable as possible.

" We have then parted good friends.' 1 — Biddle toCadwalader, May 30, 1832, B. P.

i " I then betook myself seriously to the passage of the bill."— Same to same,

ibid.) loc. cit.

3 In these points : Not more than two offices in each state ; real estate not neces-

sary to the bank's business not to be held more than five years; the bank might

appoint two officers to sign its notes."— See Ingersoll's remarks, Vol. II, pp. 268, 260.

> Biddle to Cadwalader, May 30, 1832, B. P. Note the absence of Clay.

\* Dallas, Webster, Hayne, Johnston, and Ewing. All friends of the bank except-

ing Hayne — C. D. % Vol. VIII, Part I, p. 55.

6 Forsyth, June 6, 1832, ibid., p. 1045.

•Bibb, June 4, 1832, ibid., p. 1022. T Maicoum, June 5, ibid., p. 1030.

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in a state without the state's consent ; that branches should

be subject to taxation by the states; 1 that the president of

the United States should appoint all the presidents and one-

half of the directors of the bank and its branches, who need

not be stockholders; 2 that the bank should be required to

take any of its notes at any of its branches in payment of

debts from individuals;\* that its monopoly should be de-

stroyed; 4 that members of Congress and officers of the gov-

ernment should be prohibited from holding stock;\* that in

case the public deposits exceeded $1,000,000, interest should

be charged at 3 per cent. ;\* and that foreigners should not be

permitted to own stock. 7 It is apparent that all these amend-

ments contemplated no fixed plan of improving the bank as

a financial concern. The only one which could be so con-

sidered was that compelling it to receive all its notes from

individuals in the payment of debts. The remaining amend-

ments looked to depriving the bank of power and efficiency

for the benefit of state rights or of state banks, or else were

intended to diminish its profits. They were offered mainly

with the purpose of embarrassing the bank and assisting

Jackson in the coming campaign." All new amendments

were rejected with the exception of one compelling the bank

to furnish annually to the secretary of the treasury a list of

foreign stockholders, and to any state treasurer, on demand,

a list of stockholders resident in his state; and another

allowing Congress at any time to prohibit the issue of all

notes of a smaller denomination than twenty dollars.

Even at this juncture Biddle was warned to pause, and

the bank Democrats appealed to him to defer the bill\* He

i Mabcy, June 6, C. />., VIII, Part I, p 1043. » Bibb, June 1, ibid., p. 1006.

• Idem, ibid., p. 1007. \* Benton, Jane 2, ibid., p. 1007.

ft Idem, ibid., p. 1010. e White, June 6, ibid. % p. 1045.

• Benton, Jane 2, ibid,, p. 1010. \* Thirty Year\*. Vol. I, p. 238.

• Benton said as late as Jane 2 that Jackson would Teto the bill if "pressed

now."— Inobbsoll, Vol. II, p. 280.

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refused. On the 9th of June the resolutions of the Penn-

sylvania legislature instructing their senators and asking their

representatives to vote for the bill were presented in the

Senate. Two days later the bill passed that body by a vote

of 28 to 20/ and on the 3d of July the House of Repre-

sentatives by a vote of 107 to 85. 2 The vote in the Senate

is significant of the position of various parts of the Union

on the question. All the New England senators voted aye

excepting Hill of New Hampshire ; of the senators from the

middle states only three were opposed, those from New York

and one from New Jersey. In the South and Southwest

only three were favorable, those from Louisiana and one

from Mississippi All the western states were favorable

excepting Kentucky, Illinois, and Missouri, which divided

their votes. The determined opposition was from the South

and Southwest'

The new provisions modified and improved the original

act. The bank was given a renewed lease for fifteen years ;

it might have two or more officers whose sole duty should

consist in signing its notes of a less denomination than

$100; it was to issue " no branch bank drafts, or other bank

paper not payable at the place where issued" under the

denomination of $50; it was to pay all notes of a less denomi-

nation at the bank and at the office whence issued; it must

receive all its notes at whatever offices tendered in payment

of debts due from state banks; it must not hold for a longer

period than five years real estate in excess of what was neces-

i 8enale Journal, 22d Cong., 1st Seas., p. 345. Biddle then returned to Philadel-

phia.

^ Haute Journal, 22d Cong., 1st Seas., p. 1074.

\* 8enate Journal, 22d Cong., 1st Sess., pp. 345, 346, June U, 1832. For : Maine, Ver-

mont, Bhode Island, Connecticut, Massachusetts, Pennsylvania, Maryland, Dela-

ware, Ohio, Indiana, Louisiana. Against: New York, Virginia, Sooth Carolina,

North Carolina, Tennessee, Alabama, Georgia. Divided : New Hampshire, Kentucky,

Illinois, New Jersey, Missouri, Mississippi. Senators instructed for : Pennsylvania,

Maryland, Delaware, Louisiana; against: New York.— House Journal, 22d Cong.,

1st Seas., p. 500.

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sary for carrying on its operations ; it must not have more

than two offices in any state where more than that number

were not already established; it was to pay an annuity of

$200,000 to the United States ; Congress might prohibit the

issue of any notes of less than $20; the cashier was to

furnish annually to the secretary of the treasury a list of

foreign stockholders, and, on demand, to the treasurer of any

state a list of stockholders resident in his state. 1

These amendments were Hrilfnlly /jfflicnflri t^ fffitfafy thn

powerful opposition of states and » Mrft bft pks and th at

arousedHby flieTissue of branch drafts, but they also achieved

a much more commendable purpose — that of amending the

currency by modifying the bank's privileges of issue. The

attention of Congress was evidently fixed on this question

almost to the exclusion of any other. This was natural,

because the issues were the absorbing subject of discussion

at that day, and were much more important than later,

because deposits constituted a relatively small part of the

bank's currency. The amendments were consequently of

much importance. Thus the permission to have officers

whose sole duty should be the signing of the bank's bills

would permit the issue of sufficient paper to supply the South

and West. It would also render counterfeiting more difficult.

The prohibition of the issue of branch drafts would terminate

the use of an irregular currency, which might be dangerous,

and which was certainly not amenable to the laws that

applied to the rest of the bank's issues ; the clause compel\*

ling the bank to pay all its notes of a less denomination than

$50 at the place of issue would make almost all the bank's

notes payable at these places, as well as at the parent bank;

it would tend to destroy the slight depreciation which existed,

and to place a check upon over-issues, since the notes would

be more easily redeemable than in the past ; the necessity of

i Senate Journal, 22d Cong., 1st Sess., pp. 451-3. See Appendix IV for the bill.

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accepting all notes from state banks would operate in the

same way, but to a much greater extent, since it would have

meant virtually the receipt of all notes at all the offices from

both the state banks and individuals. Individuals with dis-

tant branch notes would have deposited them in state banks

if the branch refused to accept them, and the state bank

would then offer them in payment of balances when they

would of necessity be received. The arrangement would

therefore terminate all depreciation ; it would do much more

than this, for it would materially reduce the bank's ability

to control the issues of the state banks, giving the latter a

power to draw specie for notes not issued by the particular

branches at which the notes were offered. The inevitable

result would be that the bank must diminish its business in

order not only to retain control of the state banks, but also

to prevent them from securing ruinous control over it. The

state banks would in turn be compelled to diminish their

accommodations. The effect would certainly not have been

injurious from a business point of view, since it would place

new restrictions on the tendency to over-banking; but it

would be so annoying to the bank that Biddle protested

vigorously against the provision. 1 Remonstrance was use-

less, for Senator Ewing, who championed the amendment,

declared flatly that unless it were incorporated in the bill

many of the western members would not vote for the bank. 1

Under its operation the bank's notes would have been as

convertible as the notes of the present national banks.

Similarly, the clause permitting Congress to prohibit the

issue of all notes less than $20 would, if Congress used the

power granted, materially reduce the bank's circulation in

the interest of the state banks. All the defects of the bank's

note issues would have been supplied if the bill for the new

charter had succeeded.

i To H. Binney, Feb. 1ft, 1832, P. L. £., Vol. IV, p. 181.

a H. Binney to Biddle, Feb. 14, 1882, B. P.

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Still another clause which would have had a far-reaching

effect in improving the character of the bank's business was

that providing that the corporation should not hold longer

than five years real estate acquired for other than its neces-

sary business operations. The result of this clause would

have been to diminish the temptation to loan on mortgages

and other real-estate security — a practice which was largely

responsible for the bank's difficulties in 1819. In so far as

the clause thus operated, it would have been of vast conse-

quence in the improvement of banking everywhere in the

United States. No doubt it would have diminished the capi-

tal loaned in the West and South, thus decreasing the bank's

profits while increasing its security. 1

The remaining amendments were important, but by no

means so essential as those already mentioned. Tfrg rrestric-

tion of its offices to two in any one a \*\*?\*™3& ft fmnfww™n to

state rights and to state banks; the necessity of supplying

the secretary of the treasury with the names of foreign stock-

holders could serve no particular purpose, except that it met

a popular demand; but that of giving to state treasurers the

names of resident stockholders might furnish an opportunity

to the states to tax the bank indirectly by taxing its stock.

Had the bill been approved, the bank would have lost none

of its usefulness, and a marked improvement of the currency

would have resulted, to such an extent, indeed, that the cur-

rency of 1837 would have been easily convertible, elastic,

undepreciated, and little liable to over-issue.

What would Jackson do with the bill? Well-informed

men on both sides were confident that he would veto it

On May 31 Cadwalader declared that the veto was certain.

"I say the veto—ior VETO IT WILL BE!" he exclaimed. 1

Biddle was almost as certain as Cadwalader.' Robert Pat-

i The provision as first introduced fixed the term of holding at two years, which

would in all probability have completely checked loans on real-estate security.

'To Biddle, May 31 [1832], B. P. > To Cadwalader, July 3, 1832, ibid.

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terson, a friend of Biddle, tried to persuade the president

that he should affix his signature, and thought that the diffi-

culties and objections were not " insuperable." 1 But he was

mistaken, for on the 10th of July the president returned the

bill to the Senate with his objections. 9

The fi TH"if.JAl nnri AnTitttitnti^nfll flrgn^^ntff ^f thjff fflm^np

mess age have been keenly criticised, and, whatever may b e

the validity of its constitutional objections, its economic

reigning fe in \*>»<> mfv n'Hfcne ath contempt\* But th e

TftAfmniTng wflfi itw lflnfl^ valuable part, for it appealed to a

clientele which was utterly incapflr 1 \*\*"\* 1 \*\* — from. . distin-

guishing timfh^frntn, fftlaph pod in m atte rs so abs truse, but

unders tooJ^completely the ar guments which appealed to

Jackson himself. To be told that the charter would present

"a gHtUity" of many millions to the stockholders," of

whom the holders of "more than eight millions" were

foreigners, and that this gratuity " must come directly or

indirectly out of the earnings of the American people;" that

the stock would "be worth 10 or 15 per cent more to

foreigners than to citizens of the United States;" that

such grants had a tendency " to make the rich richer and

the potent more powerful;" that in case of war with a

foreign nation, a bank "almost wholly owned by subjects"

of that nation " would be more formidable and dangerous

than the naval and military power of the enemy;" that the

bank's loans in the West involved " a burden upon their

industry and a drain of their currency" — all this, though

demonstrably and grossly false, seemed comprehensible and

was certainly terrifying, and the masses were grateful to

learn these things which had been hidden from the wise

and prudent and revealed unto Andrew Jackson.

i To Biddle, Juno 21, 1832, ibid. \* Ifetsatfes and Paper\*, Vol. II, pp. 576 ff.

\* Livingston, who wrote many of the president's papers, teemed to consider it

necessary to deny that he had anything to do with this.— Livingston to Dallas,

Aug. 26, 1832, Hunt, Living&ton^ pp. 870, 871. Taney was one of the contributors.—

TriiBE, Memoir of R. p. Taney, p. 181.

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The message was even stronger, and certainly more

defensible, in its attack upon the charter as a monopoly

granting privileges to a favored few, and therefore opposed

to the principles of democracy and dangerous to the govern-

ment and country. It is hard to believe, however, that

there was much weight in this strain of argumentation, but

it was very influential with the people.

Of the other objections little need be said : The presi-

dent asserted that the bill favored state banks as against

individuals ; that the bonus was too small, the capital too

large ; that the institution was dangerous to the rights of

the states because they were not permitted to prohibit the

placing of branches in their territory, or to tax it; that it

was virtually a foreign bank ; that it was not necessary to

the government; that it was unconstitutional; and that he

could have furnished a better plan had he been called upon

to do so.

Thfifttrenffth of the veto consisted in its appeals to Am eri-

cans againaLf^eigners ; to the poor against the rich ; to the

W est against the E astfl prihe dem ocracy against privilege.

These\_were powerful sentiments, \_and once thoroughly

aro used we re certain to overthrow the b ank.

The blindness of the bank's supporters was ludicrous and

almost pathetic. Cadwalader said the bank's life depended

"on getting the veto now — so that the nation may be

roused before the autumnal elections .... if vetoed now

I should feel sanguine as to the two thirds of the new

Congress." Regarding the message from the point of view

of intelligent men, the bank's partisans exulted, considering

it as utterly contemptible, and, instead of perceiving the

peril which lurked in its appeal to popular prejudices and

to the democratic passion for equality, they thought it so

anarchical that everyone would reject it, and they conse-

iTo Biddle, May 31 [1832], B. P.

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quently circulated 30,000 copies of it as a campaign docu-

ment calculated to "damn the administration wherever it

was read. 9 ' ' Biddle considered the effect of the veto as all

that "the friends of the Bank and of the country could

desire;" he was "delighted" with the message: "It has all

the fury of a chained panther, biting the bars of his cage.

It is really a manifesto of anarchy, such as Marat or Robes-

pierre might have issued to the mob of the Faubourg Si

Antoine." ' The general contempt of the bank's adherents

was well expressed by one of them:

This document .... will probably be kept in memory. ....

and often appealed to as a curious example of the extent to which,

at the commencement of the nineteenth century, the elected chief

magistrate of a free, civilized and enlightened people dared to

insult the common sense and moral feeling of his constituents. 1

After the message was received, a number of speeches

was made in the Senate to furnish campaign material, for

no one expected that the bill could be passed over the veto,

and it finally failed by the Senate's vote of 22 to 19/ .

In the campaign which immediately followed the bank

was the paramount issue, and it was soon evident that the

veto, instead of providing a congressional majority of two-

thirds for the bank, had lifted Jackson to the summit of

popularity, 1 for the election closed with his overwhelming

i Pajeton, Vol. Ill, p. 411. The accounts of the bank contained an item of 1558

paid for " printing Oen. Jackson's veto, 80,000 copies, wrapping and distributing

them."— 8. D. 17, 23d Cong., 2d Sess., p. 325. See Watmongh to Biddle, Sept. 25, 1832,

B. P. " May I beg the favor of yon to send me this afternoon another ample supply

of the Veto document .... It is an admirable paper and is attended with the best

effects."

»To H. Clay, Aug. 1, 1832, Clay's Correspondence, p. 341.

\* Pamphlet on The Conduct of the Administration, pp. 57, 58.

\* Senate Journal, 22d Cong., 1st Sess., p. 463.

\* Jackson was much more clear-sighted in this respect than his opponents. Writ

ing to Lewis, Aug. 9, 1832, he said : " With my sincere respects to Kendall A Blair, tell

them the veto works well, A that the Globe revolves with all its usual splendor —

That instead, as was predicted A expected by my enemies, A some of my friends,

that the veto would destroy me, it has destroyed the Bank."— Sumnks, Jackson

(revised), p. 826, quoting Ford manuscripts, now in possession of the New York

Public Library. See Bulletin of New York Public Library, Vol. IV, No. 9, pp.

299,800.

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triumph, 219 electoral votes being cast for him against 49

for Clay. 1 As Biddle had clearly foreseen, the victorious

general accepted the result as a distinct approval of his

veto and a mandate to complete the work so nobly begun.

He was justified in so regarding it. "Riddle ht\fl nrxmmW^

a monst rous e rr or with hio o yo a wido opon — ho had applied

for a re ch a rtor at a moment - wh i ch pr e cipitated tho question

into politics. Th ft bfl^k war beg an at\_that jjoint Thence-

forth the bank acted, not as a business c orporati on should

act, but as a body possessi ng p olitK^iljfop^tioT]" ftT1 d created

forjjoUticaljpuiposes; it divided the Democratic party into

bank and anti-banklactions7 and drove Juuksun to the walL

It is no wonder^ there fore, th at Jackson was inf uriated and

dfttfufpiTiftH +r» ato nli t, hfr bank Had he faile d to act as he

did, he would have been incon sistent and lacking^ in moral

courage — he would not have been Andrew Jackson.

i The new House of Representatives stood 140 for Jackson, 100 opposed.— Nilbs,

Vol. XLV, p. 228, note.

CHAPTER XI X

THE CHARGES AGAINST THE BANK

The subject in connection with the bank which always

arouses most interest is its alleged corrupt connection with

politics. It may be said at once that there [never has been

any evidence produced to show that the bank as a national

bank ever spent a dollar corruptly. ^ Yet the accusation

was repeated so often that historians have been inclined

to accept as proved what was only vehemently asserted,

and it begot an incurable suspicion which has endured to

this day.

It is (self-evident that the bank would be affected by

political consideration since from the beginning to the end

of its existence it was to a large extent subject to the will

and whim of politicians, and it was frequently attacked by

them. Had the board of directors been composed exclu-

sively of canonized saints, still the conciliation of politicians

and political forces would have been necessary. The only

question worthy of discussion is that of the bank's honesty

or corruption in this situation.

Biddle in 1829 rejected as totally inadmissible any

attempt to create boards on which the political parties were

fairly balanced, and declared that political affiliations should

not be considered in such selections. He was right in this;

but it must not be supposed that the proposition of a politi-

cal balance was novel, or that Jackson Democrats first sug-

gested it, or that there was any moral obliquity in such an

arrangement When the first government directors were

named, President Madison frankly selected them all from

his own political party, and the private stockholders, quite

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certain that the bank most either be a political machine or

possess a balance of parties, elected ten Republicans and

ten Federalists as their members of the board. Madison

and his capable and honest secretary, A. J. Dallas, then

struggled successfully to secure the presidency of the bank

for a Republican partisan of no particular ability or experi-

ence as a banker, 1 and thus the disasters consequent upon

the presidency of William Jones are primarily chargeable

to James Madison and Alexander James Dallas.

The policy of political balance then inaugurated was

religiously pursued all through the administration of Wil-

liam Jones, and certainly through part of that of Langdon

Cheves. Writing to Biddle in 1820, John McEim urges

him to assist in the election of a Republican director at

Baltimore, "as you know that the Republicans are one short

of their number, and the necessity of giving us our share of

the Directors, as we do hold more than the half of the stock,

and it having been Policy to divide the two Partys in the

direction, since the Bank was established" 1 When this

equal division ceased it is not possible to say, but it may be

reasonably presumed that the disintegration of parties under

Monroe caused its cessation.

Biddle was opposed to the practice, 1 and fought against

it strenuously when it was suggested in the case of the

Kentucky branches and the branch in New Hampshire in

1829. He then stated that he considered such an arrange-

ment as largely responsible for the bank's losses in the West

in the early years of its career. 4 As to his rumored desire

i See p. 22 for the evidence. 2 Jan. 8, 1820, B. P.

\* " The trnth is, that every day's experience satisfies me, that the safety of the

Bank, lies in its complete estrangement from politics."— Biddle to B. Smith, Feb. &,

1829, ibid.

'"The trnth is, that almost all the misfortunes of the Bank of the United

States, are traceable, directly or indirectly, to politics. In Kentucky the losses were

in a great measure incurred by loans to prominent politicians of all sides whose

influence procured them undue facilities which ended, as frequently happens in such

eases, by ruining them as well as crippling the Branches. These things have made

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to have the bank anti-Jackson, he repudiated it altogether,

and constantly wondered why anyone could suppose that a

bank would care which political party was up or which was

down. He was never weary of quoting Dean Swift's remark

that "money is neither Whig nor Tory," and in asserting

that "men will lend where they are sure of getting back

their money with a profit 9 ' This was sound sense, and hold-

ing these opinions with deep conviction Biddle was anxious

above all to exclude political considerations.

Nevertheless he was not able to carry out his wishes

altogether. During Adams's administration members of the

party in power were no less ready to complain and to

demand assistance from the bank than were the Jackson

politicians later. Biddle repulsed them with as little cere-

mony as he repulsed Ingham, 1 yet he was compelled to

consider political affiliations in the appointments to the

boards all through his presidency. In January, 1824, there

was dissatisfaction in Boston with the political complexion

of the directorate there, and B. W. Crowninshield was

substituted for a Federalist on the parent board in order to

give the other party a chance and to assuage " feelings which

may hereafter grow into hostility."' Again in 1828 he

retained the services of C. P. White at New York because it

was not expedient to " alienate a member of the Board at

such a time — to offend personally a member of that Con-

gress before whom the Bank may probably come for a

renewal of its charter," \* while in November, 1832, he was

us sensitive on that point, and unwilling to see any great political influence intro-

duced, which might lead to a recurrence of similar misfortunes."— Biddle to John

McLean, Jan. 10, 1829, confidential, ibid.

i " I will not give way an inch in what concerns the independence of the Bank,

to please all the Administrations past, present or future.

"The bigots of the last reproached me with not being for them — the bigots of

the present will be annoyed that the Bank will not support them.

" Be it so. I care nothing for either class of partisans and mean to disregard

both."- Biddle to Dickins, Sept. 16, 1829, P. L. B. % Vol. Ill, p. 67.

« Biddle to David Sears, of Boston, Jan. 5, 1824, ibid., Vol. I, p. 90.

»To L Lawrence, Nov, 28, 1828, private, ibid.. Vol. U, pp. 434, 435.

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anxious " to conciliate gentlemen who may be useful to the

institution," 1

It will be observed, however, that there was no plan of a

political balance in these instances. Another conclusion

must also be drawn, that, so far from trying to constitute his

boards all of one political party, as the Jackson politicians

asserted^Biddle took unusual pains to appoint members of

the various parties when he could secure those who were

qualified for the positionsT\ After the correspondence with

Ingham and the reiterated charges of doing precisely what

he wished to avoid, Biddle introduced additional Jackson

politicians into the boards. He did this at Baltimore, 1 at

New York,' at New Orleans, 4 at Portsmouth, 1 at Nash-

ville, 8 at Lexington, 7 and at Utica.\* He allowed Lewis to

i " In the choice of our Directors it often becomes necessary to conciliate gentle-

men who may be useful to the institution — and to be very careful not to alienate our

friends. At the present moment it is especially desirable to avoid everything which

might estrange those who are engaged in a cordial and warm support of the Bank.\*\*

—To M. Robinson, Nov. 30, 1832, P. L. P., Vol. IV, p. 328.

a Biddle to , of Baltimore, Nov. 22, 1829, Dawson, Historical Magcutine^ 2d

ser., Vol. IX, pp. 10, 11.

s "On examining your list of Directors, it struck me that it might be liable to

the reproach of being exclusively composed of gentlemen of one political party. I

have but a moment to ask you and Mr. Robinson to name two or three gentlemen

who are considered friendly to the present Administration who would make good

Directors."— Biddle to I. Lawrence, Nov. 27, 1829, P. L. P., Vol. Ill, p. 96.

\* " You will not be displeased to know that at the last meeting of the Board,

Martin Gordon and Maunsel White were two of the four new members elected as

Directors of the office at New Orleans."— Biddle to Lewis, Nov. 29, 1829. ibid., p. 97.

5 Biddle to Cadwalader, Aug. 28, 1829, P. P.

8 Biddle asked Lewis's opinion about the Nashville board, Oct. 14, 1828 (P. L. P.,

Vol. m, p. 75) ; and again in April.— Same to same, April 27, ibid., p. 229. Lewis sent

a list of names for members of that board May 3, 1830.— Lewis to Biddle, P. P.

Biddle received it with thanks.— To Lewis, May 8, 1830, private, P. L. P., Vol. HI,

j>p. 239, 240. On May 24 he sent Nichol's list to Lewis, and asked for Lewis's opinion

of it.— Same to same, private, ibid., p 249. Lewis violently opposed the nomination

of any of Governor Carroll's friends.— Same to same, June 11, 1830, confidential, ibid.,

p. 270. When asked for reasons, Lewis said that the person to be appointed was

obnoxious to the friends of the present administration.— Lewis to Biddle, June 13,

1830, B. P. Biddle assured Lewis that his wishes should be respected.— To Lewis,

June 21, 1830, P. L. P., Vol. Ill, p. 274. Governor Carroll's nominees were not

appointed.— Biddle to Carroll, June 22, 1830, ibid., pp. 279, 280.

7 Lewis sent a list of directors for the Lexington branch early in 1830.— Biddle to

Lewis, Feb. 24, 1830, ibid., p. 185.

8 General P. B. Porter was not to be chosen president because of his anti-Jack-

son affiliations— Biddle to Porter, Sept. 25, 1829, ibid., p. 70.

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name most of the members of the Nashville board, 1 took

his advice about the Lexington branch, and ceased his com-

placency only when he saw reason to suspect that the wily

major would soon be naming all the western directorates.

In August Lewis wrote saying that he was half ashamed to

ask for further favors, but that " Our friends at Louisville,

Kentucky, think they are not fairly and equally represented

in your Branch at that place," and he forwarded the names

of three gentlemen whose appointment would probably

" give entire satisfaction to the friends of the administration

in that part of the state.' 9 \* This further encroachment upon

the province of the bank exhausted the patience of its much-

enduring head, and he politely declined to introduce " new

members .... for the purpose of making any political bal-

ance." \* The refusal is creditable to Biddle ; it proves that

he would not be subservient to the administration even at a

most critical moment in the bank's attempts to secure Jack-

son's assent to a re-charter, and that he was fixed in his

determination that the bank should not degenerate into a

political machine.

It may be argued, however, that while the parent board

was free from political chicane and bias, the local boards

were not Such arguments are undoubtedly applicable to

the early years of the bank, because in the southern and

i Lewis ought to be satisfied, " for oat of the whole Board, a very large propor-

tion are of gentlemen nominated by yourself."— Biddle to Lewis, June 22, 1890,

ibid., p. 277.

\*" Ton have conferred upon me so many and such great favours I am almost

ashamed to ask for any additional ones. But still I must ask one more of your

Board. .... I have been furnished with the names of three gentlemen, who, if

appointed Directors for the next year; in your Louisville Branch, I have reason to

believe will give entire satisfaction to the friends of the administration in that part

of the state."— To Biddle, Washington, Aug. 18, 1830, B. P.

\*"To introduce new members— members not so well qualified as those now

there, for the purpose of making any political balance, would be wrong in itself and

would expose us to the very imputation we wish to avoid of looking to party con-

aiderations. On the whole therefore I thought it better to let the business consid-

erations prevail over politics."— To Lewis, Oct. SI, 1890, P. L. £., Vol. Ill, circa

p. 810.

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western states campaigns at times revolved about banking

questions and would involve the institution despite itself.

Every officer and employee of the Bank of the United States

must have been on one side during the struggle between the

new and the old court parties in Kentucky, and such occur-

rences would lead to the conviction that the bank spent

money for the purpose of controlling elections which were

vital to its interests. It is also certain that a board of

directors composed of intelligent business men would con-

tain few members of the Jackson Democracy — a condition

which would incur suspicion of political favoritism. 1 As the

bank's loans would be made mostly to the same class as that

from which the directors were selected, a charge of discrimi-

nating against Democrats would inevitably arise.

Consequently assertions of corruption at the branches

were frequently made. As early as 1825 it was insinuated

that the president of the Washington branch, though recog-

nized as incompetent, had retained possession of his office

because of his influence with the Monroe administration.\*

In regard to Kentucky frequent charges of unjustifiable politi-

cal activity were made.' Blair asserts of his own knowledge

\* " And the only reason why more Jackson men have not been recommended, is,

that it so happens that a large majority of the most respectable merchants belong

to the other party."— Shippen, cashier of Louisville branch, to Biddle, Jan. 26,

1829, S. D. 17, 23d Cong., 2d Sess., p. 903.

2 " Mr. Swann has been heard, as I was credibly informed, to drop hints and

threats, of its being in his power to turn the whole weight and influence of the execu-

tive against Mr. Biddle so as to endanger his re-election as president of the mother

bank. One thing is notorious here, that the executive influence, in all its ramifica-

tions, was decidedly exerted to uphold the election of Mr. Swann ; 1 refer here to the

late administration."— R. C. Weightman to the stockholders of the Bank of the

United States, July 26, 1825, p. 9.

' "Dear Sir — In the summer of 1828, 1 was informed by Mr. , of Frankfort,

that on the Sunday preceding the election in 1825, it was determined by two direc-

tors of the United States branch bank at Louisville, where he then resided, to appro-

priate $250 of a certain contingent fund, or secret service money, belonging to the bank,

of which fund they had the control, to aid the party called the old court party,

in carrying the elections in Jefferson county. Mr. further stated that $100 of

the money was put into the hands of himself and another gentleman on that day,

that they went to Shippingsport and opened grog shops with it, and hired hacks to

carry up voters ; that the balance was put into the hands of others for like purposes,

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that " bank men " employed bribes to influence the elections, 1

though the phrase "bank men" is scarcely sufficient to

include officers of the bank. Like assertions were made in

reference to Louisiana. 2 From South Carolina reports came

of officials of the branch engaging actively in politics. 1 Hill,

of New Hampshire, declared in the Senate that the Ports-

mouth office " was made a party engine " in 1828, and that

"it was the principal instrument' 9 in carrying the state for

Adams; 4 while Clayton, of Georgia, asserted that the presi-

dent of the Norfolk branch had engaged most offensively in

politics, publicly declaring that he was " opposed to General

Jackson,' 9 and becoming involved in fisticuffs as a result 1

These are the specific charges of political action which

admit of examination. The charge against the president of

the Washington office is of no moment He did indeed

exert his supposed influence with the administration to

secure his election to the local board, and was severely

in Louisville; that they did employ with that money all the hacks in the place, and

to use hi\* own expression, \* did a main business on Sunday.\*

" Not being authorised to use this information on Mr. \*s authority, I

requested Mr. Gilly Cuddy to prove it, if possible, through other channels, and

these are facts to which he alludes.

" Very respectfully,

" Amos Kendall.\*'

—Letter furnished by Amos Kendall, Not. 23, 1829, Nilks Vol. XLII, p. 315, note.

'"We have known rifle guns, horses, and pieces of furniture, presented by

Bank men to certain active and zealous neighborhood talkers, opposed to the

Bank."— Extra Globe, Vol. I, p. 177, Sept. 8, 1834.

» Ingham, Niles, Vol. XLII, p 315, and B. P.

• "I have recently received a pamphlet, .... which contains the following

passages: .... the president of the bank of the United States, wot not leu active, and

the head ichich preside\* over this great Federal institution, teas seen superintending

with an anxious scrutiny, the polls at the election."— Biddle to Joseph Johnson, presi-

dent of Charleston branch. Sept 27, 1830, 8. D. 17, 23d Cong., 2d Sess., p. 308.

\* June 8, 1832, C. D., Vol. VIII, Part I, p. 1082.

6 •• The president of the Norfolk branch did in person attend the polls, at an

election for the member of Congress, challenged the voters as they came up to the

clerk's table, some he changed, and, when reproached for his conduct, he stated that

he was indifferent as to the candidates individually, but he stood there opposed to

General Jackson. This course of conduct produced great excitement, which termi\*

nated in a fight between the president of the bank and the person who reproached

him, immediately in the presence of the managers."— Ibid., Part II, p, 1904.

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censured for doing so by the president of the bank. 1 In the

New Hampshire case no political acts were adduced, and the

only circumstances which gave color to the assertions were

that the president there was an old-time Federalist and a

friend of Webster. The New Orleans charges were admitted

by President Jackson to be baseless; 2 those in regard to

South Carolina were of a different character. It was asserted

that the president there, who was an active politician, had been

seen " superintending .... the polls at the elections" —

which might well be without involving the branch. Unfor-

tunately, this officer insisted on taking an active part in the

heated campaign over nullification — opposing that heresy

with all his power. Biddle wrote him a letter requesting

that he refrain from such action, as it was calculated to injure

the bank, and added, "no principle is more fundamental

than its total abstinence from politics." \* Johnson's subse-

quent activity, however, occasioned complaint on the part of

Vice-President Calhoun and Senator Hayne. 4 The charge

against the Norfolk officer is of the same character. He was

at the polls and opposed to General Jackson, but how this

involved the bank it is difficult to see. In regard to the

charges against the Kentucky branches, Jackson expressed

himself as satisfied that they were without foundation as far

as the parent board was concerned/ The directors there

denied them; while Biddle urged the officers to exercise care

in avoiding all cause for such complaints. 6

i Biddle to Swann, March 17, 1824, 8. D. 17, 23d Cong., 2d Seas., p. 297.

»Seep. 188.

< Sept. 27, 1830, 8. D. 17, 23d Cong., 2d Sess., p. 306. See also Nilbs, Vol. XL.I, p. 478.

\* Mr. Calhoun said that " the coarse taken by the Branch at Charleston may

have soured him [Hayne]. I asked what it had done? He said that it had taken an

active part in their State politicks, that I ought to apprise you of it,— that yon might

correct, and I think he said, remove those who had been intermeddling."— 8. Smith

to Biddle, Jan. 27, 1831, B. P.

6 See p. 187.

« Biddle to the cashier of the Louisville branch, Feb. 12, 1829, 8. D. 17, 23d Cong.,

2d Sess., p. 304.

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The actual status of Biddle's policy never showed better

than in 1831, when the charges against the Kentucky offices

were renewed. Writing to him in April, the cashier of the

Lexington office urges loans to help the anti-Jackson candi-

date, because funds were needed "to win for our men. 9 '

The president of the branch thought they ought to be fur-

nished, and " so does Mr. Clay. The coming election of

Congressmen is all important in its bearing on the Presiden-

tial election." ' To this Biddle instantly and decisively

replied: "I believe it to be a fundamental principle in the

administration of the Bank that its officers should abstain

from any connexion with what are called politics, to abstain

not in appearance merely, but entirely, candidly and

honestly." 3 Thus at the moment that Blair was charging

political corruption in Kentucky, Biddle refused assistance

which even Henry Clay thought should be granted. Simi-

larly in 1832, after the veto, Biddle declared that the bank

would take no active part in the campaign, such action being

contrary to its principles. 1 To this resolution he adhered.

^Unquestionably the bank lobbied in its own interest^

It did this in the New York legislature in February and

March, 1831, to hinder the adoption of resolutions hostile to

it 4 At the same time it strove to get through the Penn-

sylvania legislature a resolution in its favor, C. J. Iugersoll

acting as its champion. Again, during the struggle for

re-charter, Horace Binney acted as its manager at Washing-

ton, while in 1834 the bank used its influence with its

friends to elect John Sergeant senator from Pennsylvania.

i J. Harper to Biddle, April 22, 1831, B. P.

3 Biddle to James Harper, of Lexington, Ky., May 10, 1831, P. L. B. % Vol. Ill, p. 524.

\* " But political concerns most be left to those who are at liberty to pnrsne their

own riews. I am chained and most obey the laws of my station."— To William Q.

Bockner, of New York, July 17, 1832, ibid., Vol. IV, p. 261. Also same to tame, July

13, 1332, ibid., p. 200; to J. W. Webb, July 17, ibid., p. 261.

<& B. Borrows to Biddle, New York, Feb. 17, 1831, B. P.

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The attempt failed, but prevented Richard Bush's election. 1

In all these cases, however, there is no reason to suspect the

use of corrupt means; while the suspicion that it used such

means to secure re-charter in 1832 is absolutely baseless so

far as all the known evidence goes. 3

What the bank did not do directly, it was frequently

charged with doing indirectly. Its enemies declared, with

emphatic repetition, that it secured the favor of congress-

men and politicians by granting them unusual accommoda-

tions on insufficient security and extending to them favors

not granted to other individuals. It must be admitted that

the bank was accustomed to give drafts for the salaries of

congressmen, payable at points distant from Washington,

without charging exchange. Biddle said he knew of no

such cases, but if they occurred they were defensible on

the ground that congressmen had a right to their pay wher-

ever "the Treasury chooses to give it to them."\* This

answer could hardly be considered satisfatory, and the

assertion was frequently made that not only did congressmen

receive their pay wherever they chose to demand it, thus

getting the benefit of the exchange, but that in other

instances they were accommodated without being charged

exchange. 4 Such a practice was certainly open to the objec-

tion of being in the nature of granting favors to those from

i Rash had " provocation from the bank party, who defeated his election to the

Senate of the United States by the Legislature of Pennsylvania last winter." — Adams,

Memoirs, Vol. IX, p. 40.

2 If there had been any evidence, some trace of it might be expected among the

Biddle papers, for Nicholas Biddle saved absolutely everything written, quite

regardless of its bearing upon his future fame. But there is positively no trace of

such attempts to be found there.

3H. R. 460, 22d Cong., 1st Sess., p. 532.

\* u Were not draughts formerly furnished to Members of Congress without any

charge for premium, by the United States Branch Bank in this city, in exchange for

money paid into Bank, as well as for their lawful payT

"To this the Intelligencer made no reply. It was founded on a knowledge that

such wan the fact. Drafts were furnished to members of Congress without charge,

whether for their pay or not, on every part of the Union, while private citizens were

charged from ' » to 1 per cent."— Extra Globe, Vol. I, p. 143, Aug. 23, 1834.

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whom favors were to be expected. The same condemnation

must fall upon the practice of paying congressmen and

government officials before their salaries became due by the

passage of the general appropriations act. Adams, a warm

champion of the bank, showed that in a single session the

amount thus advanced was almost $400,000, "which was

equivalent to a loan without interest," and that the amount

of interest thus lost to the bank was over $3,000. He was

"not without doubts of the propriety of this indulgence." !

That congressmen were not to borrow money, or that the

bank was not to lend them money, could hardly be argued,

since this would be an unwarrantable discrimination against

congressmen as congressmen.\^That the officers of the bank

were willing to make loans on easy terms to congressmen is

like]j^ and is illustrated in the case of General Stevens, to

whom Biddle granted a loan on his own authority, although

he was a stranger, and although the president did not know

that the drawers of the notes were of good credit.\* In June,

1829, Biddle justified a loan to Congressman Verplanck,

against the objections of Robert Lenox, partly on the ground

that it was expedient for the institution to stand well with

those who held its future existence in their hands, especially

as he believed that "the loan was perfectly safe." ' In 1831

he permitted John Forsyth to borrow a large sum at a long

date on the security of a mortgage, though such loans were

against the declared policy of the bank. 4 A similar accom-

l H. R. 400, 22d Cong., 1st Sess., pp. 992, 567.

< Testimony of Biddle and Cowperthwaite, ibid., p. 190.

\* "In the ease yon mention for instance I think it was well to lend to Mr.

Verplanck the money because the loan was perfectly safe, no matter for what use he

meant to apply it. After all yon know the existence of this institution most depend

on the opinion entertained of it by those who will before long be asked to continue

its Charter and altho I would sacrifice nothing of right or of duty to please them or

to please anybody, still if a proper occasion presents itself of rendering service to

the interior proving the usefulness of the Bank, so as [to] convert enemies into

friends, we owe it to ourselves and to the stockholders not to omit that occasion."—

Biddle to Robert Lenoa, June 4, 1829, P. L. B., Vol. Ill, p. 48.

♦ To J. Forsyth, May 9, 1831, ibid. % p. 520. Same to same, June 28, 1831, ibid, %

VoL IV, p. 3.

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modation was granted to George McDuffie in 1833, for

$100,000, the agreement being to loan on mortgage and

to renew the note indefinitely. 1 David Crockett's bill was

about to be protested, and was renewed by Biddle per-

sonally to protect Crockett, 3 and the same favor was accorded

Joseph Vance.\* In 1826 the board released Senator Samuel

Smith from his debt consequent upon the Baltimore frauds

of 1817-19.\* Asbury Dickins, first clerk in the treasury

and a valuable friend, was released in 1830, the bank saving

about half the debt 5 Colonel R. M. Johnson and his brother

were treated with like kindness in 1824\* All these were

favors to men who might be politically useful. Moreover,

during the years when the bank was attempting to secure a

new lease of life, the loans to congressmen were large, and

much beyond what had been customary at earlier periods. 1

It must be remembered, however, that all the loans of the

bank were much more extensive than usual at this time, and

hence those of congressmen might fairly be expected to be so.

Similarly, in settling the debts due when the debtor could

not pay, congressmen were not the sole recipients of such

favor, but shared it with hundreds of others. Therefore no

i Biddlo said the loan " might be renewed till the parties were prepared to pay.

.... The renewals might be arranged in practice with less inconvenience than

might at first be supposed, by leaving the bills, or any authority to sign them with

the Cashier."— Biddle to McDuffie, Aug. 29, 1833, P. L. J?., Vol. V, pp. 2, 3.

a Biddle to Poindexter, Dec. 13, 1834, ibid., p. 289.

s Biddle to Joseph Vance, Dec. 17, 1834, ibid., p. 292.

\* Biddle to John Donnoll, of Baltimore, Sept. 21, 1826, ibid., Vol. II, p. 187.

b On Dickins's loan see R. Smith to Biddle, Sept. 22, 1828, B. P.

\* Biddle to J. Harper, of Lexington, Ky., June 9, 1824, P. L. £., Vol. I, p. 16

\* Loans made to members of Congress :

Tears

Amounts

Numbs\* of Msmbsrs

1826

$237,436

32

1827

221,026

25

1828

218,830

38

1829

212,346

34

1830

192,161

52

1831

322,199

59

1832

478,069

44

1833

874,766

58

1834

238,586

52

-3. D. 17, 23d Cong., 2d Sea., pp. 3X1, 32L

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censure is implied where the favor was not unduly granted,

and the evidence of the president's letter books is conclusive

that in all the cases named full payment could not be made.

Smith's debts had been contracted in 1817-19 through the

criminality of his mercantile partner, and he could not dis-

charge them ; Johnson's indebtedness had been incurred at

the same time and he was entirely bankrupt ; while Dickins's

debt had been contracted with the Bank of Columbia, and

he was never in a situation to pay it.

On the other hand, in the matter of granting unusual

loans to congressmen, the bank seems to have laid itself

fairly open to censure. Yet much of this must be mitigated

if the loans were safe. Tyler's committee in 1834 reported

on this head that of loans made by the Philadelphia office

to individuals then in Congress only $400 had been carried

to the account of "suspended debt" and one note for $500

protested. These it considered debts which would ultimately

be paid. Some cases existed at the branches, but all these

loans seem to have been made " upon as good security " as

was customary in other cases. 1

Other charges of indirect bribery were those of paying

excessive fees to lawyers and making donations of the bank's

money for political effect Nothing of the kind was dis-

covered. The fees to lawyers were not excessive. 2 No cases

of bribes by donations were known by the committee of

1834,\* and the subject was carefully investigated by the

committee of 1832 with results favorable to the bank, the

whole amount of donations from 1817 to 1831 aggregating

$4,620. 4 The contributions were insignificant and were

made for the most part to fire companies, or to turnpikes,

with the object of increasing the value of real estate held

by the bank or of protecting its property.

i A D. 17, 23d Con\*., 2d Smb., p. 41. \* JWA, p. 42.

> Ibid., p. 99. \* H. B. 480, 22d Coo\*., 1st Sees., pp. 74, 75,

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The most effective of all the indictments against the bank

was that it " subsidized the press." This was a vague phrase,

but it was pretty clearly understood by everybody and meant

that the bank bribed printers and publishers by granting

them accommodations on easy terms, with the expectation of

receiving their assistance in return. Of course, editors occa-

sionally needed bank accommodations, yet, as professed

molders of public opinion, they were first to take sides

either for or against the bank when the subject of re-charter

came up. In this situation, a loan to an editor favorable to

re-charter would be called a subsidy, a loan to an editor

opposed a bribe. The most prominent editors to secure large

loans were Duff Green, of the Washington Telegraph, Webb

and Noah, of the New York Courier and Enquirer, Gales

and Seaton, of the Intelligencer, Robert Walsh, of the

National Gazette and the American Quarterly Review,

Thomas Ritchie, of the Richmond Enquirer, Jesper Harding,

of the Pennsylvania Enquirer, and F. P. Blair, of the Globe,

though before he established that paper. 1 All were promi-

nent and able editors, some favorable to the bank, some

opposed. Suspicion was also aroused by the conversion to

the bank's cause of several editors who had been unfriendly.

Duff Green ceased to oppose ; while Webb and Noah became

active supporters instead of bitter opponents.

Numerous cases of attempts to buy up editors were also

alleged. Parton intimated that such an attempt was made

on Blair. 2 Blair himself makes charges of this character in

reference to the New York Evening Post and the New York

Standard? and presents the affidavit of a country editor

i Harding, $36,916.71 ; Walsh, $11,541.72; Green, $20,000; Ritchie, $10,900; Gales and

Seaton, $44,695. All made in 1831 and 1832.— H. R. 460, 22d Cong., 1st Sess., pp. 106-10.

For Blair's case see p. 171, note 1.

a " A known friend of the bank " offered to make Blair a loan of $300, says Par-

ton.— Parton, Vol. Ill, p. 338. When it is recollected that Blair had borrowed from

the bank and failed to pay, the story loses its verisimilitude.

3 "Silas E. Burrows offered valuable pecuniary considerations .... if thej

would espouse the cause of the Bank."— Extra Globe, Vol. I, p. 125, Aug. 15, 1894.

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declaring that " a supporter of the Whig, or Bank candi-

date " offered him $100 and banking facilities at the Bank

of the United States if he would use his influence for the

Whig candidate. It is apparent that all this evidence is of

the flimsiest, and does not establish in a single instance any

connection of the bank with the alleged attempts. In one

case "a known friend of the bank " offers a loan, in another

" Silas E. Burrows " promises " valuable pecuniary consid-

erations," and in the third it is " a supporter of the Whig"

candidate. That there were editors who were not averse to

receiving favors scarcely needs to be said. James Gordon

Bennett, who always displayed in public the most rancorous

antipathy for the bank, nevertheless kept up a friendly cor-

respondence with its president, gave good advice, and on

one occasion defined his position thus: "Of course I am

opposed to the Bank and must be so — but I suppose you

understand that." ' Three weeks later he hints that he

needs money and would like to hear from Biddle.' The

bank had nothing for him, however.

Biddle's own attitude in relation to " subsidizing " the

press has been incidently left on record by himself, and does

honor to his integrity. In 1828 Webster urged upon him

the expediency of granting loans to Gales and Seaton in

order to sustain their newspaper, which might be useful to

the bank. To this Biddle responded warmly that he could

not and would not proceed on any such principles:

The value of his paper and the advantage of its continu-

ance are considerations entirely foreign to us — and the very

circumstance that but for the Bank of the United States any

newspaper would be discontinued, or that the Bank had gone

out of its way in order to sustain any newspaper either in ad-

ministration or in opposition would be a subject of reproach

and what alone makes reproach uncomfortable of just reproach.\*

i Bennett to Biddle, New York, Not. 9, 1832, B. P.

8 Same to same, Dee. 1, 1832, ibid.

• Biddle to Webstar, Dae. 2, 1128, P. L. £., Vol. II, p. 448.

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As this letter was never intended for the public eye, it

is the best possible testimony to Biddle's integrity at the

time it was written. And yet it was the untoward fate of

the man who wrote it, and who in so doing denied accom-

modations to old and trusted friends at a critical moment in

their fortunes and risked offending im mtimpte and power-

ful advocate, to be generally regarde<Ta»^rTOolesale briber

of editors and publisher^ 'to ^

Of all the loans to editors, those to Webb and Noah, of

the New York Courier and Enquirer, gained the widest

notoriety and created the most intense feeling. This journal

had been pronouncedly anti-bank from November, 1829, to

April, 1831. It then changed its attitude and advocated a

new charter with modifications, though still professing to

support Jackson.

James Gordon Bennett, in his Memoirs, declares that the

paper was financially embarrassed in 1831, and that Noah,

seeing " the breeches pocket of Mr. Biddle open, entered it

immediately." l It is not necessary to credit Bennett with

extraordinary veracity, but he was probably not far wrong.

Certain it is that in the spring of 1831 the proprietors of the

paper needed more funds, and one of them decided to sell

out. At this juncture M. M. Noah, who was desirous of

buying up the retiring proprietor's shares, met with Silas E.

Burrows, and ^Burrows, Webb, and Tf oan^ planned to raise

the necessary means, and " to change the tone of the Courier

and Enquirer" — in other words, to bring it out in support

of the bank. Burrows was the pivot upon which all the suc-

ceeding events turned. He was a vain, loquacious, intruding,

scheming merchant, who wished to be regarded as one who

bore upon his shoulders the burden of empires. . His letters

to Biddle are still extant, and are filled with hints of myste-

rious secrets; chatter of grandiose plans; fulsome laudation

1 Memoirs of a Journalist, p. 150.

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at one moment and causeless reproaches at the next ; abject

petitions for loans to be used in airy ventures; denunciations

of the officials of the New York branch ; tales of intimacies

with presidents and ex-presidents; boasts of imaginary influ-

ence over the course of politics; and again with exclama-

tions of fear and violent assertions that he is a persecuted

and hunted man. They portray only too clearly an indi-

vidual possessed of an incurably weak head.

When the trio began operations for securing complete

possession of the Courier and Enquirer, Webb mentioned

to Burrows that he " was prepared to advocate a modified

recharter of the bank." Burrows urged him to come out for

an " unconditional recharter," 1 and promised Noah that he

would raise the funds for the purchase of the half interest in

the Courier and Enquirer by securing a loan from his father. 1

This proposition was accepted, and Burrows hurried off to

Philadelphia to see Biddle, with the object of securing the

money there instead of from his father. He told Biddle

that he wanted $15,000 for Noah to purchase " a share in a

newspaper," and offered the notes of Noah, indorsed by Webb,

as security. The Exchange Committee of the blank author-

ized the loan at one year and eighteen months. Biddle then

furnished Burrows with the money out of his own pocket,

without even seeing the notes to secure the sum, and con-

senting that Burrows should not indorse them, thus leaving

the responsibility of payment with Noah and Webb.\* The

truth is that Burrows did not then have the notes, for he

took the $15,000 to New York, told Noah that he had secured

a loan from his father, gave Noah his father's notes instead

of the money, took Noah's notes, 4 and then sent them to

Biddle, who held them in his own possession for over nine

i Examination of J. W. Webb, H. R. 480, 22d Cong., 1st Seat., p. 81.

J Noah's affidarit, April 8, 1832, ibid., p. 96.

\*Biddle's testimony, ibid., pp. 85, 88.

\* Noah's affldarit, ibid., p. K; Webb's testimony, ibid., p. 82.

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months instead of placing them in the possession of the

bank. 1 Here, then, was a large loan made without the

receipt of any security at the time on the notes of one part-

ner indorsed by the other — an act in contravention of the

rules of the bank; not indorsed by the borrower; and for a

long period.

In January, 1832, Biddle at last decided to transfer the

account to the books, and then the notes, instead of being

for one year and for eighteen months, were transformed into

paper to be paid at intervals of six months until October,

1836; that is, for from six months to almost five years. 1

In February the investigation of the bank was discussed in

Congress, and on the 2d of March Burrows took up the notes,

securing a loan at the bank for the purpose,\* so that the loan

made to Webb and Noah was paid by making a new one to

Burrows.

The pB\* nse relations existing between Biddle and Bur-

rows cannot? je determined. In the spring of 1831 Buttowb

had perqr.dded Biddle that he was a person of vast though

undefined influence in New York politics, and as at that

moment the legislature of New York was discussing a resolu-

tion denunciatory of the bank, Burrows went to Albany to

attempt to prevent the action. It was then that the agree-

ment was made with Webb and Noah. As Burrows could

not keep silent, the matter was at once bruited in the public

press, whereupon Biddle wrote, asking Burrows to send him

a letter saying that he had never " received any authority

.... from any one connected with the Bank to influence

by pecuniary or other means the course of any newspaper in

New York or elsewhere." \* Burrows did not furnish this cer-

i Biddle's testimony, H. R. 460, 22d Cong., 1st Sess., p. 86.

2 Ibid., p. 553. 8 Biddle's testimony, toid., p. 87.

\* " And it occurs to mo that it would be well if you were to write to me stating

the fact, that altho' you are yourself indifferent to the allegations of this writer, yet,

lest your silence might be construed into an acquiescence in his statements, you

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tificate of good character; but, on the contrary, denominated

himself " your agent, confidential agent," ' and later, in a

letter of passionate, childish, and desperate reproach, angrily

asserted that he was refused accommodations "whilst the

Bank has stifled the press here by rewards of fortunes,"

and transmitted a bill for services which shows that Biddle

had paid him $16,000 and still owed him $l,100. a One week

later he forwarded another long letter of reproaches, and

hinted that he held secrets which would bring a fortune to

himself and ruin to the bank;\* in March, 1832, on the other

hand, he wrote Biddle: "All discounts made at your bank to

me, have been for my accommodation, and individual benefit

Beyond this is unknown to you, and is left for me to ex-

plain." 4 He would not appear before the congressional

investigating committee, however, and " hopes to God " he

will not be called on, and then exclaims: "The moment I

knew you had made an entry of those docume\* vthat mo-

ment I knew a fortune was at my disposal if I ould, accept

of it, and made without censure by the world, as ihay would

justify me for testifying to all." 5

It is difficult to assert anything with confidence in the

face of such declarations from a man of this character. Bur-

rows may really have thought that Biddle had agreed with

him to bribe the New York press; the sums which Biddle

think it right to say that you hare never received any authority or any request from

any one connected with the Bank to influence by pecuniary or other means the course

of any newspaper in New York or elsewhere."— Biddle to Burrows, April 14, 1831, B, P,

l Burrows to Biddle, May 25, 1831, ibid.

\*The United States Bank to S. E. Burrows

To cash expended by the directions of the President at

various times $17,100

Cr by Cash received of the President 16,000

Due S. E. Burrows Esq. ......... 1,100

— Same to same, New York, Nov. 38, 1831, ibid,

'Same to same, Deo. 2, 1831, ibid.

\* Same to same, New York, March 19, 1838, ibid, —

'8ame to same, March 26, 1832, ibid.

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had intrusted to his keeping show that he was actually act-

ing for the bank in some capacity ; his remarks about the

money loaned to him prove that Biddle did not know what

he had done with it, and the testimony of Noah and Webb

shows that he did not transfer it to them. Biddle's friends

evidently regarded Burrows as a bad character, for Bevan

writes of him as " a troublesome and unprincipled man," '

and later as " a very dangerous man, and one in whom no

confidence can be placed," at the same time expressing a

wish that arrangements "could be speedily made to get W.

and N.'s paper out of his possession." 2

Webb and Noah were accommodated with other loans.

In August, 1831, they received $20,000, payable 10 per cent

every six months. They declared that they could not secure

loans from the New York banks because they had supported

the bank. 3 On this occasion Noah said that their paper would,

if it took part in the agitation for re-charter, "go as far in

favor of the bank" as it had done in April 4 In December

the partners were back once more, this time for $15,000,

claiming that the bank was morally bound to support them,

because their course had cut them off from assistance from

the New York banks. 5 The loan was granted by the

Exchange Committee, though at the time the board was

refusing to lend small sums to good customers in Philadel-

phia. 6 In both cases the notes were drawn by one partner

and indorsed by the other. 7

Nor was this the end. In July, 1832, after the veto,

Biddle twice brusquely refused further accommodations to

i To Biddle, July 18, 1832, B. P.

\*M. L. Bevan to Biddle, July 20, 1833, private, ibid.

• Webb's testimony, H. R. £60, 22d Cong., 1st Seas., p. 76; and Webb, An\*. 8, 1851,

ibid., p. 96.

\*M. M. Noah to W. Bowne, Aug. 5, 1831, ibid., p. 97. See Webb's share in secur-

ing the loan, A. L. Stewart to J. W. Webb, Aug. 5, 1831, ibid.

» J. W. Webb to Biddle, Dec. 16, ibid., p. 101.

• Ibid., p. 107, Exhibit A. 1 1bid., p. 55a

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Webb, whereupon "that gentleman threatened that unless

something was done for him the paper would support Jack-

son. 1 Biddle then consented to see if the loan could not be

raised by one of his friends, 1 for which kindness he received

the thanks of Webb.\* Whether anything was done or not is

unknown, but Noah retired from the Courier and Enquirer.

Webb removed the names of Jackson and Van Buren from

the head of the editorial columns of the paper and came out

in a long article for Clay, Sergeant, and the bank. 4 Let it

be added that Webb's notes for $18,600 went to protest in

February, 1833, 5 and that in 1835 he offered to settle for ten

cents on the dollar. 5 It does appear as if Biddle ttag become

sadly involved with the Courier and Enquirer and could not

extricate himself. The loans granted to the editors of this

paper would assuredly not have been made to others unless

similarly situated.

It is easy to conjecture the arguments which appealed to

Biddle in this matter. He had openly announced his belief

in the policy of disseminating knowledge of the bank

through the press, and of the justice of paying for such

publications. In this policy he was supported by men of the

most irreproachable character, 7 and it may be added that

i \*\* If yon think proper to aet in the meantime upon the paper I handed yon, do

so, if not the paper will then support the measures of the President, but / will never

again write a paragraph in his favour. "— Webb to Biddle, no date, private and con-

fidential, ibid.

" If yon and your friends do not enable me to take the stand called for by every

consideration of justice and principle, I will turn the political part of the paper over

to Noah ! "—Same to same, July 13, 1832, ibid. A similar letter was written July 16.

\* He sent the proposition to R. L. Colt, of Baltimore.— To Webb, Ang. 3 and

Aug. 4, 1832, P. L. £., Vol. IV, pp. 278, 279.

s Webb to Biddle, Aug. 5. 1832, B. P. « Pabton, Vol. m, pp. 428, 429.

1 8. D. 17, 23d Cong., 2d Seas., pp. 40 and 814. \* To Biddle, Jan. 4, 1835, B. P.

7 Calhoun said : " But I must say, in defence of the bank, that, assailed as

it was by the Executive, it would have been unfaithful to its trust, both to the

stockholders and to the public, had it not resorted to every proper means in its power

to defend its conduct, and, among others, the free circulation of able and judicious

publications."— Jan. 13, 1834, C. D., Vol. X, Part I, pp. 212, 213.

The publications were to be " explanatory of the operations and conduct of the

bank. Confined to that object exclusively."— Biddle to John Tilford, Sept. 28, 1832,

8. D. 17, 23d Cong., 2d Seas., p. 822.

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after the beginning of the campaign of shameless slander

and calumny inaugurated by Blair, he was certainly not

without justification, and would have been more than an

ordinary mortal had he done otherwise than he did. But it

was only one step from this legitimate policy to that of mak-

ing loans as a sort of payment for publications, and perhaps

this subtle logic appealed to Biddle. He might regard such

loans, even if it could be pointed out that they were not

justified by business considerations, as justified by the reso-

lution of the bank to pay for publications. If he had been

willing to pay the Courier and Enquirer several hundred

dollars for the publication of a few columns in a single issue,

what possible objection could there be to a loan of $52,000

which would secure every issue of the paper for the bank's

cause ? As a matter of economy the second method might

even be preferable to the first, since there was a chance of

securing the repayment of the capital with interest, besides

^having the support of the paper.

PjUfW- 1 Cayments made to printers by the bank for publish-

ing aocuments, articles, and speeches favorable^ to re-charter

were open to the criticism of being politic^ outside the

province of a bank ; made out of the money of the stock-

holders, the largest of whom was the government of the

United States itself; and, finally, virtual bribes to the fortu-

nate printers and editors who received the jobs. While the

directors felt justified in making these expenditures, yet all

these objections were valid, even supposing that the prices

paid for the work done were not excessive. Everyone knows

that the securing of printing which yields a fair profit is

a matter of much moment with publishers, and that those

who furnish such business are naturally treated as patrons.

In reference to compensation, the Senate committee of 1834

declared that the bank had given no gratuities to printers or

publishers, and left it to the Senate to judge whether or

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not the institution had allowed them "extra compensa-

tion." l The evidence proves that the rate of payment was

moderate. 1

Another objection to the expenditure was that ihe (^presi-

dent of the bank was permitted to dispose of /Htifi funds at

his own discretion. ^Jackson bitterly complained of this in

his paper of September 18, 1833, declaring on the authority

of the government directors that the sums spent by the

bank for printing " during the years 1831 and 1832 were

about $80,000."\* The directors, said Jackson, put "the

funds of the bank at the disposition of the president for

the purpose of employing the whole press of the country in

the service of the bank, to hire writers and newspapers, and

to pay out such sums as he pleases to what person and for

what services he pleases without the responsibility of ren-

dering any specific account." 4 The criticism was just The

expenditures for extra printing from 1829 to 1834, inclusive,

aggregated $65,103.25, and to these were added expenditures

by President Biddle, without vouchers, and without desig-

nation of the purposes for which they were made. The total

of these was $29,605/ In whatever light the first of these

items may be viewed, the second was totally indefensible.

The Senate committee of 1834, though favorable to the

bank, condemned the practice and virtually censured the

directors for allowing the president to exercise such powers

under the resolution of March 11, 1831.\*

It is to Biddle's credit that he never made any mystery

of his policy in regard to paying for publications in the

1 8, D. 17, 23d Cong., 2d Sees., p. 99. s Ibid., pp. 322-0.

s Meuagea and Papers of the Presidents, Vol. Ill, p. 14. \* Ibid., p. 15.

» 8. D. 17, 23d Cong., 2d Sess., p. 329. See for the bank's statement Report of the

Committee of Directors in 1833, p. 40. They admit the expenditure of $68,285.04 in

four years.

\* deferring to the resolution they say : " But expenditures have grown up under

it, resting on the orders of the president, without Touchers or denned purpose."

They hold that " the object of expenditure " should be " set forth."— J6td M p. 46.

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newspapers, and willingly gave his reasons for it. He believed

that most of the opposition to the bank was due to ignorance,

and that explanatory articles would dispel this ignorance

and so put an end to the opposition. Thoroughly convinced

that this was true, he continued publishing. 1 He was assur-

edly mistaken. Ingersoll in 1831 gave it as his opinion that

not three members of the Pennsylvania legislature had ever

" read or will ever read McDuffie's report, Gallatin's article

or the views in the North American and the National Ga-

zette ;" 2 while in 1834 Mathew Carey declared that the sys-

tem of issuing pamphlets dealing with abstruse banking

questions at great length was utterly mistaken, that nobody

would read them, or, if anybody did, that he would not under-

stand them.\* This judgment seems sound, as anyone will

agree who has read the pamphlets.

The amount of published matter paid for by the bank

was very great. It began in April, 1830, with Senator

Smith's report, and continued for about five years. The

bank not only published articles itself, but distributed those

of others, and paid newspapers to publish reports. As a

consequence, everyone who wrote on banking subjects

wanted the bank to pay for his publication. In one case,

at least, a pamphlet was published without the privity of the

bank, and then recompense was demanded. Newspapers, of

course, would not print articles supporting the bank without

i " On this whole theory of publication, my theory is very simple. I believe that

nine tenths of the errors of men arise from their ignorance — and that the great

security of all our institutions is in the power, the irresistible power, of troth. I

recollect well when twenty years ago I opposed in the Legislature of my state the

measures taken to prostrate the former Bank, how much of the opposition to the Bank

was the result of downright ignorance of its meaning and its operations — ....

I know what was then wanting — and I am resolved that it shall not now be wanting.

I saw the manner in which the small demagogues of that day deceived the commu-

nity — and I moan to try to prevent the small demagogues of this day from repeating

the same delusion."— To Joseph Gales, of Washington, March 2, 1831, P. L. B. % VoL

HI, p. 482.

« Ingersoll to Biddlo, March 3, 1831, B. P.

>M. Carey to the directors of the Bank of the United States, Philadelphia,

March 28, 1834, ibid.

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compensation. A congressman rarely made a friendly speech

without expecting its dissemination at the expense of the

bank. The most amusing case is that of John Tyler. Tyler

was chairman of the Senate investigating committee of 1834,

and, voicing the austere public morality characteristic of

Virginia Republicanism since the days of Jefferson, criticised

the bank for disseminating pamphlets and congressional

reports. 1 "Our friend," wrote Webster, " seemed to reserve

all his censure for these heads." 3 Biddle, therefore, felt

quite safe in asking Tyler if he wished his report dissemi-

nated. The surprise and disgust of the bank's president

may easily be guessed when he discovered that Tyler did

wish it to the extent of a thousand copies.\* Whatever credit

is due Tyler for his political morality, a sense of humor was

evidently not his prominent characteristics.

That the matter of printing was carried entirely too far

will easily be gathered from what has been said, and even

the bank's most eager partisans were convinced that this

was so. Watmough, who arranged for much of the printing,

at last protested. He thought they should cut down the

number of congressional speeches published, though he

added, with bitter pleasantry, "It is a great assistance to

Green, to be sure. He is at best however but a mauvais

sujei, and scarcely worth what has already been done for

him." The printers, in his opinion, were "pretty much all

alike — let them handle the money, au diable, the rest" 4

The charge of jobbing in public stocks touched the honor

of the president and corporation, and, if proved, established

a violation of the law ; for the charter declared that the cor-

1 8. D. 17, 23d Cong., 2d Sess., p. 45. 2 To Biddle, Deo. 17, 1834, B. P.

'Tyler "after blaming the Bank for circulating documents in its defence

instead of leaving to its enemies the task of vindicating it, ends by making the

Bank incur an expense in publication which it did not desire and takes a thousand

copies of these Tory \* impolitic ' publications, such being the phrase I believe in his

report."— Biddle to Watmough, Feb. 9, 1835, P. L. £., Vol. V, pp. 318, 819.

♦ To Biddle, Washington, Feb. 7, 1834, B. P.

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poration should not " purchase any public debt whatsoever/\* 1

or sell "more than $2,000,000 thereof in anyone year."'

The specific charge was that the bank jobbed in the 3 per

cent, stock, and that in doing so it had interposed to prevent

the payment of the national debt by urging the govern-

ment's creditors not to present the certificates of the stock

when the day of payment came.

The facts were as follows: On the 24th of March, 1832,

Asbury Dickins, acting secretary of the treasury, informed

Biddle that one-half of the 3 per cents., amounting to

$6,500,000, would be paid off by the government on the 1st

of July.\* The bank would have to furnish the funds from

the government deposits held. Unfortunately, the dis-

charge of the debt in this year had been so enormous, and

the bank's business so expanded, that it was impossible to

raise the sum required by the date specified. Biddle, long

before the notice from Dickins, had attempted to reduce the

bank's business and so get possession of sufficient specie to

meet the government's demands. He had failed in this

attempt. 4 He accordingly looked about him for some other

means of evading the threatened embarrassment, which

would be fatal if it occurred in the midst of the campaign

for a renewed charter. Hurrying to Washington, he re-

quested as a temporary relief a postponement of the pay-

ment from July 1 to October 1, and offered, on behalf of

the bank, to pay the interest on the stock for the three

months. His request was granted on this condition. 5 Later

the treasury concluded to discharge two-thirds of each cer-

tificate in October, and the remainder of the debt on January

i Sec. 11, 9th fundamental article. See Appendix I.

2 Sees. 5 and 6. See Appendix I.

s " It is believed that the means of the Treasury will be sufficient to discharge

one-half of the 3 per cents, on the 1st of July next, and it is proposed to give notice

accordingly on the 1st of April."— H. R. 460, 22d Cong., 1st Sess., p. 531.

\*See pp. 146-50.

\* Testimony of Dickins, H. R. 121, 22d Cong., 2d Sess., pp. 89, 90.

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1, 1833, 1 thus calling upon the bank for a sum of $13,000,-

000 within three months 9 time.

The bank's difficulties under these circumstances are

vividly portrayed in the correspondence with the branches,

and in a letter of Biddle's to Cadwalader, outlining his plan

to secure the means of payment. Biddle thought that local

discounts must be diminished wherever possible; that deal-

ings in internal exchange should be materially reduced; that

as much money as could be spared should be used to dis-

count paper secured by a deposit of 3 per cent, stock

and to purchase bills of foreign exchange ; and that negotia-

tions should be begun with the holders of the 3 per cents.\*

Cadwalader was doubtful as to the adequacy of this plan,

and it was evident that the principal reliance must be in a

negotiation with the holders of the stock, in which the bank

would secure a loan by paying the interest on the stock in

the place of the government, the holders accepting its

responsibility and thus relieving the government from all

liability. Any other form of loan at this time was hardly

feasible, since no one wished to lend.

The' board of directors had already authorized the presi-

dent and the exchange committee to defer " a part of the

payments." • Proceeding in accordance with this authority,

the following plan was adopted: The certificates of foreign

i Secretary McLane to Biddle, July 19, 1832, ibid., p. 166.

J' 4 1 would diminish wherever we can our local discounts; I would avoid as

much as possible purchasing domestic bills any where except on the northern Atlantic

frontier and those at very short dates, certainly within 90 days— and I would pnt

every dollar we can spare in discounts on the Ss at 5 per cent, and the purchase of

foreign exchange. To those we must [add] negociations with the large holders of

threes, especially the agents of foreigners."— To Cadwalader, Washington, June 30,

1832, P. L. B. % Vol. IV, p. 255.

> "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 three per cent stock of the

United States may, in their opinion, best promoto the convenience of the public and

the interests of this institution."— Resolution of March 13, 1832, Report of the Bank

of the United States to the Committee of Way and Mean\* Jan. 28, 1833, p. 6. See

also H. R. 121, 22d Cong., 2d Seas., p. 162.

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holders of the stock were to be surrendered to the bank and

by it passed over to the government as evidence of the pay-

ment of the debt. The bank itself, however, would not pay

the principal, but borrow it from the original holders of the

debt, continuing the loan for another year in place of the

government and paying the interest during the continu-

ance. The payment of $5,000,000 of the stock was thus

to be deferred. To this plan there could not be the least

possible objection, either legal or moral, since the govern-

ment would be discharged of all obligation, the bank simply

procuring a new loan to the extent of the $5,000,000 on

its own responsibility. The operation would be the same

as if it had paid the debt outright and then immediately

borrowed it back from the original holders on its own

account.

On the day that the directors authorized the postpone-

ment of the stock, Biddle opened negotiations with T. W.

Ludlow, of New York, 1 but soon perceived that there was

little chance of getting the transaction settled in time to be

of service. 2 He therefore dispatched General Cadwalader to

England to make arrangements with the Barings to defer

the payment of $5,000,000 of the stock.\* This mission suc-

ceeded. The Barings agreed to invite the foreign holders of

the 3 per cents, to retain their stock until October, 1833,

while the Bank of the United States was to continue the

payment of the interest quarterly and to pay the principal

at the date named. Since this would probably not suffice to

defer $5,000,000, as much of the stock as possible was to be

bought up by the Barings for the bank, at the best terms,

i The correspondence is given entire in H. R. 121, 22d Cong,, 2d Seas., pp. S3 ff.

Biddle and Ludlow had talked the matter over before this.

2 "But I am afraid that it will not before [«. c, before Oct. 1] be in my power to

come to any definite arrangement with the bank on the subject."— Ludlow to

Biddle, July 14, 1832, ibid., p. 95 ; and same to same, July 21, 1832, ibid., pp. 90, 97.

s Cadwalader had been notified between the 1st and 10th of the month that the

mission was to be undertaken.— Cadwalader's testimony, ibid., p. 50.

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not over $91 on $100. The certificates were to remain with

the Barings, or with the holders of them. 1

It will be noticed that this arrangement differed consider-

ably from the first plan of the bank, inasmuch as the Barings

were authorized to buy stock for the bank, and also to with-

hold the certificates, which would leave the debt still unpaid.

The bank would be culpable in both particulars, for it was

prohibited by its charter from purchasing any public debt,

and the arrangement for deferring the delivery of the cer-

tificates was an unjustifiable interference with the govern-

ment's plan to discharge the debt. Cadwalader' s agreement

was, therefore, both morally wrong and illegal But this

would not necessarily involve the bank, for the vital question

was: Had he authority to make such an agreement? In

answer to this question Cadwalader distinctly averred that

he alone was responsible, his instructions not having con-

templated the purchase of the stock. 2 In support of his

admission are the declarations of the directors that no such

agreement Was contemplated, and Biddle's disavowal of that

part of it which was patently illegal on the ground that the

institution was forbidden by its charter " to purchase any

public debt whatsoever." 1 Unless there was an infinite

amount of shabby lying, and that, too, under oath, the cor-

poration was not guilty. The presumption that everybody

lied will hardly be considered tenable. 4

i Circular of Aug. 22, 1832, ibid., pp. 101, 102. An arrangement was also made

with Hope & Co., of Amsterdam.— /Wd., pp. 103, 104.

2 " The purchase of the stock by Messrs. Baring had not been adverted to in my

Instructions, or in any con versa tion with my constituents at home."— /Wd., p. 52.

s /bid., p. 117.

\* Suspicious circumstances were that Cadwalader had forwarded the substance

of the agreement with the Barings, stating that they were to purchase for the bank

Aug. 22 (ibid., p. 99) ; that he had forwarded the agreement itself on the 25th (ibid.,

p. 100); but Biddle had not disavowed the illegal clause until Oct. 15, after the

agreement had appeared in a New York paper {ibid. % pp. 87, 117). Biddle always

asserted, however, that he had not received the agreement until Oct. 12, and that

he had straightway disavowed it. (To John Sergeant, Feb. 1, 1833, P. L. B. y Vol. IV,

p. 407; also in all published examinations and reports on the affair.) Again, Cad-

walader had had the agreement circulated in manuscript, instead of in print, in

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The disavowal of Cadwalader's contract gave rise to new

complications. Biddle insisted that the certificates of the

stock must be sent to the United States in order that he

might turn them over to the secretary of the treasury. 1 The

Barings had already purchased $1,428,974.54 and got

$2,376,481.45 postponed. They now concluded to buy the

latter also if the owners would not consent to the bank's

revised terms, 2 which were to the effect that new certificates

should be given for the old ones surrendered, the bank to

continue paying the interest.\* Many of the foreign holders

agreed to these terms, and the Barings secured their certifi-

cates and forwarded them to the United States. 4

The affair made a great noise, and kept the bank's advo-

cates busy explaining for many months. Biddle was par-

ticularly sensitive about the charge of violating the charter.

That the bank should encourage the holders of the debt not

to present the certificates for payment, he apparently consid-

ered of little importance and of no concern to anyone but

the bank. Writing on the subject he revealed the depth and

the keenness of his feeling:

With regard to the return of the certificates the Government

cannot oblige any body to present his certificate — the Government

stops the interest — but cannot compel a stockholder to take his prin-

cipal But supposing that the certificates are delayed for a

few months, what harm does that do to any body? The interest has

stopped — the money remains in the Treasury; so that instead of

order that it might not become public (27. R. 121, 22d Cong., 2d Sess., p. 100).

bank ceased curtailments Sept. 21, which presumably it would not hare dooe

without knowing about the agreement (ibid., p. 109). Indeed, the letter of Aug. 22

had reached Biddle by this time ; Biddle said this was explicit enough to justify

the bank in ceasing curtailment (to Sergeant, loc. cit.). But it was also explicit

enough to justify a disavowal of the contract.

l H. R. 121, 22d Cong., 2d Sess., p. 118.

2 To Biddle, Nov. 29, 1832, ibid., pp. 112, US; and Biddle to Barings, Oct. 19 and

81, 1832, ibid., pp. 119, 120.

> Ibid., pp. 118-20; circular of the Barings, p. 112.

\* Returns of stock, Not. 29, p. Ill ; Deo. 6, p. 112; Dec. 14, pp. 119-15; Deo. 19,

115,116; Dec. 22, p. 116.

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depriving the Government of the use of its funds, directly the reverse

is true, for the Government retains the funds and pays no interest. 1

But that the bank, the agent of the government, should urge

the holders to delay presentation of the certificates, when

its business was to procure them for the government at once,

was another proposition, and one not to be justified by such

arguments. Moreover, the assertions that " the money re-

mains in the Treasury," "the Government retains the

funds," were not strictly true, unless the bank and the

treasury were identical, for the bank retained the funds and

the government had no further use of them.

Suspicious souls will consequently continue to believe

that Biddle's explanations were not veracious, but in morals

as in law it is well to give the accused the benefit of the

doubt. The evidence of the bank's integrity was sufficient

for J. Q. Adams, Gulian C. Verplanck, Albert Gallatin, and

Thomas Cooper, 2 and may well be accepted. What is cer-

tain is that after Biddle's disavowal the bank returned to its

legal position, if it had ever deliberately left it, and the

postponement of the 3 per cents, did not take place.

The most serious charges from the point of view of

proper and safe business were those which imputed usurpa-

tion of the authority and power of the board of directors, by

the president and the exchange committee, and the use of

such power to loan funds to favored individuals on unusual

terms.

The charge of loaning large sums of money to favorites

was made in the case of T. Biddle & Co. The bank replied

by asserting that the firm acted as its brokers, which is

undoubted, and that the loans were made to them to loan

i To C. A. WicklifTe, Dec. 6, 1832, P. L. B. y Vol. IV, pp. 335, 336.

'"To me, the reasoning of Verplanck is sufficient; nor does the evidence, in

my riew of it, show any voluntary infraction of the charter by the bank through the

agency of Gen' I Cadwalader."— T. Cooper to Biddle Colombia, S. C, July 16, 1833,

B. P. Verplanck nevertheless condemned the arrangement, and declared that in

making it " the institution exceeded its legitimate authority."— H. R. 121, 22d Cong.,

2d Sess., p. 1.

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for the bank. 1 This is likely. Professor Sumner's assertion

that precisely such loans led later to the ruin of the bank 1 is

not apropos, because the later loans were made deliberately

at a moment when it was intended to close np the bank's

business, and were of an entirely different nature.\*

The president of a bank, if he is a real and active execu-

tive, a man of energy, of autocratic temper, of tact and skill,

will always secure power over his board, provided that he

wishes to do so. In the case of the Bank of the United

States this was rendered easier by the position of the presi-

dent. Under the by-laws he was ex officio a member of

every committee. 4 This power in committee was increased

by his right under the rules of 1833 to name them all with

one exception. 6 In addition it must be recollected that his

tenure of office was continuous, while that of the directors

was intermittent Again, most of the voting for directors

was done by proxy, 8 and out of 4,533 proxies in 1832, Biddle

in person held 1,436, and was joint holder in the case of

1,684 others. 7 While he thus held a controlling number of

the votes of distant stockholders, those resident in Philadel-

phia rarely attended elections, 8 and consequently the holders

of proxies had power to elect the directors if they chose.

Nicholas Biddle was a man of intense energy, autocratic

in temper, and possessing supreme confidence in his own

judgment. It was inevitable that he should rule and not

i Adams's report, H. R. 460, 22d Cong., 1st Sess., p. 890.

2 Andrew Jackson ( revised) , p. 311. > See p. 865.

\* Rules and Regulations of the Bank of the United States\* Bole XVI, par. 2.

See Appendix III.

& Ibid., Bale XIII, and see. 8, Bale XXV. The exception was the Committee on

the State of the Bank. The roles in this respect were effective.— H. R. 121, 22d Cong.,

2d Sess., pp. 58, 54, 56, 65.

\* H. R. 460, 22d Cong., 1st Sess., p. 284. ' Ibid,

\* "But the stockholders resident in Philadelphia, .... will not pat themselves

to the inconvenience of coming to the Bank for the purpose of voting. The conse-

quence is, that the responsibility of voting at elections devolves, in a great degree,

on the representatives of the distant stockholders."— Biddle, ibid. y p. 288.

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merely reign, and the proofs that he did rule are observable

everywhere. He appointed the committees of the bank after

1828, though the rules giving him this power were not

adopted until 1833 ; ! he does not want the bank's books

examined by the government directors, and he gives orders

that the books must not be examined by them, 2 though only the

board could rightfully do this; he desires new directors at

the central board and writes, " General Cadwalader and myself

have thought it was for the interest of the Bank to make the

change," \* though it would be difficult to find in the charter

any clause giving General Cadwalader and Nicholas Biddle

authority to appoint new directors.

Though such power might not in itself be objectionable,

it was certainly liable to abuse, and under Biddle something

like abuse can be detected. The most serious charge was

that of R. M. Whitney, who asserted in 1832 that the presi-

dent of the bank (1) made discounts on his own authority ;

(2) that in doing so he favored his relatives, T. Biddle & Co. ;

(3) that he made such loans without charging interest; (4)

that a custom had obtained of permitting brokers to receive

money from the teller's drawer as temporary loans, leaving

stock certificates as security ; (5) that these transactions were

not entered on the books of the bank, and consequently

never came to the knowledge of the directors. To substan-

tiate his charges, Whitney told a very circumstantial story

to the effect that the cashier and assistant cashier had

reported to him specific transactions of this character in

May, 1824; that he with them went to the first teller's

drawer and found security for two temporary loans of large

sums ; that they then went to the discount clerk's desk and

found two notes for large sums which had been discounted

by the president alone, and not entered on the books. He

i Memorial of the Government Directors, Ex. Doc, 12, 23d Cons., 1st Sees., p. 9.

a To Jandon, Newport, July 16, 1834, B. P.

• To D. Sears, Jan. 5, 1834, P. L. £., Vol. I, p. 91.

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said that he instructed the officers "to enter on the books

the money that had been loaned from the Teller's Drawer,"

and that this was done, under the head of " bills receivable; 99

that he then went at once to President Biddle and "desired

that nothing of a similar nature should occur while" he

remained a director. The president "colored up a good

deal" and said that there should not. 1 Whitney had taken

a memorandum of the sums at the time and produced it in

corroboration of his assertions. 2 He gave exact dates for

the transactions.

Unfortunately for him, his evidence broke down at every

one of the essential points most needing corroboration. In

regard to the charge that the president made discounts on

his own authority, ex-Cashier Wilson, who was said to have

given the information and was summoned to support Whit-

ney, swore positively that the notes referred to had been dis-

counted by the board and not by the president.\* Both the

officers who, Whitney asserted, had communicated to him the

facts about the loan swore that they had no recollection of

such an interview. 4 The first teller and the discount clerk

declared that they had no knowledge of the alleged visit to

their desks. 6 The officers also swore that no single director

had authority to order entries made on the books, and in

case such an order was given no clerk would obey it\* Mr,

Andrews furnished evidence in the books to show that the

sum of $45,000 was actually entered on the day the loan

was made, and consequently could not have been ordered

entered by Whitney. 7 In regard to the charge of favoritism

to the Biddies, the evidence adduced was conclusive that the

i H. R. 460, 22d Cong., 1st Sess., pp. 115, 118. 2 ibid., p. 118.

> " With respect to the note for $20,000 for T. Biddle, referred to by Mr. Whitney,

I am positive it was discounted by the Board. I am equally positive as to the note

of C. Biddle. I am as positive about this as about the other.' 1 — Ibid., pp. 114, 128.

♦ Ibid., pp. 112, 119. 6 ibid. t pp. 131, 132.

•/Wd., pp. 120, 121, 126, 14a ' Ibid., p. 120.

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president had not been guilty. 1 That interest had been paid

on all accommodations granted to the firm was irrefutably

established by the testimony, by the books of the bank, and

by those of the firm of T. Biddle & Co. a Finally, to Whit-

ney's complete discomfiture, it was proved that President

Biddle was in Washington when the particular loans referred

to were made in Philadelphia, and so could not have made

them, nor could he have been interviewed then by Whitney in

regard to the loans. 1 The entire case was so overwhelmingly

against Whitney that he was compelled to admit that the

two loans were not made by the president; that the inter-

view with him so confidently alleged did not take place at the

time stated ; that interest had been paid on the loans ; and

that he was not sure that he had directed the entries to be

made. 4 The committee, though hostile to the bank, passed

a majority resolution declaring that in their opinion the

charges were "without foundation." 6

i/Z>td., pp. 112, 114, Wilson's testimony; p. 129, Beck's testimony; pp. 135. 136, T.

Biddle ; p. 139, Andrews ; p. 153, Cowperthwaite ; pp. 154, 155, Cadwalader ; pp. 155, 156,

Mcllvaine ; p. 156, Eyre.

3 Ibid., pp. 114, 134, 136, 137, 506. » Ibid., pp. 141 ff.

\* " The two loan\* appear to have been made and charged, while Mr. Biddle, the

President, was absent at Washington ; and I think it may be fairly inferred that

they were allowed by the officers, in consequence of the precedent established of

similar loans haying been made, and they, not feeling willing to refuse to do, while

the President was absent, what he had authorised and done while present, which

was the reason of my being informed that they had been made, and that they had

been pnt upon the books, or that I directed they should be. In relation to interest

being paid, it certainly appears by the books that, at the time the two loans were

paid off, interest was at the same time paid, for the period the money had been

borrowed."— Ibid., p. 149.

& JWd., p. 433. In regard to Whitney's charges several facts deserve notice. He

must have been informed of the loans to T. Biddle, despite the failure of the officers to

remember the interview; otherwise he could not have made his memorandum, for

he had no access to the bank's books after 1825. Wilson must have given the infor-

mation, and considered the act questionable (ibid., p. 126). Being informed of these

loans, and consulting the books at the time, and necessarily in company with the

keeper of those books, Whitney probably advised transferring the loans to the

account of " bills receivable." This is made more probable by the fact that only at

this time were such loans charged to bills receivable (ibid., pp. 134, 506). That

Whitney believed the matter worthy of reprobation is proved by his having men-

tioned it at the time to a Mr. Hunt (ibid., p. 141). The fact that the president was

absent when the loans were made does not prove that the practice did not exist;

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Yet before the very committee which heard these charges

and admitted their disproof, it was proved beyond question

that\Jhe president of the bank had on his own responsibility

bought bills of exchang^; 1 that he had granted interest to T.

Biddle & Co. on loans by them to the bank, without the

consent of anyone and against the protests of the cashier;'

that on March 23, 1832, he had discounted a note for $3,500

for General Stevens, a congressman and a stranger to him,

without consulting either the exchange committee or the

board,\* and this in spite of the fact that the board met the

same day.^Lln May, 1831, Biddle also granted a loan to the

War Department, though he had " had no opportunity of

consulting the Board of Directors on the subject." 6

These cases are, however, the only ones which a thorough

search has revealed. Nor would it be rational to expect that

many cases existed, since Biddle was so autocratic that his

bat that someone besides the president employed it. This someone was probably

the cashier himself, an assumption made almost a certainty by the testimony of T.

Biddle, who .declared that he believed " that the transaction was altogether with

Mr. Wilson" (ibid., p. 196). See also p. 135: "My transactions with the Bank, in

ordinary cases, are done with the Cashiers ; when a rule is once established, or in

usage, for 1 do not know when it becomes a role, we apply to the Cashiers ; and, in

nine cases out of ten, the whole transaction is begun and concluded with them ;"

and p. 137, where the entries in T. Biddle's books show that the money came from

the cashier. The probability is that Wilson objected, not to the practice, bat to the

size of these particular loans, although he had made them himself. Troubled over

the matter, he then consulted Whitney about it, stating as a grievance that the

president had distinctly approved of such extensive loans. Whitney would then

advise their being put on the books instead of leaving only a record of the transac-

tion in the teller's drawer. At Biddle's return he probably argued against the prac-

tice, and Biddle would agree that he was right. This, it would seem, is the only

possible explanation of the matter.

i Wilson's testimony.— H. R. 460, 22d Cong., 1st Sess., p. 112.

2 " It was not regarded by me as a loan to the Bank till the interest account was

rendered, and the explanation was given by the President, nor was it known to the

Directors.'\*— Idem, loc. cit. % p. 114; see also pp. 128, 135, 436.

3 " I directed the discount on this occasion, without waiting for the Committee of

Exchange, because, from my own knowledge of the party, I was sure it would have

been done by the committee, of which I am myself a member, and as the applicant

was about to leave town I thought it right to give that reasonable accommodation

to a stranger."— Biddle, ibid., p. 190; also Cowperthwaite's testimony, ibid.

\* Memorial of Reuben M. Whitney, pp. 49, 50.

» Biddle to Secretary Eaton, May 7, 1831, 8. D. 98, 22d Cong., 1st Seas., p. 49.

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will would be pretty certain to obtain at the board. This

was particularly likely because the directors rarely attended

a session of the board in any number. On one occasion

Mcllvaine writes Biddle that no quorum could be secured,

and on another he says, " we had the unusually large Board

of eight this morning." l With a directorate so little devoted

to the irksome duties of their positions, it was inevitable

that power should fall into the hands of a few, and it is not

surprising to find an acquaintance appealing to Biddle for

a loan on the ground that " you always get your way with

the Board." 2

Fven if Biddle had not controlled the board, still he

might easily control the committee of exchange, which was

small and appointed by himself, and over which he presided.

The essential charge was that this committee supplanted the

board completely. That the committee itself had no reason

for existing could not be urged, since the purchase and dis-

counting of bills of exchange might frequently need to be

made between discount days, and the board met only twice

a week. Horace Binney consequently upheld the exchange

committee as indispensable "to the due management of the

parent bank." \* The question still remains: Did it act as the

agent or the master of the board?

The exchange department was created early in the history

of the bank, 4 and a committee to manage the department

naturally followed. 5 As exchange operations were at first

i An\*. 4, 1826. B. P. > B. Patterson to Biddle, Sept. 10, 1832, ibid.

i " Sir, the power exercised by the committee of exchange is known by all who

know anything of practical banking, as it is now conducted in our cities, to be not

only usual, bat almost indispensible ; and, to the due management of the parent

bank, entirely so."— C. Z>., Vol. X, Part II, p. 2355, Jan. 7, 1834.

« July 18, 1817.— Tyler's report, S. D. 17, 23d Cong., 2d Seas., p. 3.

6 \*\* A Committee of Exchange consisting of three members shall be appointed

who shall have special charge of all matters relating to the operations of the

Bank and its offices, in Foreign and Domestic Exchange and Bullion— and who

shall act as a daily committee for the purchase of Domestic Exchange at the Bank."

— Rulea and Regulation\* of the Bank of the United States, Bole XIII, par. 2.

Bee Appendix III.

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very limited, the committee was of little weight; but with

the stupendous growth of such dealings under Biddle's sys-

tem it became very important. 1 It was now appointed quar-

terly by the president, though down to 1828 it had been

selected by rotation, so that all members might sit upon it 2

In the early days, too, the functions of the committee con-

sisted in the management of only exchange operations,

while in 1832 an officer of the bank could say that " the

principal object of having the Exchange Committee " was

to discount notes on days that the board of directors did not

sit. 8 At this time the committee purchased " bills both

foreign and domestic, and, in the absence of the Board,"

discounted " domestic bills on any part of the United

States.'' \* It also discounted promissory notes. 8 In brief,

it might " be said, in some measure, to represent, the board

.... to act for the board " 6 even in the ordinary business

of the bank. In acting, however, it was authorized by votes

of the directorate, sometimes to perform specific duties, as

in the case of the 3 per cents., sometimes to operate gener-

ally, as by the resolutions of the 9th of July, 1830, which

authorized the committee " to loan on the collateral security

of approved public stock, large sums of money, at a rate of

discount not lower than five per cent." 7 The government

directors in 1833 objected to the making of discounts by the

i From July 3, 1827.— Tyler's report, 8. D. 17, 23d Cong., 2d Sess., p. 3.

2 Report of the government directors, April 22, 1833, Ex. Doc. 2, 23d Cong., 1st

Sess., p. 24.

3 John Burtis, H. R. 460, 22d Cong., 1st Sess., p. 552.

« M. L. Bevan, H. R. 121, 22d Cong., 2d Sess., p. 73.

6 Lewis, 8. D. 17, 23d Cong., 2d Sess., p. 51 ; Sullivan, H. R. 121, 22d Cong., 2d

Sess., p. 65; Cope, H. R. 460, 22d Cong., 1st Sess., p. 557; Bevan, ibid., p. 564.

8 Cope, i&td., p. 557.

7 Ibid., p. 505, and resolution of Sept. 17, 1831, ibid. ; resolution of March 6, 1835,

Niles, Vol. LX, p. 139. These resolutions, be it noted, gave the committee authority

to loan money on stock security. In other words, on July 9, 1830, it ceased to be only

a committee of exchange.

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committee, moving to restrict it to exchange purchases ; but,

nevertheless, the board as a whole approved. 1

Such authority and such powers might not be objection-

able, provided that the board kept itself informed of the

transactions entered into by the committee and checked

them when necessary. But the discounts were not generally

" laid before the directors for their approval or rejection,"

but were " acted upon definitely by the committee," a the

directors not members of the exchange committee mean-

while knowing no "more of the nature of the operations

than other persons." \* Such discounts were, however, entered

upon the books and submitted to the board after being made, 4

with the exception of loans on "bills receivable," which

never came before it at all.\* In 1831, moreover, the loans on

" bills receivable," that is, loans secured by stock, 6 began to

increase notably. 7 This was ominous, when it is recollected

that Biddle early in his administration had condemned such

loans as bad banking.\* But in all this the committee acted

under the board's authority.

A committee of five, including the president and cashier

— a committee "expressly invested with an authority which,

from its very nature, exempted " it " from many of the ordi-

nary rules of discounting," 9 which discounted promissory

i Br. Doc. 2, 23d Cong., 1st Sess., pp. 23-5; and Ex. Doc. 12, 23d Cong., 1st Sees^

pp. 8, 9.

a Biddle, H. R. 460, 22d Cong., 1st Sess., p. 84.

• B. Willing, H. R. 121, 22d Cong., 2d Sess., p. 60. « Sulliran, ibid., p. 62.

• Report of the Investigating Committee of Stockholders, April 3, 1841, Nn«BS,

Vol. LX, p. 107.

• " ' Bills receivable ' are those secured by stock, and on which the full amount

is advanced to the borrower with interest, payable when the loan is due. To this

account is also carried bills growing out of compromises of debts, and more recently,

of bills received on account of India arrangements."— H. R. 460, 22d Cong., 1st Sess.,

p. 120.

^ For 1822-30, $1,059,202.90; for 1831, $1,121, 107.51 .-Ibid., pp. 506, 507.

• Biddle to Isaac Lawrence, Oct. 13, 1823.— P. L. B. y Vol. I, p. 55.

• Biddle, H. R. 460, 22d Cong., 1st Sess.. p. 542. Bevan said that it was bound

by no rules " other than those which men, feeling an interest in the bank and in the

public good, would be governed by."— H, R. 121, 22d Cong., 2d Sess., p. 74.

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■ -

notes four days out of every week and controlled the enor-

mous exchange operations of the bank, was likely to absorb

power, likely to abuse its authority. There can, indeed, be

no doubt that this was the result. After the downfall of the

bank, certain of the directors accused Biddle of having

destroyed the institution, the specific charges being that a

resolution of March 6, 1835, gave the complete control of the

bank into the hands of the president and the exchange com-

mittee, that this committee exercised its authority to loan

money on the pledge of the stock of incorporated companies,

no matter what the companies were like or what their

operations were, and that these loans ruined the bank. 1

Biddle's accusers, however, omitted the extremely important

qualification that such powers had been primarily granted to

the committee five years earlier, and Biddle answered their

charge that the committee dealt in regular discounts by

proving that this had long been the custom, and had been

authorized by the board, 2 as is apparent enough from what

has already been said. This, however, was only to push

back the charges to a date five years earlier. The directors

had no answer, because Biddle's rejoinder proved that they

were equally guilty, having been members of the board at

the time, and having voted for the obnoxious resolutions,

besides declaring as members of examining committees that

the business was sound. 8 They had partly forestalled this

answer, however, by declaring that the committee on the

state of the bank never really investigated its affairs, but

i This resolution gave the president and exchange committee power " to make

loans on the security of the stock of this bank, or other approved security, and if

necessary, at a lower rate than six, but not less than five per cent per annum.\* 1 —

—Report of the Investigating Committee of Stockholders, April 8, 1841, Nmca, VoL

LX, p. 106.

- Biddle to John M. Clayton, April 14, 1841, ibid., p. 138.

\* Idem. Votes on the proposition to reduce the powers of the exchange commit-

tee, Eyre and Lippincott always in the negative, April 19, 1833; May 2, 1833. Com\*

mittees on state of the bank, including Lippincott on four of them, from

Ibid., p. 139.

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accepted statements made by the president, while many of

the transactions were concealed under the item of "bills

receivable." ! The conclusion is irresistible that abuses did

exist, and were participated in by both accused and accusers.

Biddle could not controvert the charge ; the directors could

not carry it to its logical conclusion because it inculpated

them. 1

That abuses existed after 1830 must be admitted, and this

is the principal point. But admitting this— ^admitting that

the president and the exchange committee controlled the

business of the bank] in regard to dealings in foreign and

domestic exchange, to loans on stock, and to discounting

between discount days, while the president even made dis-

counts absolutely on his own authority — admitting all this,

yet it does not follow that they were to be held responsible

for the losses accruing. The board gave this authority in

many cases, and, where it did not, it might have checked the

practice, for the dealings of the exchange committee were

placed sooner or later before the entire board, and the trans-

l " The mode in which the committee of exchange transacted their business, shows

that there really existed no check whatever upon the officers, and that the funds of

the bank were almost entirely at their disposition. .... They exercised the power

of making loans and settlements, to fall as great an extent as the board itself

The established course of business seems to hare been, for the first teller to pay on

presentation at the counter, all checks, notes, or doe bills ha ring indorsed the order

or the initials of one of the cashiers, and to place these as vouchers in his drawer,

for so much cash, where they remained until just before the regular periodical

counting of the cash, by the standing committee of the board on the state of the

bank. These vouchers were then taken out, and entered as \* bills receivable,' in a

small memorandum book, under the charge of one of the clerks It can be said,

.... with entire certainty, that the very large business transacted in this way, does

not appear upon the face of the discount books, was never submitted to the exami-

nation of the members of the board, at its regular meetings, nor is it anywhere

entered on the minutes, as having been reported to that body, for their information

or approbation."— Report of the Investigating Committee of Stockholders, April 8,

1941, Niuts, Vol. LX, p. 107. See, in answer, Biddle to Clayton, April 14, 1841, ibid.,

p. ISO, and in rebuttal of this the second report of the Investigating Committee, May

18, 1841, ibid., p. 203.

>The directors finished by saying that the " board of directors and its standing

committees had become" a mere form. This was their thesis.— Ibid., p. 203. The

board being a mere form, the conclusion was that the president and the committee

had usurped its functions.

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actions might be known at any time. 1 All the business of

the bank was to be investigated by a committee appointed by

the directors four times a year, 9 and if this committee was

efficient, all errors and all transactions should have been

known to it, and through it j^bej^rd. if^ therefor^ Dad v \

business was done, ^he board, ananot^ the president or the

exchange committee, was responsible. ] The censure must

lie here, and it must be heavy, for of all the charges exam-

ined this is the only one thoroughly substantiated, and the

only one of great and perilous import

l "They report, on the books, all their doings daily. The aggregate of foreign

bills are entered in the general account of the bank, which is always open to the

inspection of every director, so that the board can see at any time what the execu-

tive committee are doing, by an examination of the debit and credit on the books.

.... The domestic bills are entered daily in detail — the drawer, indorser, and

payer, the amount, when and where due, are all entered, with the discount and all

particulars."— Bevan, Feb. 14, 1833, H. R. 121, 22d Cong., 2d Sess., pp. 73, 74.

« Rule\* and Regulation\* of the Bank of the United State\*, Rule XIII, par. S.

See Appendix III.

CHAPTER XII

THE WAR ON THE BANK

In July, 1832, Biddle announced to supporters of the

bank that it would take no active part in the campaign, since

such action was contrary to its principles. 1 It aided, how-

ever, by the dissemination of publications in its favor. Mean-

while it devoted its energies to its own affairs, though not

yet determined upon its final policy, which could not be

settled until the issue of the campaign was known. 3 If the

two-thirds majority was secured, it would continue as before ;

if it was not secured, then a change in policy might be

adopted. When at last it was known that Jackson had

been triumphantly re-elected, the directory concluded, never-

theless, that no " change in the general system of operations"

should take place. The bank would not " commence any

systematic reduction of its loans with a view to winding up

its affaire." The only change contemplated was "to give

gently and gradually the loans of the Bank the direction of

domestic bills, .... which being payable at maturity"

would "give the Institution a greater command over its

funds. " But there was no intention of beginning "to close

its concerns."\* Evidently the directors still hoped that a

new charter might be secured.

Their chances, however, had materially diminished. A

necessary consequence of the struggle had been to embitter

both parties and to increase the suspicion of base motives

on both sides. The Olobe did not hesitate to assert " that

members of the defeated party were prompting the ' minions

i See p. 251.

3 Biddle to various directors. Not., 1832, P. L. £., Vol. IV, pp. 311-15.

i Biddle to John Rathbone, of New York, Not. 21, 1832, ibid.\* p. 332.

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of the bank 9 " to assassinate the president, 1 and the tone of

the party newspapers became absolutely ferocious. Jackson

shared in this spirit and was not content to rest satisfied

with his signal victory. He longed, he said, " for retirement,

and repose on the Hermitage. But until I can strangle this

hydra of corruption, the Bank, I will not shrink from my

duty, or my pari" a Having once entered the fray, he would

be appeased with nothing less than the total annihilation of

the bank, thoroughly convinced that the monster was uncon-

stitutional, undemocratic, corrupt, subversive of liberty,

dangerous to "the people."

In the message of 1832 he complained at length of the

bank's behavior and recommended the sale of the govern-

ment stock therein and an investigation by Congress to

determine whether it was safe to leave the public funds in

its control.\* Biddle was well aware of the president's feel-

ing and for the first time was not surprised by the contents

of the message. 4 He indeed suspected that the executive

would attempt the discredit of the bank by planning a run

upon the Washington office. "I have to-night directed a

reinforcement of specie to Washington to protect the Branch

against the Officers of the Executive. Is not that a mon-

strous state of affairs? " 6 What hurt and angered him still

more was that McLane had supported his chiefs insinua-

tions of the bank's insolvency, declaring that its action in

relation to the 3 per cents, and other matters had "tended

to disturb the public confidence in the management of the

institution, " and had suggested " an inquiry into the security

of the bank as the depository of the public funds." 6 The

i Pabton, VoL III, p. 481.

2 Jackson to Rev. H. M. Cryer, Washington, April 7, 1833, The American His-

torical Magazine, Vol. IV, p. 239.

3 Menage\* and Papers, Vol. II, pp. 599, 600, Dec. 4, 1832.

\*" I have known for some time that the message would contain Just such a

notice of the Bank.'— Biddle to Watmough, Dec. 6, 1832, P. L. P., Vol. IV, p. 335.

\*Ibid\ ^ Ex. Doc. 3, 22d Cong., 2d Sess^ p, 14.

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message and report shook the credit which is the very life of

such an institution., and depressed the price of the stock. 1

The bank might be broken as a consequence of the loss of

confidence in its solvency, and Biddle bitterly denounced

master and man as deserving impeachment. 3

The president, however, had no reason to dread impeach-

ment, but pressed constantly forward. He was determined

to deprive the bank of the deposits, basing his determination

upon two opinions: first, that they were not safe in the bank;

and secondly, that if they were allowed to remain in its

custody, they would be employed to bribe the members of

Congress to pass a re-charter over the veto. To a friend he

wrote:

This combination [of Clay and Calhoun] wields the U. States

Bank, & with its corrupting influence they calculate to carry every

thing, even its recharter by two thirds of Congress, against the veto

of the Executive, if they can do this, they calculate with certainty

to put Clay or Calhoun in the Presidency — and I have no hesitation

to say, if they can recharter the bank, with this hydra of corruption

they will rule the nation, and its charter will be perpetual, and its

corrupting influence destroy the liberty of our country. When I

came into the administration it was said, & believed, that I had a

majority of seventy-five — since then, it is now believed it has bought

over by loans, discounts, &c., &c., until at the close of last session,

it was said, there was two thirds for rechartering it. 1

In this opinion he was most obstinately fixed, Blair, of

the Globe, pressing it upon him constantly. 4 He was,

i The War on the Bank of the United State\*, p. 25. Stock fell 4 per cent.— Niles

Vol. XLIII, p. 240.

> " But when I think of the conduct of the President and the Secretary in thus

endeavoring to prostrate the credit of the Bank and the country both here and in

Europe, I come to the conclusion that they both deserve impeachment."— To Wat-

mough, Jan. 13, 1833, P. L. £., Vol. IV, p. 381.

\* Jackson to Be v. H. M. Cryer, Washington, April 7, 1833, American Histori-

cal Magazine, Vol. IV, p. 239.

\* " If the bank is permitted to hare the public money, there is no power that can

prevent it from obtaining a charter— it will have it if it has to buy up all Congress,

and the public funds will enable it to do so."— Jackson to W. B. Lewis, Lewis's

narrative, Pabton Vol. Ill, p. 508. See for Blair's opinion ibtd. % pp. 503-5.

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moreover, informed by James A. Hamilton that "a gen-

tleman whose knowledge of the views of the United

States Bank is only second to that of its President" had

told him that the bank counted upon securing a re-charter

in spite of the president. 1 Even if it did not succeed now,

he believed that it would attain its purpose after his retire-

ment, and consequently it was necessary to precipitate another

conflict and thus force the bank's hand. 2 The idea of with-

holding the deposits was not a new one. Secretary Ingham

in his acrid correspondence with Biddle in 1829 had pointed

out such a possibility, 8 and it had been suggested during the

investigation of 1819.\* Moreover, attempts at a partial

withdrawal of the deposits had been made several times,

though without success. 5 The authority to remove the pub-

lic funds from the bank had been confided by the charter to

the secretary of the treasury, to be exercised at his discre-

tion. He must, however, give his reasons for the act to

Congress as soon as possible after the removal.\*

The advisability of depriving the bank of the public

deposits was apparently discussed by the president's inti-

mates during the campaign of 1832, for the bank was warned

of the likelihood of such action in August of that year. 7 After

the campaign, rumors of the president's resolution came thick

and fast, and Biddle was informed " that the determination

to take the deposits away is final"\* Other correspondents

i Feb. 28, 1833, Reminiscences, p. 251.

2 Extra Globe, Vol. I, p. 27, July 3, 18S4. Taney's speech, Aug. 6, 1834, ibid., p. 146.

3 " I take the occasion to say, if it should ever appear to the satisfaction of the

Secretary of the Treasury that the bank used its pecuniary power for purpose\* of

injustice and oppression, he would be faithless to his trust if he hesitated to lessen

its capacity for such injury, by withdrawing from its vaults the public depositee." —

To Biddle, Oct. 5, 1829, H. R. 400, 22d Cong., 1st Sess., p. 460.

\* Spencer's resolution, Feb. 1, 1819, A. of C, 15th Cong., 2d Sess., Vol. Ill, pp.

922,923.

& See pp. 177, 202. \* Sec. 15 of the charter, Appendix I.

t " He may take the responsibility — and [I] think it well to be prepared for that

event."— Senator J. S. Johnston to Biddle, Aug. 2, 1832, B. P.

8 B. L. Colt ; Cowperthwaite to Biddle, Dec. 7, 1832, ibid.

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gave the same assurance in January, 1833. He was also

informed that there was a project to create another bank to

take the place of that already existing. 1 A third plan was

for the president of the United States to issue " a scire facias

to ascertain if the charter had not been forfeited." 2

While these projects were being discussed the adminis-

tration had taken hostile measures against the bank. Mc-

Lane, during the interval between the sessions, had appointed

an agent, a Jackson partisan, formerly a director of the bank

and engaged in western business, to examine into its affairs,

especially into the condition of the western debts. To the dis-

comfiture of its enemies, his report declared that these debts

in his opinion were safe and that the deposits might with

confidence be allowed to remain in the custody of the corpo-

ration.\* The report was strengthened through the rejection

by the House in February, 1833, of a motion to sell the

government stock, 4 by a report of the Committee of Ways

and Means to the same effect, 5 and still more by the emphatic

declaration of the representatives, by a vote of 109 to 46,

that in their opinion the deposits were perfectly safe in the

keeping of the bank. 6

Though these acts certainly staggered Jackson's sup-

porters, they did not affect his purpose in the least. On the

contrary, he was all the more convinced that it was necessary

to act in order to hinder the bank's securing a re-charter by

bribery. The effect upon Biddle and his friends was cheer-

ing. The hope of securing a -new charter had not perished.

In January Jaudon opposed the sale of the government's

stock in the bank because " it would weaken our chance of

1 Ingersoll to Biddle, Jan. 1ft, 1833, ibid,

» Biddle to J. Q. Watmoogh, Feb. 19, 1888, P. L. £., Vol. IV, p. MO.

\* Toland's report, Dee. 4, 1832, Ex. Doe. ft, 22d Cong., 2d Sees., p. 8.

« C. D., Vol. IX, Part II, pp. 1707, 1722. Vote, 102 to 91.

» H. R. 121, 22d Cong., 2d Sess., p. 5, March 2, 1838.

« C. D., Vol. IX, Part II, p. 1996, March 2, 1838.

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a re-charter." l On the day that the House declared its be-

lief in the safety of the deposits in the bank's custody, Ser-

geant said that he thought there was reason to hope for a

new charter, while Clay informed Biddle that the pros-

pects were not bad, though nothing could be done for the

present.' He hoped " that at the next session or the session

after, the charter" would be renewed, 4 while Biddle expressed

his conviction " that the chances of a renewal have increased

and are increasing." 5 Jackson's conflict with the Nullifiers

encouraged Biddle to believe that support could be secured in

the South, while the momentary affiliation of Webster and

Jackson against the Nullifiers gave hopes of influencing the

president through the bank's great champion. The first ex-

pectation was justified ; ' the second was not In April Biddle

wrote to Webster asking him to attempt a reconciliation with

the administration, saying that " whatever is done in the way

of pacification should be done soon, for if the deposits are

withdrawn, it will be a declaration of war which cannot be

recalled ; " 7 " the whole question of peace or war lies in the

matter of the deposites." 8 Webster did what he could, but

without avail.

Before acting Jackson took advice as to the probable

i Jaudon to Biddle, Washington, Jan. 23, 1833, B. P. Also Biddle to Watmoogh,

Feb. 13, 1833, P. L. B. % Vol. IV, p. 432.

2 To Biddle, March 2, 1833, B. P.

> To Biddle, Feb. 16, 1833, B. P. « To Biddle, March 4, ibid.

6 To William B. Shepard, of Elisabeth City, N. C, March 16, 1833, P. L. B. % VoL

IV, pp. 459, 460.

• Cooper, of South Carolina, who had written against the bank, now came oat

in its favor.— Cooper to Biddle, Columbia, S. C, April 27, 1833, B. P. Cooper and

Leigh, of Virginia, took the ground that the issue was between the old bank or a

new one after Jackson's pattern. Biddle constantly assured the southerners that

such was the case.— To Cooper and to J. S. Barbour, July 11, 1833, P. L. £., VoL IV,

p. 513.

? Biddle to Webster, April 8, 1833, B. P.

8" I wrote to you to say that Mr. L. [Livingston?] would be in New York. I

write to you again to say that I think it would be well to see him. The whole ques-

tion of peace or war lies in the matter of the deposites. If they are withdrawn, it is

a declaration of war. It is wiser therefore to begin the work of peaoe before any

irrevocable step is taken."— Biddle to Webster, April 10, 1833, ibid.

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effect of a removal of the deposits. James A. Hamilton

convoked a meeting of bankers in New York city and ob-

tained their opinion. It was decidedly averse. Mr. Gal-

latin was most determined in opposition. 1 Isaac Bronson

answered a number of queries at length. He said that the

bank would not be placed in the power of the state banks

by the removal of the deposits; that it would be compelled

to " reduce its discounts by an amount equal to the average

sum of public deposits withdrawn from it," since it could

not otherwise pay them without reducing its specie, which it

" could not do safely ;" that if it reduced, the state banks

would have to do likewise ; that a contest between the bank

and the state banks would necessarily result ; that no com-

bination of state banks could be formed to take its place ; and

that the withdrawal of the deposits would probably aid in

securing a re-ch$rter \* With. these assurances to guide him,

Qackson petfflst^ in ^J^urs^l and knowing that a panic

must in all probability result, according to the opinion of a

competent banker who was a friend to him and an enemy to

the bankfhe must be held accountable] as the supporters of

the bank asserted^ having precipitated the panil'4 Be-

sides securing these opinions, the president on April 14, and

again on August 3, instructed the government directors to

make an examination into the situation and conduct of the

bank. 4 In their reports to him they detailed a number of

acts which he considered conclusive proof of the corrupt in-

terference of the corporation in politics and its settled hostil-

ity to the government 5

i Rcminucenca, p. 253. \*Ibid., pp. 253-6, April 4, 1833.

\* Moreover, that the administration believed that the bank would be oompelled

by its measures to contract is inferable from Kendall's correspondence : " If it be

determined not to remove them," he wrote to Secretary Duane, " it is supposed the

Bank of the United States will resume its wonted course, and cease to distress the

community."- Sept. 4, 1833, 8. D. 17, 23d Cong., 1st Sees., p. 16.

\* Jackson to the directors, April 14 and Ana;. 3, 1833, Ex. Doe. 12, 23d Cong., 1st

i., pp. 27, 33.

\* Paper of Sept. 18, 1883, Mtmagm and Papers, VoL III, pp. 18-18.

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Meanwhile, warnings that the deposits would be removed

in spite of the action of Congress continued to reach the

bank's president. Tet, at the same time, he was informed

that " the question .... about removing the deposits is as

far from being settled as ever" and that the leading members

of the cabinet were unalterably opposed to the policy. 1 His

own opinion was that the administration " would not dare to

remove them." a On the 15th of April he was informed that

changes would be made in the cabinet; that McLane would

be secretary of state, a Pennsylvanian secretary of the treas-

ury, and that "the deposits will not be removed" McLane

having "taken a decided stand" and won the day. 1

This information was partially correct. The changes in

the cabinet were made in accordance with it, but they were

made with the expectation of securing a more pliable secre-

tary of the treasury than McLane. The man selected was

William J. Duane, of Philadelphia. He had been asked to

take the office as early as December 4, 1832, and agreed to

do so on the 30th of January, 1833. 4 It is therefore evi-

dent that the removal had been determined upon even as

early as this. Duane was informed immediately by R. M.

Whitney, who claimed to be acting for the president, that

the deposits were to be removed. 8 Soon after this he was

visited by Kendall, who gave him the same information, 6

while on the 3d of June Jackson in person communicated

his intentions. On this occasion the president discovered to

his dismay that Duane was unwilling to order the removal.

i Webster to Biddle, New York, April 8, 1833, B. P.; R. W. Gibbes to Biddla,

Baltimore, April 13, 1833, private, ibid., pp. 13-16.

2 Biddle to Webster, April 8, 1833, ibid.

> Cashier R. Smith to Biddle, Washington, April 15, 1833, ibid.

\* Letter of Duane, Oct. 23, 1833, Nil.es, Vol. XLV, p. 272, quoting the New Orleans

Bulletin; and Duane 's Exposition, ibid,, p. 236.

\* Duane's Narrative, p. 5.

\* Kendall called at first on his own responsibility, a second time at the request

of Jackson.— Autobiography of Amos Kendall, p. 377.

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He argued the question, he expostulated, he begged his

secretary to be reasonable ; but the stubborn subaltern would

not yield. On the contrary, he argued the point against the

president with equal strenuousness, ending by promising to

resign if he could not see his way clear to giving the required

order.

Hereupon Kendall was sent on a mission to the state

banks to see if they could be persuaded to take the deposits

on terms advantageous to the administration. 1 In Duane's

opinion the mission was a failure, and Jackson's plan was

certain, if carried out, to plunge the " fiscal concerns " of.

the country "into chaos." 3 Kendall himself is said to

have admitted to Jackson that the " project of removing

the deposits must be given up."\* Jackson agreed neither

with the secretary nor with his agent. His purpose was not

shaken in the slightest degree. On his return from the

eastern trip taken in the summer of 1833 he told Duane that

the deposits must be removed and that he would take the

responsibility. On the 18th of September he read his fa-

mous " paper " to the cabinet, in which he gave his reasons

for the removal and assured the cabinet, as he had assured

Duane, that he would take the responsibility. Duane, how-

ever, refused to budge from his position. He then exasper-

ated Jackson still further by recalling his promise to resign.

This decision was taken after the publication of the presi-

dent's paper, an act which Duane considered personally

insulting. The publication was made on the 20th of Sep-

tember, and on the 21st Duane sent Jackson a long, queru-

lous letter, giving twelve reasons why he would not remove

i Kendall received his instructions July 23.— Duane to Jackson, Sept. 9, 1833,

8. D. 17, 23d Cong., 1st Sess., p. 9. His mission was semi-public— Niles, Vol. XLV,

p. 26, note, Sept. 7, 1833, quoting from the Pennaylvanian of about Aug. 1. The

announcement of his appointment was made in the Globe on the 25th of July.

\* Duane's Narrative\* p. 9ft. •

\* Sumnkh, Jackson (revised), p. 352, quoting Hires in 1856, in the Globe. See also

Benton's statement that " local banks were shy of receiving them " [i. c, the depos-

its].— Thirty Yean, VoL I, p. 385.

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the deposits, refusing to resign, and rather inconsequently

subscribing himself "your obedient servant" 1 Jackson

returned the letter forthwith, whereupon Duane wrote a sec-

ond, third, and then a fourth in quick succession. Jackson

returned the third and fourth as " inadmissible," and then

gave Duane an ignominious dismissal, concluding a curt,

cutting letter to him with these words: "I feel myself con-

strained to notify you that your further services as secretary

of the treasury are no longer required." 2

Biddle was thoroughly informed of the relations existing

between the president and the secretary, and knew at last

that the determination of the president was unalterable. On

the 30th of July he wrote to Robert Lenox that " the gam-

blers are doing everything in their power to bend Mr. Duane

to their purpjoses," but the secretary "will not yield an

inch." ' Two days later he described the situation so cor-

rectly that there can be no doubt that he had confidential

information: "Duane has been required to withdraw the

deposits and has refused. This mission [i. 6., Kendall's] is

now got up to prove that he can do without the Bank of the

United States and then he will be again asked — and he will

again refuse. Then he will either leave the Treasury, or

have conquered the Kitchen Cabinet — in either case the

triumph of the Bank will be signal" \* Biddle was therefore

sufficiently forewarned of the president's purpose and took

precautions accordingly. 5

Immediately after Duane's dismissal, Roger B. Taney, a

consistent foe of the bank, who had all along urged upon

the president the necessity of removing the deposits,\* was

i Duane's Exposition, NrLBS, Vol. XLV, p. 2S7. > Ibid\ % pp. 237, 238.

» Biddle to Lenox, July 30, 1833, P. L. £., Vol. IV, p. 518.

\* Biddle to John Potter, of Princeton, Aug. 1, 1833, ibid., p. 519; and to T. Cooper,

July 81, ibid.

» Warning of the removal was given by the papers in September. Mr. Duane, it

was said, would resign, and either Taney or Kendall be appointed secretary.— Nilm,

Vol. XLV, p. 33, Sept. 14, 1833.

« Taney to Jackson, Aug. 5, 1833, Tyler, Memoir qf R. B. Taney, p. 196.

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appointed secretary and executed the president's design.

The bank's stock immediately declined 1£ per cent 1 £^The

deposits were not actually removed.^ On the contrary, the

administration did not touch the government funds held by

the bank, hoping thus to deprive the directors of an excuse

for contracting their business^ It was a shrewd move, but

had little effect TheEerewiffiholding of further deposits,

while those still in the bank were gradually withdrawn in

the regular course of the government's use of the funds, was

sufficient, in the opinion of most men, to force a contraction. 3

Besides, the phrase " removal of the deposits" gained

instant currency, and the assertion that they were not removed

passed almost unheeded.

Besides Taney, the other thick-and-thin supporters of

u removal " about Jackson were Kendall and Blair, Barry,

and Reuben M. Whitney. The members of the cabinet,

excepting Barry and Taney, were either hostile to the act or

lukewarm in support Cass allowed himself to be overruled;

Woodbury said he was with the president now, though

opposed earlier.\* Many close friends of the president sup-

i Nilbs, Vol. XLV, p. 65. It revived by Not. 6.— Ibid,, p. 106.

\* \*\* It is contemplated, we understand, not to remove, at once, the whole of the

public money, now on deposite in the bank of the United States, but to suffer it to

remain there until it shall be gradually withdrawn, by the usual operations of the

government. And this plan is adopted in order to prevent any necessity, on the part

of the bank of the United States, for pressing upon the commercial community ; and

to enable it to afford, if it think proper, the usual facilities to the merchants. It is

believed, that by this means the change need not produce any inconvenience to the

commercial community, and that circumstances will not require a sudden and heavy

call on the bank of the United States so as to occasion embarrassment to the institu-

tion or the public"— /bid., p. 51, Sept. 21, 1833, quoting the Globe of the 20th.

" A sudden transfer of a large specie fund would certainly enable the state

banks to extend their accommodations, and make the money market easy ; but it

would be followed by a disastrous reaction. The United States bank being thus sud-

denly weakened, would have not only an excuse, but a justification in calling upon

her debtors with the greatest urgency The pressure would return with more

rigor than ever, and the blame would be thrown upon the government.

" We must not expose ourselves to such an attack. If the bank shall produce a

pressure, (as she certainly can by unreasonable calls upon her debtors) the blame

would now attach to herself, and she will not have even a pretence for casting it

upon the government."— Letter of A. Kendall, Oct. IS, 1833, ibid., p. 299.

s Parton, Vol. Ill, p. 508. Dcank's Narrative shows this plainly. Van Buren

changed to the president's side during the trip to the Rip- Raps, much to MoLane's

disgust.— Hamilton, Reminiscente\*, p. 258; Kzxdall, Autobiography, p. 878\*

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ported the opinion of the majority of the cabinet, consider-

ing the act unjust, and above all impolitic. A large propor-

tion of the Democrats were in the position of Duane, who

had always been " opposed to the United States bank, and

to all such aristocratic monopolies; but .... considered

the removal of the depositee, unnecessary, unwise, vindic-

tive, arbitrary, and unjust." 1 These opinions were sound,

though it is conceivable that the president might secure for

his act of overbearing mastery almost as many supporters as

he would lose. His own belief that the policy was one of

justice and self-defense would in the long run be that of

the Democratic masses, for Jackson's mental processes were

those of the average honest, ignorant man. As he thought,

so they would think. How differently different men would

feel is evidenced by the wish of Robert Lenox that the

president would remove the deposits in order that the bank

might be re-chartered, 3 and the admiration of Benton when

it was done. 8

In his paper read before the cabinet on the 18th of

September, and prepared for him by Taney,\* Jackson gave

a variety of reasons for the removal: The bank had in-

creased its loans in 1832 in order to compel a re-charter;

it was settled by the campaign of that year that the charter

should not be renewed, and therefore the president thought

that the removal could not, "with due attention to the inter-

ests of the people, be longer postponed;" Congress could

not act with regard to the deposits until the secretary had

first acted; the public funds were probably unsafe in the

bank's custody ; it had interfered to hinder payment by the

i Letter of Oct. 17, 1833, Niles, Vol. XLV, p. 178.

2 Lenox to Biddle, New York, July 29, 1833, B. P. The remora\* was actually

41 desired by political men friendly to the Bank."— I. Bronson to J. A. Hamilton,

Reminiscences, p. 257.

\* \*' I felt an emotion of the moral sublime at beholding such an instance of cirie

heroism."— Thirty Years, Vol. I, p. 879.

4Tyleb, Taney, p. 204.

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treasury of the 3 per cent stocks ; had mistreated the gov-

ernment in the matter of the French indemnity bill; had

refused to allow the government directors their charter privi-

leges; had conducted business with less than a quorum of

seven directors; had spent immense sums for publications

for political effect, and thus corrupted the press. Finally

he declared that the responsibility had been assumed "as

necessary to preserve the morals of the people, the freedom

of the press, and the purity of the elective franchise." 1

One would search the constitution in vain to find the clauses

giving the president of the United States the guardianship

of " the morals of the people, the freedom of the press, and

the purity of the elective franchise," but it is certain that

Jackson thoroughly believed himself endowed with such

authority, and considered this a sufficient reason for his action.

Jackson's act precipitated a panic in a market already

stringent on account of the reductions in bank accommoda-

tions due to the hostile relations between the administration

and the bank. The withdrawal of the deposits necessarily

had this result, because it left all moneyed interests in a

condition of suspense and doubt, put monetary affairs on a

new and uncertain basis, and gave a tremendous shock to

public confidence, without which commercial dealings cannot

continue. 2 The commercial situation was further aggravated

i Met9age» and Paper$, Vol. HI, pp. 5-19.

2 "The increased facilities of communication and inland exchanges hare,

within the last years, multiplied to an extent heretofore unknown, the transactions,

contracts and responsibilities, between the several cities, and between the cities and

•▼en the most remote parts of the country.

"The regularity with which the enormous mass of engagements resulting from

those transactions spread over the whole country, and all intimately connected

together, can be discharged, depends entirely on an uninterrupted continuance of

the ordinary sales, payments, remittances and credits. The whole machinery, by

which business in all its various branches is carried on, is credit extended to its

utmost limits. Whatever lessens the general confidence, on which credit is founded,

must necessarily produce a fatal derangement and interruption in every branch of

business.

" It is with this state of things, that, without any necessity or investigation,

the executive thought proper to interfere."— Report of the Union Committee of New

York, March, 1834, Niuu, Vol. XL VI, p. 76.

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at this moment by the effects of the compromise tariff law,

which introduced a new system of paying duties, the

importers being compelled to pay at once and not, as hereto-

fore, after six months 9 time. The consequence was that an

increased demand for credit was occasioned, at the very

moment that it could least be met. 1

The bank immediately answered the move of the presi-

dent by increasing a contraction already begun. In this it

was justified. 2 The only question was how far the contrac-

tion was to go. The bank would certainly not be justified

in contracting after its own safety was assured. Where this

point was no one could say excepting the directors. The

massing of statistics to prove that the bank went too far, or

not far enough, is of little value, if taken alone, since the

amount of contraction must be determined at each moment

by the peculiar circumstances of that moment, and what

might prove an ample reserve at one time would be totally

insufficient at another. But supposing the directors to go

beyond the point of safety, they would certainly be severely

censurable, since, whether legally bound or not, they were

morally bound to protect the business of the country from

harsh shocks. It may be concluded, therefore, that though

the president of the United States was responsible for the

first contractions of the bank and for the sufferings result-

ing therefrom,\the question of responsibility for later con-

tractions and later sufferings remains open. ^

In attempting to determine in how far the board of direc-

tors was justified in its policy, the reader must remember

that the unceasing hostility of the administration placed the

bank in a very precarious position. The withdrawal of the

i Jaudon, writing to Biddle March 9, 1834, says : " We know that a groat part of

the present pressure arises from the change in the system of duties and other causes

that are temporary."— B. P. Hill, of New Hampshire, March 4, 1884, pointed out thai

the new system entailed a double payment of duties for one year after the law went

into effect.— C. D., Vol. X, Part I, p. 797.

aBronson's opinion, already quoted, is conclusive on this head.

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deposits was intended to weaken it and put it in the

power of the state banks. 1 If the executive had shown will-

ingness henceforth to let the bank alone, it would have been

morally confined to more restricted limits in its contraction.

But every fresh act of hostility necessitated a further reduc-

tion, in order to make the institution perfectly secure. As

such acts continued, the task of dividing the responsibility

for the panic of 1833-34 becomes more and more difficult

It is of importance, therefore, to determine inst what further

aggressive steps were taken by the administration, and what

other events affected the judgment of the directors.

In the autumn of 1832 a run had been made on the

Lexington branch, incited without doubt by political oppo-

nents. 1 In the autumn of 1833 a demand for $350,000 in

specie was suddenly made upon the branch at Savannah,

which could be met only because, the suspicions of the board

having been aroused by the failure of the bank to receive

the notes of the Savannah branch, it had sent large supplies

of specie there. Biddle had no doubt that the administra-

tion was behind this attack.'

The dispute over the French Indemnity Bill aggravated

the situation. The United States, ki order to collect the

first instalment of that claim, had on the 7th of February,

1833, sold to the bank a bill of exchange drawn upon the

French government. 4 The amount was $903,565.89. The

i u Thi§ boasting giant u now but a reptile beneath the feet of the secretary of the

treasury, which he can crush at will. It exists by his forbearance, and will, for the

next forty days ; and great forbearance will it require to save it from destruction."—

Kendall in a letter to the New York Standard, Oct. 9, 1833, Nn.ES, Vol. XLV, p. 297.

44 You mention that the Merchants' bank drew $90,000 from the branch ; this will

be followed by other draughts, until the TJ. States bank will find it difficult to sustain

the branch in your city. As things now are, that institution must keep means there

to meet almost all its entire circulation, and it will hare to become a great collector

of specie from every quarter of the union, for the ultimate use of your bank, and

others who may want it at New York."— Letter of A. Kendall, Oct. 18, 1833, ibid., p. 299.

> H. R. 121, 22d Cong., 2d Sees., pp. 127-43; also Biddle to H. Binney, Dec. 3, 1833,

P. L. B. % Vol. V, p. 35,

> It was due largely to the " Deposit Banks at New York that is the Treasury at

Waahington."-JWd.

«MeLane to Biddle, Feb. 7, 1838, A D. 17, 28d Cong., 2d Sees., pp. 288, 267.

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bank presented the bill in Paris, where payment was refused,

and, the bill went to protest 1 The bank would have been

dishonored if the firm of Hottinguer et C ic , its continental

agent, had not taken up the bill for it. The bill was

returned and the bank sent it to the secretary of the

treasury, with a claim for the principal, interest, cost of

protest, re-exchange, and damages at 15 per cent 1 The

claim of the bank to the damages was based upon a statute

of Maryland, which was law in the District of Columbia.\*

Secretary McLane at once paid the principal, but not the

other items. 4 In answer to a letter from Biddle in June,

Secretary Duane admitted the validity of all the other

claims excepting that for damages, to which Attorney-

General Taney declared that the bank had no claim either

"in law or in equity." 6 Having given this opinion, Taney

was requested to give his reasons for it, but so long as he was

attorney-general he refused to give them. 6 Not only so, but

after becoming secretary of the treasury he completely ig-

nored the bank's claim. Woodbury when secretary followed

Taney's example. Thus affairs stood from May 16, 1833,

until July 2, 1834, on which date Secretary Woodbury

finally declined to pay the damages. 7 The bank thereupon

notified the secretary that the sum claimed would be

deducted from the government's part of the semi-annual

bank dividend. 8 On the 16th of July this was done, the

amount plus interest to that date being retained. 9 The sum

i Jaudon to McLane, April 26, 1833, S. D. 17, 23d Cong., 2d Sess., p. 271.

3 Same to same, May 13, 1833, ibid., pp. 271, 272.

«ff. R. 312, 22d Cong., 1st Sess., p. 20.

♦ McLane to Biddle, May 16, 1833, 8. D. 17, 23d Cong., 2d Sess., p. 272.

\* Duane to Biddle, June 21, 1833, and opinion of Attorney-General Taney, May

24, 1833, ibid., p. 273. The other items were all paid.— 2 Howard, 734.

• Duane to Taney, Aug. 14,1833, 8. D. 17, 23d Cong., 2d Sess., p. 273; Taney to

Duane, Aug. 15, ibid., p. 276; Duane to Taney, Aug. 16, ibid.; Taney to Duane, Aug.

16, ibid., p. 277.

7 Biddle to Woodbury, July 8, 1834, ibid., p. 279.

• Ibid. • Jaudon to Woodbury, July 16, 1834, ibid,, p. 28L

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was $170,041.18. The bank's action was the only one left

to it, since the administration refused either to pay or to sub-

mit the question to a judicial decision, 1 and could not be

sued. Consequently the corporation was bound to retain

the money if the claim was ever to be adjudicated. The

directors justified the demand for the damages by the " uni-

versal and inflexible rule of the Treasury department,"

which had always compelled the payment of the damages in

cases of this character. 2 Their action was good business,

but bad politics, for it gave the administration a chance to

charge the corporation with seizing public funds, and thus

increased its unpopularity.

The retention of the dividend, however, brought the de-

sired response from the administration. Secretary Wood-

bury censured the act of the corporation in an acrimonious

letter,\* while Attorney-General Butler drew up reasons in

support of Taney's assertion that the bank's claim had " no

foundation in law or in equity." 4 The government then

instituted suit to recover the dividend withheld, and in the

circuit court for Pennsylvania won its case on the fine dis-

tinction that the bank was an indorser and not the holder of

the bill\* This decision was reversed by the Supreme Court

in 1844,\* which expressed the opinion that the United States

was bound, both by law and equity, to pay the damages. 7

The case was retried in the lower court in 1847, but came

again before the Supreme Court on a writ of error, the

government claiming that as a sovereign power it was not

subject to the law merchant. The court affirmed this view,

i Woodbury to BIddle, July 8, 1834, ibid., p. 281.

\* See Girard'g case, where under the law of Pennsylvania the government col-

lected 20 per cent, damages for a protest of two of Girard's bills on Paris.— Ibid., pp.

258-61. See also other cases, ibid., pp. 261-3.

\* Woodbury to Biddle, Dec. 11, 1834, ibid., p. 284.

« Butler to Woodbury, Not. 28, 1834, 8. D. 2, 23d Cong., 2d Seas., pp. 57 ff.

\* See 2 Howard, 733, review of the case by Justice McLean.

•Taney, C. J., did not sit. ? 2 Howard, 734 ff. January term, 1844.

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and judgment was entered against the bank. 1 This ended

the matter. It is only necessary to add that the nation's

honor was forfeit by the refusal to pay the damages. On pre-

cisely the same plea it might have refused to pay the prin-

cipal and interest.

At the time of the withholding of the deposits, membera

of the administration naturally feared retaliatory measures.

To avert any injury likely to accrue to the state banks,

Taney resolved to protect them by intrusting to certain of

the deposit banks drafts for large amounts on the public

funds left in the Bank of the United States. These sums

were to be drawn for if the institution called upon the state

banks for payments of balances due in coin, or refused to

receive branch notes given in payment of government dues

at places where they were not made payable. 2 The Union

Bank of Maryland received three drafts for the sum of $100,-

000 each ;' the Girard Bank of Philadelphia, one draft for

$500,000; and the Bank of America, the Mechanics Bank,

and the Manhattan Company Bank of New York city, each

one draft for $500,000.\* Thus fortified, it was calculated

that any " superfluity of naughtiness" of which the Bank of

the United States might be guilty in trying to draw specie

from banks which owed specie but had no specie, could be

met and turned to the discomfiture of the aggressor.

The Union Bank of Maryland received its three drafts

on the 3d and 4th of October; on the 5th it concluded that

the time for action had come, and presented two of them,

one at Baltimore and the other at Philadelphia. The pre-

1 5 Howahd, 394 ff. Taney and Woodbury were both on the bench at the time.

Neither sat.

a The cashing of these drafts constitutes all the removal of deposits there ever

was. The rest of the government funds in the bank were withdrawn in the ordinary

course of paying government debts.

3 Taney was a stockholder in this bank.— Taney to the Senate, April 3, 1854, fir. D.

238, 23d Cong., 1st Sess., pp. 18, 19.

\* Taney to deposit banks, Sept. 3 to Oct. 4, 1833, 8. D. 16, 23d Cong., 1st Seas., pp.

321,322,329,337,338.

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text for this astonishing action was that the Bank of the

United States had demanded coin from the Baltimore banks. 1

The truth was that the Union Bank was in straits. 1 Its

president admitted that he had departed from the secretary's

instructions, having swelled his discount list enormously,

bnt pleaded the justification of the necessity of helping the

commercial interests.\* His action embarrassed Taney, bnt

he did not hesitate to repeat it, and had the third draft

cashed at Baltimore on the 4th of November, the Bank of

the United States having drawn on the Union Bank for

$125,000 owed to it by that institution. 4

The Girard Bank received its check on the 3d of October,

and with this security against calls for specie boldly pro-

ceeded to expand its business. By the 10th of October the

bank had done this to such a degree that it had " made a

very Sensible impression on the moneyed market"\* — such a

" sensible impression," indeed, that it had placed itself in a

position where the use of the draft was almost necessary for

its own safety. In this state of affairs it besought permis-

sion to have the draft cashed if it thought circumstances

demanded, without waiting for any decided attack on the

part of " the monster." \* The president of the bank believed

that it ought to continue to extend its operations and, if the

i Ellioott to Taney, Oct. 8, 1838, ibid., p. 827.

\* Kendall thus explains the \*\* transfer draft" transaction at Baltimore: The

drafts were cashed before Taney had a chance to receive an explanation. Ellioott,

at Taney's request, came to Washington. Kendall was present at the interview.

Taney wanted to know why the drafts had been cashed. "Mr. Ellicott made a

stammering, incoherent statement about transactions in connection with a bank in

Tennessee, and upon his conclusion Mr. Kendall said, 'If I understand yon, Mr.

Ellioott, you have used those government funds to sustain a stock speculation.' To

this statement of the case, Ellioott virtually assented." Taney was much annoyed,

Ellicott being his special adviser on financial subjects.— Kendall, Autobiography,

p. 380. See pamphlet Bank of Maryland Conspiracy, by Ellioott, for an explana-

tion of the affair, pp. 68-75.

» Ellicott to Taney, Oct. 8, 1833, 8. D. 18, 28d Cong., 1st Seta., p. 828.

« Cashier Mickle to Taney, Nov. 4, 1833, ibid.

» President Schott of the Girard Bank to Taney, Oct. 10, 1833, ibid., p. 832.

•/out., pp. 832, 333.

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Bank of the United States called for specie, present the

check. On November 2 the Girard Bank owed the Bank

of the United States $149,000, and the time for action had

come. Biddle was given his choice: either to permit the

Girard Bank to continue its coarse, by not calling for the

payment of the balances in coin, or to pay the $500,000.'

He insisted that the draft be cashed. 2 He feared that by

chance or design these large sums might be called for at a

time or at a place where they could not be paid.

The three banks in New York acted in concert. On the

16th of November they concluded that it was necessary to

present one of the drafts for $500,000, the bank having at

that date drawn on the banks of the city for over $100,000.\*

The Manhattan Bank, therefore, presented its draft on the

18th and received prompt payment. 4 Taney had now be-

come anxious about the remaining drafts, and desirous of

having them returned to him. 6 On the 21st of November,

therefore, one of them was remitted to Washington, 6 and no

further use was made of this means of protection or offense.

The particular atrocity of this mode of granting to

deposit banks the means of drawing heavily upon the Bank

of the United States lay in the fact that no notice was given

that institution that these drafts were out; and a sudden

call for sums ranging from $100,000 to $1,500,000 might

have ruined it. Yet this was not alL The bank had always

been furnished with a weekly list of treasury drafts issued T

and also from 1829 with a daily list of all warrants out. 6 It

i Schott to Taney, Not. 2, 1833, S. D. 16, 23d Cong., 1st Sess., p. 333.

2 Same to same, Not. 2, 1833, ibid., pp. 334, 335.

t Newbold to Taney, Nov. 16, 1833, and White to Taney, Not. 1ft, 1833, ibid~, p. SO.

♦ White to Taney, ibid.

6 Taney to Newbold, Not. 16 and Not. 20, 1833, ibid., pp. 341, 842.

•Newbold to Taney, Not. 21, 1833, ibid., p. 351.

1 Jandon to Campbell, Not. 5, 1833, ibid., p. 358.

•Same to same, Not. 15, 1833, ibid., p. 359.

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had a right to expect that this would continue to be the case

until notice annulling the arrangements was given. As a

matter of course, the daily business of the institution was

conducted with the lists of warrants and drafts always in

view, and with the certainty that the bank was thus prepared

for all calls from the government. Now in these lists no

information had been given of the drafts issued by Taney. 1

The treasurer, in answer to Jaudon's remonstrances, acknowl-

edged that lists were furnished to the bank, but defended

the action of Taney on the ground that these were special

drafts. If they had been included in the lists, the sums

would have been at once deducted from the treasurer's

account, and it was hoped all along that no necessity would

arise for their use. They were " contingent drafts." a To a

further communication of Jaudon's the treasurer answered

that the agreement was to give daily notice of warrants

drawn, but not of "transfer drafts."' To this subterfuge

Jaudon replied by showing that the drafts were not in any

sense transfer drafts, but warrants. Admitting, however,

the treasurer's contention that they were not warrants, and

therefore not placed on the daily lists, yet all drafts appeared

on the weekly lists. 4 To this the treasurer had no reply,

and so discreetly made none.

In January, 1834, the administration took another ag-

gressive step. Congress, by an act of the 3d of March,

1817, had transferred to the bank the functions of the commis-

sioners of loans, including the duty of paying all pensions

in states where it had branches. Where it had no branches

it was to designate the state banks which should act as pen-

sion agents. 5 An attempt was now made to deprive the

i Same to same, Nov. 5, 1833, ibid., p. IBS.

l Campbell to Jaudon, Not. ft, 1833, ibid,, p. 354.

\* Same to same. Not. 25, ibid. % pp. 855, 858.

\* Jaudon to Campbell, Dee. 9, 1833, ibid., p. 861.

\*8Utfuta at Larg^ Vol. HI, p. 880, chap. 88. Charter, tec. 15. See Appendix!.

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bank of the exercise of its functions in respect to cer-

tain pension laws. This was not the first time that some-

thing of the sort had been tried. In 1829 the transfer

of the pension funds from the branch at Portsmouth had

been attempted, but the effort failed. 1 In 1831 a similar

attempt was made to remove the pension agency at New

York to Albany. The bank again remonstrated,' and in

March, 1832, Secretary Cass admitted that in his opinion

the War Department was "not warranted in appointing a

pension agent, in any State or Territory, where the United

States Bank has established one of its branches." ' In 1834

the action was based on a new plea. The administration

contended that the acts of May 15, 1828, and June 7, 1832,

were not pension acts, strictly speaking, but that they were

laws allowing pay to the old Revolutionary veterans. Of

course, for the sake of convenience, these sums were treated

as pensions; and the pension office had control of the pay-

ments, and the pension agencies disbursed them. But all

this was simply because they were like pensions, not because

they were pensions. 4 Accordingly, on January 2, 1834, the

commissioner of pensions ordered the bank to give up the

books, accounts, and funds relating to pensions disbursed

under the act of June 7, 1832.\* The bank bluntly refused

to do so. President Jackson was in a towering rage, and

on the 4th of February communicated to Congress his com-

plaint. 7 As a matter of course, the Senate decided that the

bank vas in the right and the House declared that the

i Secretary Eaton to President Mason, Aug. 3, 1829, and J. L. Edwards to sane,

Aug. 25, 1829, H. B, 460, 22d Cong., 1st Sess., pp. 476-9.

s Biddle to the acting secretary of war, July 15, 1831, ibid. % p. 481.

• Cass to Biddle, March 1, 1832, ibid. % p. 489.

« Argument of Attorney-General Bntler, Feb. S, 1834, H. B. 268, 23d Cong., 1st

i., pp. 10-22. See also Opinion\* of the Attorney General\*.

& Ex. Doc. 78, 23d Cong., 1st Sess., p. 23.

• Biddle to secretary of war, Jan. 23, 1834, H. B. 263, 23d Cong., 1st Seas., p. 22.

T C. D. % Vol. X, Part I, pp. 461, 462 ; Part II, p. 2615.

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bank was in the wrong. 1 In this state of affairs there was

no means of compelling the corporation to accede to the

demands of the administration, and it did not yield.

This issue was skilfully made so as to bring odium upon

the bank The commissioner of pensions had not only

ordered the institution to deliver the books and papers, but

also to pay no more pensions under the act of June 7, 1832.'

The secretary of war assenting to this order, no pensions

were paid under the act The result was that many poor

veterans of the Revolution could not draw their meager

allowances when they needed them. The blame for this

deprivation fell entirely upon the bank, though the fault was

with the government\* It is easy to imagine that many

people were much moved over an act which seemed oppres-

sive to the aged soldiers, while the enemies of the bank

made effective political capital out of the situation. It " will

not spare the holy remnant of the officers and sires of the

revolution," declared Senator Wilkins, with maudlin pathos.

"So sweeping and unsparing are they determined to make

the distress, that even a solitary soldier of the revolution

cannot escape." 4 The same tone of injured indignation

was employed by all the Democrats.

Webster accordingly urged Biddle to surrender the funds.

" The Attorney General's argument," he wrote, " is a weak

one; it is easy to demolish it, as an argument But, after

all, it is a bad subject to dispute about. The pensioners

i Report of Senator Clayton, 8. D. 92, 23d Cong., 1st Seas., and Polk's report, H. B.

263, 23d Cong., 1st Sess.

i Ex. Doc. 78, 23d Cong., 1st Sees., p. 23.

>" If any inconvenience should be felt by any of those veterans of the revolu-

tion, as the committee believe it will be by all by the delay which will take place in

the payment of the next annuity dne to them, it is to be attributed to the unjusti-

fiable conduct of the Bank in interposing to thwart the views of Government, in with-

holding from the officers of Government the public money and public property, to

which they do not pretend to have any claim. The committee cannot condemn in

terms too strong the conduct of the bank in this transaction."— Polk's report, H. B.

283, 23d Cong., 1st Sess., p. 7.

♦ Fob. 6, 1834, C. D., VoL X, Part I, p. 480.

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will not believe that the \* Old Soldier ' is the cause of keep-

ing back their money," therefore it would be "better to give

up the fund and the papers." 1 In this opinion he was

heartily supported by Representative Gorham.\* The advice

fell upon deaf ears. The bank had the support of the law,

and it would not yield. Woodbury, in his report of De-

cember 12, 1834, remarks that the bank is still employed

to pay pensions, " under an impression that it had .... a

right to perform these duties, until relinquished by its own

consent, or until the acts were repealed." He is careful to

add that the two acts in dispute are not regarded in this

light,\* and the administration persisted in paying these pen-

sions, though under almost insurmountable difficulties. 4

Another cause of strife was found in the acts of the Jgov-

ernment directorsTl Jackson believed that these directors

were designed by tne charter to keep a watchful eye upon

the acts of the bank in the interest of the public, 5 and, since

he was the representative and the custodian of the public's

interests, to report to him if they had any reason for sus-

pecting abuses or mismanagement. In 1833 Messrs. Gilpin,

Wager, Sullivan, and McElderry, government directors,

sharing his opinion, forwarded to him reports respecting

those transactions of the bank of which they did not

approve. 6 Moreover, they systematically opposed the other

directors in regard to the powers of the exchange commit-

tee, the authority of the president, the curtailments in the

i Webster to Biddle, Feb. 12, 1834, B. P.

2 Webster to J. G. Watmough, Feb. 12, 1834, ibid. Gorham added a note to

Webster's letter.

\* 8. D. 13, 23d Cong., 2d Sess., p. 3.

\* Biddle to A. Porter, June 20, 1834, P. L. P., Vol. V, p. 240.

& This opinion finds support in the debates when the bank was chartered. See

Wright's argument, A. of C, 14th Cong., 1st Sess., Vol. I, p. 1118, and Forsyth's,

ibid., p. 1144.

\* Papers A and B, April 22, 1833, and Aug. 19, 1833, 8. D. 2, 23d Cong., 1st Sess.,

pp. 22 ff. See also their memorial to Congress, Deo. 9, 1833, Ex. Doc. 12, 23d Coo\*., 1st

Sess., pp. 1 ff.

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West, and the measures taken against the administration.'

Naturally they were^not welcomed at the board in Phila-

delphia^ nor taken into the complete confidence of Biddle

and his coadjutors, nor appointed to the important commit-

tees of the bank. 1

V In these circumstances, Jackson renominated all of them

as government directors for the year 1834.\* Biddle was

immediately in arms, and wrote long letters to all the sena-

tors friendly to him, urgently pressing the rejection of the

nominations. 4 " They are people unfit to be there [i. e. 9 in

the directorate] — unfit to associate with the other members

— so that their colleagues will not confer with them — or

act with them on committees." ' The board " having no confi-

dence in them, they were not allowed to know anything." \*

He also wanted Taney's nomination to the Treasury Depart-

ment rejected. 7 Webster remonstrated against these meas-

ures, advising as little opposition to persons as possible.\*

Again his good advice went unheeded. The strong-willed

president of the bank had his way, and the Senate finally

rejected Taney's nomination, and refused by a vote of 20 to

25 to concur in the nominations for government directors. 9

The president, inflexible as always, returned the names to

the Senate, 10 and again it refused by a vote of 11 to 30 to

concur. 11

i See their reports, ibid.

s Third paragraph of Paper A, report of April 22, 1833, pp. 22, 23.

\* Jackson to the Senate, Dec. 17, 1833, 8. D. 333, 23d Cong., 1st Sess., p. 1.

«To N. Silsbee, T. Ewing, D. Webster, George Poindexter, H. Clay, Dec. 23, 1838,

P. L. B. % Vol. V, pp. 56-9.

\* Biddle to Webster, Dec. 20, 1833, ibid,, p. 60. Binney in the House in January,

1894, intimated that it might be difficult to get gentlemen to sit" beside the gOTern-

ment directors.— C £., Vol. X, Part II, p. 2357.

\* Biddle to Watmongh, Jan. 6, 1834, P. L. B, % Vol. V, p. 81.

T Biddle to Webster, Dec. 20, 1833, ibid,, p. 60.

» Webster to Biddle, Dec 13, 1833, B, P.

•8. D. 333, 23d Cong., 1st Seas., p. 8, Feb. 27, 1834.

nibid., p. 4, March 11. "IWd., p. 15, May 1.

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In the end, Jackson made other nominations. Two of the

nominees, Messrs. Ellmaker and Tibbetts, were disqualified

as not being stockholders, and were therefore refused seats

at the board. 1 Three other gentlemen declined appoint-

ments, and accordingly for the year 1834 the government

had only two directors. 1 On the 14th of October Jackson

notified them that he wanted certain information regarding

the expenses and profits of the bank.' They at once made a

call for the necessary books, adding that they sought infor-

mation for the use of the president of the United States. 4

Their right to examine the books was incontestable, yet the

bank could not permit these to be used to secure informa-

tion which would be employed to injure the institution, and

Biddle wrote Jaudon that they must not be permitted " to

look at any thing." 6 Hence the cashier refused their re-

quest. They immediately sent in a complaint to Jackson. 7

This again placed the bank in a bad light before the people.

If there was nothing to conceal, nothing to fear, why this

refusal ? Besides, the refusal itself was an infringement of

the rights of the government directors. To these arguments

the bank had no adequate defense.

Then there were fresh difficulties created in reference to

the branch notes and drafts. Benton declared that the bank

had conspired to embarrass the state banks and the nation

by refusing to receive the notes of distant branches.\*

Nothing could be more inaccurate. It is true that the

officers of the branches at New York, Mobile, and Balti-

i S. D. 17, 23d Con\*., 2d Sess., pp. 85, 291-6. s ibid., p. 35

» Ex. Doc. 45, 23d Cong., 2d Sess., p. 1. \* Letter of Oct. 24, 1834, ibid,, p. 4.

6 " If daring my absence the GoTernment Directory either singly or together

should wish to look at any thing, books, papers, Ac, they should be told that it can-

not be seen without application to the Board. If they apply to the Board, refuse it

positively whatever be the consequences."— Biddle to Jaudon, Newport, July 16,

1834, B. P.

• Letter of Oct. 29, 1834, Ex. Doc. 45, 23d Cong., 2d Sess., p. 2.

7 Ibid. The letter of Oct. 29 detailed the whole proceeding.

\* C. £., Vol. X, Part I, pp. 106, 107.

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more had shown an inclination not to receive notes of other

branches from the state banks. 1 But they had never re-

ceived all branch notes at par from these banks, and their

only intention was to continue the usual custom. 8 But a

new face was put upon the matter since the " pet banks "

now received the revenue and most of the revenue was paid

in "uncurrent notes'" of the Bank of the United States. 4

When the bank had received the revenue it necessarily took

all its notes in payment of revenue at par, since they were

offered on behalf of the government. Now, however, if the

old plan of not accepting such notes at par from the state

institutions was continued, the revenues collected by them

would be redeemed by the Bank of the United States at a

loss to the state banks. Again, such action might nullify

one great purpose of a bank's establishment — the purifica-

tion of the currency — for if the bank should refuse to

receive its notes at par, from the state banks, they would

depreciate to a considerable extent, since all the notes which

used to come to it from the revenues came to it now from

the state banks. Was not the bank bound to receive these

notes as coming indirectly from the government? The state

banks thought so,\* and the government concurred in the

opinion. 6 On the other hand, if it did receive them it

threw down all restrictions on the receipt of the issues of its

branches, for there was no method by which it could dis-

criminate notes received by the state banks in payment of

duties from those received in the ordinary course of business.

» Ibid., and 8. D. 24, 23d Cong., 1st Sess., pp. 2-4, 7.

« Letters of Oct. 1, 2, and 5, 1838, 8. D. 17, 23d Cong., 2d Sess., pp. 120, 123.

\* Notes of other offices not taken at par from state banks or indiriduals.

\* Fleming to Taney, Oct. 2, and White to Taney, Oct. 5, 1833, 8. D. 16, 23d Cong.,

lit Sess., p. 345; see also& D. 17, 23d Cong., 2d Sess., p. 124.

\* Newbold to Taney, Oct. 2, 1833, ibid., p. 344 ; cashier of Union Bank of Maryland

to cashier of branch of the Bank of the United States, ibid., p. 325. See also 8. D. 24,

23d Cong., 1st Sess., pp. 2-4, 7.

\* Taney to banks in Philadelphia and Baltimore, Oct. 3, 1833, 8. D. 17, 23d Cong.,

Id Seas., pp. 821, 329.

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Consequently it would have to redeem all notes offered by

the state banks. This was the position which it was finally

forced to take. It was actually compelled to give to its

branch notes a greater currency than ever before, receiving

them from everybody at their face value at all the Atlantic

offices. 1 It did this because it feared by doing otherwise to

create a demand upon distant, unprotected branches. 1

In regard to the branch drafts, the president repeatedly

threatened that he would prohibit their receipt in payment

of government dues.' A rumor that such action would be

taken was current as early as February 8, 1833. 4 The direc-

tory fully expected that orders to cease receiving them would

be issued in January, 1834, and adverted to the fact as a

reason for further contraction. 5 The supporters of Jackson

further justified the bank in contracting its business by

" loudly calling upon those who " took " part with them to

collect and present the notes of the bank of the United

States, for payment in coin." 6

The foregoing acts of the administration must be kept

clearly in mind in reviewing the action of the bank in

1833-34. These measures show the temper of Jackson and

his allies, and they palliate, to some extent, whatever retalia-

i u And until such instructions are given, we wish yon to receive all the issues of

the bank and offices that may be offered to yon, from whatever quarter the tender

may be made."— Cashier of the Bank of the United States to the cashier of the New

York office, Oct. 5, 1833, 8. D. 17, 23d Cong., 2d Sess., p. 123 ; see also Nilbs, VoL XLV,

p. 97.

\* " One of the grounds upon which the committee determined that no refusal to

receive branch notes ought to be made was, that the issues of the offices ought to bo

paid at the points where the offices had provided the means, and that their provision

having been made at the Atlantic cities principally, it was not right to throw their

notes back upon them."— Cashier of the Bank of the United States to cashier of Bal-

timore office, Oct. 8, 1833, 8. D. 17, 23d Cong., 2d Sess., pp. 123, 124.

'Jackson to Baltimore committee, Feb. 6, 1834, Nlles, Vol. XL VI, p. 81; to

Philadelphia committee, Feb., 1834, ibid., p. 9.

\*/6td., Vol. XLV, p. 393; Webster, C. D., Vol. X, Part I, p. 542.

BBiddlo to presidents of the branches, Jan. 22 to Feb. 1, 1834, 8, D. 17, 23d Cong.,

2d Sees., pp. 77-83.

ftNiuss, Vol. XLV, p. 393, Feb. 8, 1834.

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tory measures the bank adopted. They furnished plenty of

reason for taking steps to protect its interests. Indeed,

there could be but one policy to follow in any case, for the

institution expected to go out of existence in March, 1836.

It ought, therefore, to diminish its operations.

CHAPTER XIII

THE CONTRACTION AND PANIC OP 1833-34

The bank's operations to curtail began on the 13th of

August, 1833, and ceased effectually on the 11th of July,

1834, 1 and entirely on the 16th of September. It will be

noticed that the curtailments began before the deposits were

removed, and this was one of the bitterest charges of the

bank's enemies. 2 Justification, if justification were needed,

was found in the bank's knowledge that the deposits would

probably be removed. Biddle was not afraid, but consid-

ered caution desirable:

Although we do not feel anxious as to the movements at Wash-

ington touching the Bank, still it is thought prudent to prepare for

any adverse event and accordingly we have this day given instruc-

tions to the Branches to keep their discounts at their present

amount — and to shorten the time for which they buy bills of ex-

change. This will make the institution strong and if any sudden

movement is attempted by the cabinet, proper or improper, we shall

be ready. 8

The contraction took two directions — the amount of

money loaned on discounts was not to be increased, and bills

of exchange were to be drawn only at short dates, and mostly \*

on the eastern offices. These measures would not only result

in a contraction, but would also render assistance in the

work of winding up the bank's affairs, for the bills of

exchange bought on the East would transfer the bank's capi-

tal to that part of the country, 4 while the discounts, being

i Tyler's report, S. D. 17, 23d Cong., 2d Seas., pp. 16-18.

2 Benton, C. D., Vol. X, Part I, p. 106.

»To Webster, Aug. 13, 1833, P. L. B. % VoL IV, p. 526.

\* Report of Committee on Offices of the Bank, April 8, 1834. 8. D. 17, 23d Con\*,\*!

D688., p. vo.

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kept stationary, would aid in putting an end to the local

business of the branches. As discounts would not, in the

normal course of business, go higher until the late autumn

months, 1 there was little hardship in this part of the policy.

The question of real reduction was involved in the orders

relating to bills of exchange. Bills were to be purchased at

a term of only ninety days. The western offices might, it

is true, draw at four months for the purpose of paying a debt

already existing, but not otherwise. Such bills might be

drawn on whatever branch could secure the money to pay

them, but all others were to be payable at the Atlantic

offices.\* This order evidently looked toward a reduction in

the bank's loans, 1 for it put an end to the drawing of the

western offices on each other, and materially shortened the

term of bills. The whole movement was justifiable, and was

intended only for the protection of the bank

This first effort to lessen business was soon followed by

more stringent measures. On the 24th of September, Presi-

dent Jackson's " paper" having been made public meanwhile,

a committee of seven directors was appointed to " take into

consideration what measures " were necessary " in conse-

quence of the recent intimations that the deposites of the

i It most be recollected that the bank's business always fell off in the summer

months, and always rose in the autumn and winter months, and therefore, when it is

found falling in these latter months, one may conclude either that the coarse of

business is unusual, or that the bank's curtailments are Tory effective.

> "1. £etoIt>ed,That for the present, and until the further order of the board, the

amount of bills discounted shall not be increased at the bank and the several offices.

u 2. Resolved, That the bills of exchange purchased at the bank, and all the

offices, except the five western offices, shall not have more than ninety days to run.

"3. Resolved, That the five western offices be instructed to purchase no bills of

exchange, except those payable in the Atlantic cities, not having more than ninety

days to run, or those which may be received in payment of existing debts to the bank

and the offices, and those not having more than four months to run."— Ibid., p. 73.

\* \*\* Whatever of restriction they [». e>, the orders] contain, will, I trust, be tem-

porary."— Circular, Aug. 13, 1833, addressed to all the offices with the exception of

the five western branches.

44 It is a subject of regret to be obliged to impose any restraint on your business,

especially on your operations in exchange, to which we attach a particular value."

^Letter addressed to the presidents of the five western branches, ibid. pp. 73, 74.

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government are to be removed." l The committee's report

was adopted October 1. At this crisis the bank had many

fears. It had reason to anticipate that the public funds still

in its vaults would be removed ; that a demand upon it for

specie would be created, since the revenue would be col-

lected by the selected banks largely in its paper; and that its

circulation would be forced in by the action of the adminis-

tration, which might create a panic among its note-holders.

It was justified, therefore, in taking further steps to restrict

its business. 0°^ / /

The plan now adopted haa three objects: to reduce dis-

counts ; to extend the restrictions on the drawing of bills to

all the offices ; and to collect the balances against state banks,

while restricting the receipt of state-bank notea3 Even now

Biddle held that the orders were not intended to produce an

excessive scarcity of bank accommodations. On the day

that the resolutions were adopted he wrote:

We are all satisfied that the best thing to be done is to do as

little as possible. The exchaoge operations are placed by the reso-

lutions passed to-day on a proper footing. We do not give any in-

structions as to reducing the local discounts, 1 but we shall reduce

ours at the Bank, and if you can gradually diminish yours without

exciting uneasiness among our customers it would be very good

policy. Our wish is not to give an order to that effect lest it might

create alarm, but to do it quietly and imperceptibly. 4

The reduction of discounts was to be made by the 1st of

January, 6 and was to aggregate $5,825,906.74.\* The dis-

tribution of the curtailment is instructive. In New Eng-

land the amount was to be only $237,000; in the south-

eastern states, $938,900 ; in the valley of the Mississippi and

its tributaries, $2,204,200; in the middle states, $2,445,000.

The five western offices were to contract to the extent of

1 8. D. 17, 23d Cong., 2d Sess., p. 74. » Documents 5 and 6, ibid., pp. 74, 75.

\* /. e., at New York. \* Biddle to Lenox, Oct. 1, 1833.

& See circular of Oct. 12, 1833, ibid., p. 75. « Ibid. % p. 94.

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$1,156,700. It will thus be seen that by far the greatest

contraction in proportion to business done was to take place

at these offices. 1 The heaviest proportional reductions were

to be at Natchez and Nashville. 9

In respect to bills of exchange, six more branches were

placed under the restrictions imposed upon the five western

ones in August, while the others were to purchase bills only

on the Atlantic cities, New Orleans, and Mobile, and at

ninety days. 1 Exchange business was necessarily limited by

this short period and by the limitation of time and place in

drawing bills. The main restriction imposed in October,

however, was caused by a rearrangement of the rates of

exchange. They were made 1 per cent, from the western

offices upon all others except those on the Atlantic, on which

bills could be drawn at £ per cent ; 1£ per cent, on the West

from the eastern offices or from those at New Orleans and

Mobile. These measures were intended to force the buying

of bills on the East, thus bringing home the capital of the

bank and restricting the bill business very materially. 4

i These redactions are severe, yet they do not include redactions which would

necessarily ensue upon the observance of the restrictions placed upon exchange busi-

ness. Hence the curtailment was intended to be more considerable than appeared

on the surface.

2 This latter branch was given the privilege of renewing old bills at six months

instead of four.— Ibid., p. 76. Nashville was the center of the bad banking of the

West.

\* " 1. Resolved, That the resolution of the 13th August last, relative to the pur-

chase of bills of exchange at the five western offices, be extended to the offices at

Burlington, Utica, Buffalo, Pittsburgh, Natchez, and New Orleans.

" 2. Resolved, That all the other offices be instructed in like manner, not to pur-

chase bills of exchange, except on the Atlantic cities, and New Orleans and Mobile,

not having more than ninety days to run."— Ibid., p. 74.

\* "3. Resolved, That the rates of collection and purchase of bills of exchange, at

the bank and the several offices, be increased, so that they shall be as follows:

44 One and a half per cent, from the Atlantic offices to the western offices.

44 Half per cent, from the western offices to the Atlantic offices.

14 One per cent, from the Atlantic offices to the New Orleans and Mobile offices.

" One per cent, from the New Orleans and Mobile offices to the Atlantic offices.

44 One per cent, from one western office to another western office.

44 One per cent, from the western offices to the New Orleans and Mobile offices.

44 One and a half per cent, from the New Orleans and Mobile offices to the west-

ern offices.

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State-bank balanced and dealings with state banks con-

stituted the third subject on which action was taken. No

branch was to take the notes of the state banks outside of

the city in which it was established. The debts due by

these banks were to be collected in specie or in drafts on

the Atlantic cities, and balances were not to be permitted

henceforth to accumulate. 1 This action would create intense

pressure on the state banks, since specie was hard to obtain,

and drafts on the East meant precisely the same thing.

Whatever Biddle might say, these orders were certain to

create pressure. All the measures were harsh. The reduc-

tion in discounts was immense, and was to be compassed in

a brief period. If it were successful, much suffering was

inevitable; the dealings in exchange as restricted would

occasion even more distress, while the action against the

state banks would compel them to contract, and thus increase

the pressure. On the whole>piothing but peril to the bank

could excuse these measures. -\

The attempt to curtail did not end here. On the 17th of

October a second circular was issued to the branches in the

West and a few others, urging perseverance in u the course

of measures already prescribed," while the contraction was

aggravated by two additions. Drafts on the northern Atlan-

tic offices were to be avoided, and an extra attempt was to be

" One per cent, from an office north of Washington to an office south of Wash-

ington.

" One per cent, from an office south of Washington to an office north of Wash-

ington.

14 Quarter per cent, from the offices north of Washington to each other.

" Half per cent, from the offices south of Washington to each other.

" Subject to such modifications at the respectiTe offices as the Committee of

Exchange of this bank may deem expedient."— & D. 17, 23d Cong., 2d Sees., p. 74.

i '• 4. Resolved, That no notes of State banks be receiTed on deposit\*, except

of such as are established in the same place with the office receiTing them, bat they

may be received at the discretion of the office in payment of a pre-existing debt.

Provided, that the notes of such State banks as by arrangement keep a balance at

their credit, for the redemption of their notes may be receiTed as heretofore.

"5. Resolved, That all the balances dne by distant Stato^banks be collected

either in specie, or in drafts on the Atlantic cities, and that such balanoea be not

permitted to accumulate."— JWd., p. 75.

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made to keep down circulation. 1 Not satisfied with this, a

further contraction in discounts was ordered on January 23,

1834, to the sum of $3,320,000, to be completed by the first

days of March and April 1 As before, the largest reduction

was to take place at the western and southwestern offices. 1

New regulations were also imposed upon the exchange busi-

ness. The localities on which bills could be drawn were

still further limited. Henceforth the western offices were to

draw only on New Orleans, Baltimore, and the Atlantic

offices north of Baltimore, and such bills must be for only

ninety days. 4 These instructions thus prohibited the western

offices from drawing on one another, while the New Orleans

office was forbidden to purchase bills u payable at places in

the Mississippi." \* These measures were rendered still harsher

by another increase in the rate of exchange, which was again

regulated so as to discriminate sharply against the western

branches. The rate went up 1 per cent for all bills drawn

on these offices, no matter from what part of the Union. 9

i Circular of Oct. 17, ibid., p. 77. Biddle feared some action against the bank's

circulation on the part of the government.— To B. Lenox, of New York city, Oct. 1,

1833, P. L. B. t Vol. V, p. 16.

'Letters to the offices, 8. D. 17, 23d Cong., 2d Sees., pp. 77-83, 94.

• Mississippi Yalley $1,600,000 Middle states - - $1,020,000

New England - 200,000 Southern states - - 500,000

• " To purchase no bills of exchange except

"First. Those payable in Baltimore, and the Atlantic cities north of it not

hairing more than ninety days to run to maturity

" 8econd. Those payable in New Orleans, having not more than ninety days to

ran to maturity."— Biddle to western offices and office at Natchea, Jan. 22, 1834, ibid.,

p. 77.

» Biddle to Montgomery, Jan. 24, 1834, ibid,, p. 81.

• Increase in rate of exchange :

In October, In January,

isa its\*

Atlantic offices to At© western .... \% 2%

Western offices to Atlantic % %

Atlantic to New Orleans and Mobile 1 2

West to West 1 forbidden

New Orleans and Mobile to West - - 1H forbidden

North of Washington to south of Washington 1 1

South of Washington to north of Washington 1 1

West to New Orleans and Mobile -1 2, to N. O. alone

North of Washington to north of Washington H, hi

South of Washington to south of Washington % % and 1

—Ibid., pp. 74, 75, 77-83.

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These restrictions would be severely felt, for it was here that

distress would be most easily produced, since by breaking

up the system of bill purchases in the western and south-

western cities pressure would immediately be exercised upon

those whose accommodations were entirely in this species of

loan. It must be remembered, too, that the purchase of

bills was frequently an operation by which the planter

secured the means of growing his crop, and that when these

means were refused he was immediately at the end of his

resources. Not only so, but individuals who were accommo-

dated had to pay very heavily for the favor. Finally, those

who had been accustomed to transfer funds by means of the

bank's system were so heavily charged that it became more

profitable to pay for the carriage of specie than to buy

drafts. In short, ^the breaking up of the exchange system

of the bank created immediate and widespread distress^!

These various measures remained in full force until the

11th of July, 1834, when it was determined that the bank's

business in discounted notes should suffer no further diminu-

tion, 1 but, on the other hand, it was not to be increased.\*

The restrictions on exchange were affected but slightly.

New York was permitted to purchase bills on the southern

and southwestern offices at four months, and to any amount

But the rate of exchange was not diminished ; and, indeed,

for bills drawn at over ninety days the rate was to be £

per cent, higher. 1 Trade in western bills was still dis-

couraged. 4 In the month of September all restrictions were

at last removed.

i " Resolved, That the instructions hitherto given for a reduction of the amount

of bills discounted at the bank and the several offices, are hereby revoked ; and that

the line of bills discounted at the several offices shall, until the farther order of this

board, remain at its present amount."— S. D. 17, 23d Cong., 2d Sess., p. 84.

s Even before this, special exceptions had been made in favor of New York and

Louisville.— Ibid., pp. Ill, 112.

»Eyre to Lawrence, July 18, 1834, ibid., p. 85.

\* Byre to Pittsburg branch, Aug. 1, 1834, ibid., p. 86.

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Taking all the measures together, and from the 1st of

August, 1833, to the 1st of April, 1834, a reduction in dis-

counts had been contemplated to the amount of $13,300,000

— a preposterously large sum. To this must be added the

restriction occasioned by the breaking up of the exchange

dealings of the bank. This could be calculated at not less

than $5,000,000. The whole contraction, then, would be at

least $18,300,000 out of $62,000,000. What was the actual

result?

The board of directors alleged that the entire reduction

to the 1st of April, 1834, was only $5,047,527. 12. 1 They

counted from the 1st of October, however, while the con-

traction had actually begun in August, and counting from

that month, $4,000,000 must be added to their estimate.

Of this total of $9,000,000, $7,000,000 was in discounts,

$2,000,000 in bills of exchange. By July 1 the entire

reduction was $13,000,000 — nearly $9,000,000 in discounts,

the rest in exchange. 9 Such an enormous reduction had

never before been undertaken. It was equal to over one-

fifth ot the bank's entire dealings. 1

The distribution of this reduction is interesting. Of the

first curtailment ordered, the South succeeded in diminish-

ing its discounts to less than one-half the amount demanded.

l/6t'd., p. 99.

> By September the total reduction, reckoning from August, 1833, was $17,000,000

—18,400,000 in discounts, and $8,800,000 in exchange.

LOANS AND DISCOUNTS

Total Loans Discounts Bills of Exchange

• Aug. 1,1833 $84,100,000 $43,200,000 $20,900,000

Oct. 1 80,000,000 42,200,000 17,800,000

Jan. 1,1834 54,900,000 38,800,000 16,300,000

April 1 54,800,000 88,100,000 18,700,000

Julyl 51,000,000 84,400,000 18,800,000

Sept. 1 47,000,000 84,800,000 12,100,000

REDUCTIONS

Aug. to Oct., 1833 .... $ 4,100,000 $1,000,000 $3,100,000

To Jan., 1834 9,200,000 4,800,000 4,800,000

To April 9,300,000 7,100,000 23)0,000

To July 13,100,000 8,800.000 4,300,000

To Sept. 17400,000 8,400000 8,800,000

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In the section comprising the Southwest and the West the

branches did much better, reducing to about the extent of

two-thirds of what was required. Here the five western

offices were the chief delinquents, reducing only $789,000

out of $1,705,000 expected. 1 By April they were a little

more successful. 9 Up to this time, however, the increase in

the exchange business of the West and Southwest well-nigh

offset all reductions made in the item of bills discounted

By the end of February it was over $4,000,000 in excess of

what it had been in October, and did not diminish until

after April, the total business done in the valley aggregating

in that month just about what it had been in the beginning

of October, 1833. Final orders to cease curtailing in the

West, however, were not issued until September, 1834, and

by that time the contraction had accomplished all that could

possibly be desired. In discounts the business was dimin-

ished by $3,300,000, and in exchange by $3,400,000.\* The

reduction at the five western offices was $3,500,000, and

only Louisville and Natchez had failed to meet the demand. 4

The collection of state-bank balances had been the third

part of the bank's plan to strengthen its position. When

this action was taken in October, 1833, the state banks were

i In the South, counting from Oct. 1 to Jan. 1, the redaction was $802,000, as

against $1,973,000 ordered; in the West and Southwest, $1,954,000, against $2,98&\000

ordered.

2 By April the reductions should have aggregated in the South, $2,673,000; in the

Mississippi Talley and the West, $4,568,000; in the five western cities, $2,706,000. They

were, respectiTely, $1,200,000, $8,125,000, $1,800,000. The South was most at fault, then

the five western offices. Yet there was nothing like the failure to respond shown in

1832-33.

\* Offices of New Orleans, Nashville, Mobile, Natches, St. Louis, Cincinnati,

LouisTille, and Lexington :

Total Losos

1833, Aug. 1 - - - $24,158,000

Oct. 1 - 21,425,000

1834, Jan. 1 - - - 22,025,000

March 1 - - 22,091,000

April 1 ... 21,407,000

July 1 - - 17,052,000

Sept. 1 • . . 14,864,000

• 5. D. 17, 23d Cong., 2d Sess., pp. 78, 110.

Dl Mounts

Bills of Isehaaga

$15,296,000

$8,852,000

14,217,000

7,208,000

12406,000

9,919,000

11,579,000

11,412,000

11,092,000

10,315,000

10,762,000

6,290,000

10,987,000

3377,000

Contraction and Panic of :

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Cow-traction or 1833-31

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in debt to the Bank of the United States to the extent of

$2,200,000. By January, 1834, the debt had been reduced

to $1,500,000, and by the 1st of April it was $500,000. The

measure created distress, as was clearly evident from the

strenuous opposition offered to it by the banks of New York

city in March, 1834. 1

The question of the severity of the contraction of

1833-34 is not entirely determined, however, until its

effect upon the circulation, the deposits, and the supply of

specie is considered. On the issues the effect is marked, the

circulation being reduced $3,200,000 from the 1st of August,

1833, to the 1st of October, 1834, the lowest point it had

reached since August, 1830. Individual deposits in the

same period fell off $3,300,000. Meanwhile the bank's stock

of specie, representing a further diminution in the circulat-

ing medium of the country, increased enormously. The sum

was $10,023,000 at the beginning of August, 1833. It was

$15,500,000 at the end of September, 1834 It had never

before reached within $4,000,000 of that sum. During the

period of the contraction cash liabilities were never in excess

of $30,000,000, a fact which proves that the bank never

was in any danger. The greater part of this immense in-

crease must have been extracted from the circulation in the

United States, largely by means of collecting state-bank bal-

ances. If Taney was correct in his views of the effect of

such an operation by the Bank of the United States, the cir-

culation of the country must have been diminished by $20,-

000,000 through this hoarding of specie. 2

i " In March of that year [t. e., 1834] a committee of the merchants and bankers

of New York informed him [i. e., Mr. Biddle] that unless he changed his course, and

would agree to their terms, which were that the United States Bank should cease to

call upon the other banks for its balances for thirty days, his course would be

denounced at the adjourned mooting of the exchange." — Appleton, Currency and

Banking, p. 60.

2 Taney argued that for every dollar in specie withdrawn from the circulation

the state banks had to call in from four to five dollars of their paper.— £x. Doc. 2,

23d Cong., 1st Sess., p. 9.

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Though the first order to contract could not be com-

pletely carried out, the bank's business in April, 1834,

reached a lower level than it had touched since 1827/ while

the total reduction from August 1, 1833, to August 1, 1834,

counting discounts, circulation, deposits, and the hoarding

of specie, would mean a reduction of accommodations to the

community in one year to an incalculable amount, probably

running, however, over $25,000,000. Since the state banks

had to contract to a proportionate degree, the suffering occa-

sioned by the decrease of banking facilities must have been

extreme.

The contraction of 1833-34 placed the bank in a position

of great strength, a result evident in the circumstance that

its notes were not only undepreciated, but in some parts of

the country at a premium. 2 Its means, too, were situated so

as to be much more accessible than when the movement

began, having been transferred to a considerable extent from

the West to the East. The settlement of its affairs could

thus be made with dispatch, if settlement were desired.

The amount and the method of the reduction must also com-

iHad the attempt at redaction been completely successful in the time given,

the total loans of the bank on April 1, 1834, would have been $47,000,000. They had

not been so low since 1824, when they were $42,700,000. The following table gives the

aggregate of investments in discounts, exchange, and funded debt of the United

States, in millions, for April :

1825 --- - $54.8 1830 .... $54.0

1826 - - - 5^3 1831 -.- 59.2

1827 .... 50.8 1832 - - - - 70.4

1828 ... 54.8 1833 ... 64.5

1829 .... 57.9 1834 .-.- 53.7

A comparison of the business done in the months of contraction with the same

months in 1832-33 and 1835 will give a very just idea of the reduction :

DISCOUNTS AND DOMESTIC EXCHANGE

1839

1833

1834

1836

Jan. 1

• • \* • • • •

$61.6

$54.9

$51.8

April 1

• • • • • • •

64.3

54.8

61.9

July 1 •

....

63.3

51.0

65.1

Sept. 1

• - • $65.5

62.5

47.0

• • ■ •

Oct. 1 -

. 63.6

60.0

46.0

• • • •

> One to two per cent, in exchange for coin.— Niles, Vol. XL VI, p. 86, April 5, 1834 ;

ibid., p. 169, May 10; ibid., p. 188, quoting the Richmond Whig of May 9.

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pel the conviction that the bank had now considerable con-

trol over its offices. Few of these failed to do all that was

demanded — in the West and Southwest only Louisville and

Natchez, 1 in the South only Charleston. 3 These were not

matters of any great importance, while the failure at the

Atlantic offices was of no importance whatever. 1

VTJThile the bank placed itself in an impregnable position,

the country suffered bitterly ,"\ In September Niles says

that " money is scarce/ 9 though he knows no reason for the

scarcity.\* In October he virtually repeats this observation, 1

A month later he speaks of "a most severe pressure for

money " and the probability of a paralysis in business. 9 In the

same month state-bank notes began to depreciate, 7 and loans

were at 18 per cent, per annum. 8 In December the pressure

had increased, and laborers were being discharged because

their employers could not procure credit 9 In January fail-

ures of business houses and banks began at Philadelphia,

New York, and Washington. At the end of the same month

loans in New York and Baltimore could be had only at from

1£ to 3 per cent, discount a month. 10 The New York Com-

mercial Advertiser of January 25, 1834, declared that it had

"never seen so deep a cloud of gloom hanging over the

exchange,'' 11 while the Boston Courier of the 20th said that

" Saturday was the most tempestuous day on 'change that

we have yet had. The gloom was absolutely frightful." u

Ord«r«d Oct., 183S Attained July, 18M Fmllw\*

iLonisTille $682,743 $555428 $127,519

Natchez 562,081 486,230 75350

All this in discounted paper.

2 Biddle to Johnson, Jan. 30, 1834, 8. D. 17, 23d Cong., 2d Sess., p. 78.

\* Yet considerable capital at the western branches was out on paper which had

constantly to be renewed.— President of Louisville branch to Biddle, Feb. 4, 1834,

ibid., p. 110.

\* Niles, VoL XLV, p. 17. & Ibid., p. 81. • Ibid., p. 97.

i Louisiana notes 5 per cent, discount in Baltimore ; New York safety fond 2 per

cent. ; Alabama and Georgia 6 to 8 per cent.— Ibid., p. 194, Not. 23, 1833.

8 Ibid., p. 146. • Ibid., p. 265, Dec. 21, 1833.

lo/Md.. p. 389, quoting the New York Commercial Advertiser. For Baltimore,

ibid., p. 346.

" Ibid., p. 389. 12 Ibid., p. 39a

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The failures beginning in this month continued unintermit-

tently until June. 1 Wages went down ; notes of specie-paying

state banks were depreciated at from 1£ per cent on New

England notes to 12 per cent on Alabama notes; prices fell;

money could be borrowed only at from 12 to 18 per cent

per annum ; state loans could not be raised ; workmen were

discharged in large numbers; real estate declined in value. 2

In April money was so scarce that due bills had to be given

in payment by many persons, while loans were made at the

rate of 5 per cent a month. 1

The height of the distress was reached in May. u We

have never seen or felt anything like the present pressure/ 9

declared Niles, u and it is becoming every day worse and

worse/ 9 \* Even the Globe, which had hitherto asserted that

there was no distress, or very little, was at last forced to

admit the situation. "A blasting mildew," it complained,

"is suddenly brought upon the business concerns of the

country, and a prostration of trade and credit, to an extent

supposed to have been hitherto unknown, is by some means

effected." \* After this month, however, the distress began

to diminish. Even so early as May, Benton exultantly

recited a catalogue of facts supporting the presumption that

the force of the panic was broken. 9 In July the Bank of

i Ibid., p. 309, Jan, 4; p. 375, Jan. 25; p. 300, Feb. 1; pp. 383, 306, Feb. 8; ibid.,

Vol. XLVI, p. 5, March 1 ; p. 63, March 24; p. 96, April 13; p. 113, April 19; p. 117, May

6; p. 245, June 7.

\* For details see ibid. Vol. XLV, p. 331, Jan. 11 ; p. 345, Jan. 18 ; pp. 364, 873, Jan.

25; p. 390, Feb. 1 ; p. 396, Feb. 8; p. 415, Feb. 15; p. 434, Feb. 22.

\* Ibid., Vol. XLVI, pp. 86, 87. « Ibid., p. 204, May 24, 1834.

• Ibid. % p. 243, quoting the Globe of May 24.

\* " Prices of property, of produce, and of labor, were now as high, in general, in

some cases higher, than they hare usually been heretofore. The great staple in the

South, cotton, was now a cent higher in the pound, at New Orleans, than it was at

this time last year. The domestic exchanges, which had been deranged for a while

by the power and policy of the Bank of the United States, were now recoTering, and

in nearly as good a condition as erer. The notes of the Virginia banks, though pro-

claimed in this city to be ten per cent, discount, are quoted in the New York price

currents at three per cent. ; North Carolina and other Southern notes, at from three

to four ; the Louisiana and Mississippi notes at fi Ye per cent. ; and these are the

exact rates at which they haye stood in that market in those happy and prosperous

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the United States ceased to contract to a very considerable

extent, and on the 19th of that month money was noted to

be "more plentiful than it was." 1 The stringency was

ended. In October cash was a drug on the market, 8 which

was sluggish and yielded few profitable investments — the

usual consequents of a panic.

The president and his adherents angrily censured the

bank for the distress. At first, indeed, the administration

supporters declared that there was no distress. When that

assertion could no longer be hazarded, they alleged that

most of the evidence of distress was manufactured by the

bank or its partisans.' This was true to the extent that the

bank's advocates made as much noise as possible, and urged

others to do likewise. 4 Several volumes of government

reports are filled with distress petitions and memorials.\*

The bank in answer to the charges retorted wrathfully that

the administration alone was responsible for the distress, and

it solemnly prefaced every movement to add to contraction by

calling attention to the sins of the president. .Thus on the

17th of October, 1833, the " movements of the executive

officers at Washington " is the reason alleged for further cur-

tailments; 6 and in January Biddle declares that further re-

ductions are necessitated by "the new measures of hostility

understood to be in contemplation" by the administration. 7

times which gentlemen paint in such glowing colors."— C. D., Vol. X, Part II, p. 1798.

May 21, 1834.

i Nixes, Vol. XXVI, p. 346. » JWd M Vol. XLVH, p. US, Oct. 25, 1834.

» Thirty Years, Vol. I, p. 421.

\* "What is doing in your Legislature [Virginia] abont the deposits! ....

What has been done there has been of immense service to us."— Clay to Francis

Brooke, Jan. 14, 1834, Clay's Correspondence,, p. 377. "Our city is fall of distress

committees. The more the better."— Same to same, Feb. 10, 1834, ibid. Clay to

Biddle, Dec. 21, 1833, confidential, B. P., suggests a meeting at Philadelphia to

memorialize Congress for the return of the deposits.

\*Ex. Doc., Vols. Ill, IV, V, 23d Cong., 1st Sess., passim.

• Biddle to presidents of branches, Oct. 17, 1833, 8. D. 17, 23d Cong., 2d Sess., p.. 77.

i Ibid., pp. 80, 81, 83. The reference was to the apprehension that the receipt of

branch drafts would be stopped.— Biddle to president of Charleston branch, Jan. SO,

1834, ibid., p. 79.

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In brief, the old fable still applied. The wicked administra-

tion wolf had troubled the waters, and now persisted in his

sinful purpose of dining upon the innocent bank lamb. Who

was right?

The enormous reductions made by the bank were cer-

tainly in excess of any possible danger, and were continued

long after any such danger threatened. The president and

company of the Bank of the United States were, in fact, not

only frightened by Jackson's attacks, but angry ; not merely

angry, but vindictive, and vindictive with calculation. They

hoped to force a re-charter, or at least a restoration of the

deposits, by exercising a monetary pressure upon the coun-

try. Not only does the degree and manner of reduction

argue this, but the language of Biddle and his friends leads

to the same conclusion. " This discipline, it appears to me,"

wrote Webster, "must have very great effects on the general

question of the re-chartering of the Bank." ' Jaudon, who

went to Washington to look after the bank's interests there,

was anxious that no relief should be given which could be

avoided: "What do you think of the proposition to extend

the credit on Bonds for entries ? Would it not give too

much relief?" he queried.\*

Biddle, for his part, was determined that no misguided

leniency should be exercised, no relief granted: "On

general principles, I believe that if the Bank were to suf-

fer itself to be misled into the measure of making money

plenty, it will only give to its enemies the triumph of having

robbed it with impunity, and only confirm what those ene-

mies have said that their act of violence would be attended

with no inconvenience to the public." \* It is deducible from

these remarks that the bank could, if it chose, make " money

plenty," but that it did not intend to allow the enemy to

i Webster to Biddle, Jan. 2, 1834, B. P.

s Jaudon to Biddle, Washington, Jan. 17, 1834, ibid.

'Biddle to C. A. Davis [Major Jack Downing], of New York, Jan. 21, 1834,

P. L. B„ Vol. V, p. 100.

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carry out his schemes without " inconvenience to the public."

A temper of this sort was viciously unjust, for it struck at

the guilty by inflicting penalties upon the innocent; and

these innocent were men and women who were to a consider-

able number friends and partisans of the bank. Continued

contraction, consequently, was not only unjust, but impolitic

to the last degree. Nevertheless Biddle was determined to

abide by it. A week later he wrote:

The ties of party allegiance can only be broken by the actual

conviction, of existing distress in the community. Nothing but the

evidence of suffering abroad will produce any effect in Congress.

If the Bank remains strong and quiet, the force of events will save

the Bank and save all the institutions of the country which are now

in great peril. But if, from too great a sensitiveness — from the

fear of offending or the desire of conciliating, the Bank permits

itself to be frightened or coaxed into any relaxation of its present

measures, the relief will itself be cited as the evidence that the

measures of the Govt are not injurious or oppressive, and the Bank

will inevitably be prostrated. Our only safety is in pursuing a

steady course of firm restriction — and I have no doubt that such a

course will ultimately lead to a restoration of the currency and the

recharter of the Bank. How soon this will take place, it is of course

difficult to conjecture — but I have little apprehension as to the

ultimate result. 1

Determined upon his course, satisfied that in the end the

bank would win, Biddle could not be swayed from his pur-

pose. He was encouraged in it by hundreds of friends and

correspondents, and above all by speculators in bank stock

who were anxious to reap a harvest from the commercial dis-

asters of the time and therefore urged a continuance of the

pressure. If you want a charter, "you must persevere.

There must be no let-up" wrote Webb, and he complained

that the New York market was getting relief. 2 On the other

hand, less interested men, men of clearer insight, deprecated

severe measures. Webster urged " that the Bank ought to

i Biddle to Wm. Appleton, of Boston, Jan. 27, 1834, P. L. B. % Vol. V, p. 100.

a Webb to Biddle, New York, Feb. 4 [1834], B. P.

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reduce as slowly and moderately as they can — and occasion-

ally to ease off — where it is requisite to prevent extreme suf-

fering." He thought that the administration was " setting

into action a strong sentiment of opposition to the Bank, on

account of the reductions." 1 Biddle appeared irritated by

Webster's opinions, and bluntly disregarded them. The

community must take care of itself:

My own course is decided .... all the other Banks and all

the merchants may break, but the Bank of the United States shall

not break. I have asked Com\* Biddle what is the least sail under

which a man of war can lie to in a gale of wind, and he says a close

reefed main topsail So our squadron will all be put under close

reefed main topsails and ride out the gale for the next two years.

As for those who have no sea room and breakers under their lee,

they must rely on Providence or Amos Kendall. 1

He was sure that a re-charter would result It might be

won by securing a temporary act, extending the present char-

ter for three years. At the end of that time the president

would be out, " and his advisers will all be dispersed among

the penitentiaries." His successor would either be favor-

able, or, if it were Van Buren, too timid to veto a bilL\*

"The prospects of the Bank are, I think very favorable.

The state of the country is so bad, and goes on daily worse

that I do not see how things can hold on in this way much

longer. Everybody is uneasy and anxious and Congress

will soon be obliged to act" \*

It seems plain, therefore, thatQiiddle and the board of

directors had determined to exert all the power of the bank

to secure a new charter, and that they believed it possible to

succeed by causing panic and distress. \*\What justification

was there for such expectations? The story of the panic

session of 1833-34 must answer.

i H. Binney, at the instance of Webster, to Biddle, Washington, Feb. 4, 1834, ibid.

> Biddle to Watmongh, Feb. 8, 1834, P. L. B. % Vol. V, p. 120.

\* Biddle to Eliho Channcey, Feb. 10, 1834, ibid., p. 123.

« To John McKim, Jr., Feb. 10, 1834, ibid^ p. 125.

CHAPTER XIV

THE DEFEAT OP THE BANK

When Congress met in December, the deposit question

immediately came before it The National Republicans

supposed that all the advantages lay with them, and leveled

their assault against Jackson along three lines: that he had

usurped functions not granted to the president by the

constitution, had inflicted suffering upon the country, and

had violated the contract between the bank and the govern-

ment by seizing the public treasury in contravention of the

charter. The party issue sought to be made was that the

president wished to secure supremacy over Congress, and

hence the struggle was one of liberty against a despot. The

Democrats, though for the moment thrown on the defensive,

supported the president's dismissal of his secretary as con-

stitutional and the removal of the deposits as legal In

these points they were undoubtedly in the right. Not stop-

ping here, however, they boldly assumed the offensive and

pressed forward to an attack upon the bank, insisting, with

endless repetition, that the real struggle was not between the

legislative and executive departments, but between the presi-

dent of the bank and the president of the United States;

that the issue was not the restoration of the deposits, but a

re-charter ; that the bank operated a gigantic and needless

contraction, and therefore that it and not the president was

responsible for the suffering caused.

The Democrats were justly fearful, the opposition justly

confident, when the struggle began. So hostile was popular

feeling to the president in Washington itself that the con-

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elusion of Clay's great speech " was followed by such loud

and repeated applause from the immense crowd which

thronged the galleries and the lobbies that the vice-presi-

dent" had the galleries cleared. 1 In January Calhoun wrote

that he entertained " no doubt that the administration will

be overthrown. It has already received its death blow," \*

and he was equally confident in February .\* King, of Georgia,

declared that the great majority of Jackson's friends dis-

approved his act as inexpedient, 4 and Preston, of South

Carolina, was convinced that the president's action had done

more toward securing a re-charter than anything the bank

could do. 5

Moreover, the National Republicans were greatly encour-

aged by receiving the assistance of the Nullifiers and the

State Rights party. 6 Calhoun spoke strongly for the bank;

Dr. Cooper wrote in its interests; Clayton, of Georgia,

apologized publicly for his past attacks on it; 7 and McDuffie

was a staunch supporter. Tet constitutional scruples stood

in the way of a permanent union between them and the

National Republicans. Calhoun, indeed, with his well-

known subtlety of constitutional interpretation, attempted to

demonstrate that the bank was constitutional, if Congress

had the right to regulate the paper currency, and that the

continuance of the bank was constitutional, though its estab-

» C. D. % Vol. X, Part I, p. 94.

\* Calhoun to Christopher Van Deventer, Jan. 25, 1831, Calhoun Correspondence,

Report of the American Historical Association (1809), VoL II, p. 329 ; so on the 30th to

John E. Calhoun, ibid., p. 331.

> Calhoun to James E. Calhoun, Feb. 8, ibid.

« C. Z>„ VoL X, Part I, p. 847. ft Ibid., p. 583.

ft " We find sustaining the cause of the bank those who beliere a protecting tariff

constitutional, and those who believe it unconstitutional; those who believe a

system of internal improvements by the General Government constitutional, and

those who believe it unconstitutional; and, most astounding of all, those who think

a Bank of the United States constitutional, and those who believe it unconstitu-

tional! "-Clay, of Alabama, ibid., Part III, p. 3143.

i March 8, in the House, ibid., p. 2903.

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lishment was not. 1 McDuffie adopted the second of these

arguments; 1 Cooper upheld the present bank because he

believed that the president was intent upon chartering one

of still greater power and much more objectionable to

constitutional scruples; other State Rights politicians de-

clared that the constitutionality of the question depended

upon the necessity of the moment. A bank was " necessary

and proper" now, though it might not be so next week.

These arguments are only too evidently the product of the

temper and passions of the moment, and could not stand the

test of cooler examination and criticism. It was certain,

therefore, that the party would be against the bank in the

long run, and that dependence upon it was vain.

There was also a number of congressmen who were

willing to restore the deposits, but declared themselves

against a re-charter. 8 These were generally counted upon

by the bank, but illogically, as is evident from the vote

on the resolution of the Committee of Ways and Means

that the bank ought not to be re-chartered. This vote

stood 134 to 82, while that against the restoration of the

deposits was only 118 to 103. In other words, there was

1 1. If Congress has the right to receive anything bat specie in payment, it

has the right to regulate its value.

2. Hence, if bank notes are received in payment, it has the right to regulate

their valne.

3. So the banking power is necessary and proper under the constitution if notes

are received ; hence constitutional.

4. The constitutional question is not upon the right to incorporate a bank, but

upon the right to receive anything but specie in payment of dues.

5. An act done may be constitutional which was not so in the beginning.

Louisiana purchase, for example. Act of madness to take up constitutional ques-

tion. Same reasoning applies to the bank.

6. Principle applied to compromise tariff ought to apply here. That act was

unconstitutional, but it was judged better to pass it than to upset everything at

once. So paper currency. State Rights party ought to vote for his bill under these

circumstances.— In Senate, March 21, 1834, C. Z>., Vol. X, Part I, pp. 1070, 1071.

a JWd., Part HI, p. 3469.

3 Clayton, of Georgia, ibid., p. 2903 ; Bibb, of Kentucky, ibid,, Part I, p. 533 ; Pinck-

ney, of South Carolina, ibid., Part III, pp. 3087, 3068; Clowney, ibid., p. 2788; Leigh,

ibid., Part I, p. 996; Archer, of Virginia, ibid., Part II, p. 2629; Gholson, of Virginia,

ibid., Part III, p. 2941. Almost all the Virginians were in this category.

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about a score of votes favorable to restoration but opposed

to re-charter. 1

On the 18th of December, 1833, the bank sent a memorial

to both houses, complaining of the violation of its charter

by the removal of the deposits, and praying for justice at

the hands of Congress. 1 On the last days of December

Clay opened the campaign against Jackson in a three-days 9

speech, in which he outlined the policy of the National

Republicans. His tactics were faulty, however, in that he

proposed no effective remedy for the situation. Resolutions

passed by the Senate alone, censuring the president and the

secretary of the treasury for committing an illegal and

unjustifiable act in removing the deposits, might irritate and

enrage Jackson, but could have no other effect. 8 Undoubt-

edly the real object was to give time to let the panic work,

since panics are powerful engines in party warfare.

Clay's speech and resolutions opened the flood-gates of

debate in the Senate, while the bank's partisans buried

Congress under huge piles of memorials praying for relief.

Such was the strategy of Clay. Thousands of memorials

came in, while Webster for the bank, Forsyth for the ad-

ministration, spoke over seventy times, and Clay over sixty

times. Other incitements to debate were constantly added.

Every memorial produced a speech, and sometimes a dozen,

while on February 5 a new source of discussion was fur-

nished by Webster's report from the Finance Committee,

declaring Taney's reasons for removing the deposits insuffi-

cient, and recommending the adoption of Clay's second reso-

lution censuring the president. 4

iThe legislature of Virginia expressed this policy in its resolutions against

Jackson's removal of the deposits, though at the same time refusing its sanction to

the Bank of the United States on constitutional grounds.— Ibid., Part III, p. 2840,

resolutions presented March 3, 1834.

»JWd.,PartII, p. 2207.

> See Benton's criticism, Thirty Feart, VoL I, pp. 898-6.

« C. />., Vol. X, Part I, p. 467.

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Clay's plan of campaign, however, was by no means

satisfactory to those who wished success to the bank. The

true policy, so far as it was concerned, would have been to

introduce a joint resolution for the restoration of the depos-

its, which should have been thoroughly discussed and quickly

passed. Biddle himself urged that the Senate should pass

joint resolutions to this effect as soon as possible, " then send

the resolutions down to the House, and trust to external

pressure to do the rest." l But as in 1832 Biddle had cared

" nothing for the campaign," so in 1833 Henry Clay cared

little or nothing for the bank. Webster and Calhoun soon

exhibited discontent with Clay's maneuvers, broke away

from his leadership, and\* supported measures involving effect-

ive action. Webster wished to re-charter the bank for six

years, Calhoun for twelve, and the two could not compro-

mise their differences. 1 The bank's representatives were as

much at variance as the senators. While Biddle approved

Webster's plan, 1 Sergeant and Binney supported Calhoun's,

wished him to "take the direction in chief," objected to

" compromising for a short continuance of the charter," and

urged Biddle to help to "alter the feelings of our friend W.,

and reconcile him to a new course." \* Webster himself was

confident that his scheme might succeed. "If Mr. C. and

Mr. C. would go along with us," he wrote, "we could carry

the compromise Bill through the Senate by a strong two-

thirds majority. Can you write through any body to talk

with Mr. Calhoun ? " 6 He had assurances from friends of the

i To H. Binney, who was to gire this advice to Webster, Jan. 8, 1884, P. L. 2? M

Vol. V, p. 85.

2 The South Carolina statesman objected to Webster's scheme that, if it really

meant a re-chartor, the time was too short ; if it was simply intended to giro the bank

time to wind up its affairs, tho period was too long. It would inject the bank issue

into two more presidential campaigns, and it settled nothing.— C. D., Vol. X, Part

I, p. 1057, March 21.

3 Biddle to Webster, Feb. 13, 1834, P. L. £., Vol. V, p. 130; and same to same,

March 15, l&U, ibid., p. 163.

« Sergeant to Biddle, Feb. 17, 1834, B. P. ft Webster to Biddle (undated) , ibid.

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president that they would support his measure "if all the

friends of the Bank stood firm." 1 King, of Georgia, an-

nounced in the Senate a willingness to support him, though

he was unfriendly to the bank. 2 Jaudon thought that Web-

ster's plan was the better and would be easier to carry, and

that Clay would give his support to either bill. " But Mr.

Webster and Mr. Calhoun are obstinately wedded each to

his own plan!" 8 Two days later he discovered that Clay

wished all action deferred until May, and would not vote for

Webster's bill, though he would support a long-term bill. 4

Calhoun attempted to secure the support of Wright, Benton,

and the^r friends for his measure, but without success. 6 He

was not confident that his bill could be carried, but declared

that if anything was done it would be in accordance with

his suggestions/ Biddle thought that the bank ought to

" go for the practical If we can get a permanent charter,

let us do so — if not, let us take the temporary and make it

permanent hereafter." 1 Calhoun's plan would be " the basis

of the final settlement," but meanwhile the friends of the

bank ought to act in unison, and he hoped that they would.\*

His hopes were doomed to disappointment, however, for the

leaders could not agree, and complete lack of harmony was

necessarily fatal. 9 On the 18th of March Webster outlined

his bill; 10 on the 21st Calhoun objected to it and presented

i Thirty Yearn, Vol. I, p. 433. \* C. D., Vol. X, Part I, p. 849.

8 Jaudon to Biddle, March 9, 1834, B. P.

« Same to same, March 11, ibid. ft Thirty Yeart % Vol. I, p. 435.

•" It is very uncertain, what will be done; but if anything should be, it will be,

I feel confident, in conformity with the suggestions, I made on Mr. Webster's motion,

which have been well received on all sides. "—To Anna M. Calhoun, April 8, 1834, Cal-

houn Correspondence, p. 334.

7 Biddle to Jaudon, March 11, 1834, P. L. £., Vol. V, p. 161.

• Biddle to Thomas Cooper, April 8, 1834, ibid., p. 177.

• Benton expresses surprise at the failure to unite, and declares that Webster's

plan was the only one which stood any chance of success.— Thirty Feart, Vol. I,

pp. 433, 435.

io C. />.. Vol. X, Part I, p. 995. Webster's bill is given in extcnm on pp. 1004, 1005.

"What the bill proposed, was —

" A short continuance of the present charter, with an addition of its exclusive

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his own measure. 1 Clay remained silent, but he refused to

support either plan, and was so incensed with Webster's that

in private he demanded that the Massachusetts senator

should move to lay it on the table, threatening that if he did

not he himself would make the motion, whatever the conse-

quences. 2 It is plain that Clay had determined that none

but he should lead. On the 25th of March Webster capitu-

lated, making the motion to lay the bill on the table, declar-

ing, however, that he would call it up again " about the first

of May." 3 This was virtually the end of it, though Webster

gravely and emphatically declared on the 21st of May that

his plan was not abandoned. 4 Abandoned or not, there was

no further hope for the project, and Calhoun's scheme was

equally futile.

The action on the bills was the critical stage of the strug-

gle for the bank. For some weeks previously it had been

steadily losing friends. Biddle had been warned by one of

his correspondents in February that this result was prob-

able. The populace, urged this keen-sighted politician,

would understand only a clear, easy argument, and the

right ; so that, while this bank continued, Congress, at its leisure, might provide

another, if it chose, and bring it into existence to take the place of this, at the end of

six years; ....\*'

There was to be a restoration of the deposits ; and a provision for enlarging the

specie circulation, so as to increase in fact to a great extent the hard money of the

country and to discontinue the circulation of small notes. "This is the substance

of the measure."

Thus, said Webster, " the country will be relieved " and " the Bank will have

time to collect its debts and wind up its concerns."— C. />., Vol. X, Part II, p. 1763\*

i Calhoun's plan : (1) Must use a bank to unbank the banks ; t. e., the big; bank

must be continued to control the small ones. (2) The bank to be a new one

engrafted on the old. (3) This bank to be chartered for twelve years ; not to Wnrr

notes smaller than $10; no notes of any bank under the denomination of $5 to be

received either by the government or the bank ; at the end of six years bank to issue

no notes smaller than $20 ; then government and bank not to receive notes of «n»>^liy

size. (4) Twelve years best to let agitation subside, and fix upon best plan of future

bank. (5) Other details to be arranged later, but rate of interest to be 5 per cent.—

Ibid., Part I, pp. 1067, 1068, March 21, 1834.

2 " If Webster refuses, Clay says he will move to lay it on the table at all has-

sards and abide the consequences.' 1 — J. W. Webb to Biddle, Washington, March 23,

1834, B. P.

3 C. D., Vol. X, Part I, p. 1145. \* Ibid., Part H, p. 17W.

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bank's arguments were always involved and hard of compre-

hension; pressure should indeed be exercised after the

removal of the deposits to show that the administration had

caused it, but if pressure went so far as to ruin merchants,

it would alienate that class and convince the people that the

bank was at fault; if it was continued while all around fail-

ures were daily occurring, the people would be persuaded

that the bank was too powerful and therefore dangerous,

and would insist upon its destruction. The time had come

for a change of policy. 1 The Si Louis Republican of Feb-

ruary 10, while asserting its continued friendship for the

institution, criticised its action severely. 1 Even Niles

admitted that the bank's ability to protect itself proved

that its power was too great, 3 and a little later held that

it was " conclusive evidence " of the bank's excessive power,

" which power, . . . . I would not agree to continue" \*

Nevertheless the directors could not be convinced and would

not yield. "The relief," doggedly persisted Biddle, "to be

useful or permanent, must come from Congress and from

Congress alone. If that body will do its duty, relief will

come — if not, the Bank feels no vocation to redress the

wrongs inflicted by these miserable people. Rely upon that

This worthy President thinks that because he has scalped

Indians and imprisoned Judges, he is to have his way with

the Bank He is mistaken. " \*

Later in the month, however, came a crushing reminder

of the fallibility of bank presidents and of the transitoriness

of the power of banks. Governor Wolf of Pennsylvania

denounced the corporation in his message, thus severely crip-

1 8. M . Stilwell to Biddle, New York, Feb. 18 and 19, 1894, B. P.

> " We have been, and still are, the fast friends of this institution. But, when

we see it adopting a course fraught with distress and ruin to our community, we

shall not hesitate to condemn it"— St Louis Republican, Feb. 10, 1894, C. JX, Vol.

X, Part III, p. 8157.

\* Nrxia, Vol. XLV, p. 963, Jan. 25, 1834. \* Ibid., Vol. XLVI, p. 20, March 8, 1834.

ft To Joseph Hopkinson, Feb. 21, 1834, P. L. £., Vol. V, p. 138.

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pling it by influencing public opinion against it. 1 Since Wolf

had hitherto been a bank supporter, his attitude was fatal.

The whole Democratic party in Pennsylvania faced about

immediately. The senate of that state passed resolutions

against the bank; 3 both Pennsylvania senators, who had

supported the re-charter, now opposed the institution; Inger-

soll, who had toiled energetically for the bank in 1832,

Sutherland, who had led the Pennsylvania forces in the

House on that occasion, Rush, who was an old supporter —

all were now in opposition, and the bank scarcely numbered

an advocate among the Pennsylvania delegation in Congress/

Forsaken by its own state, its cause was doomed. Every-

one recognized this, 4 and it was only emphasized by the

assurance that the governor's opposition was not to a bank,

but to the bank, being caused by the recent operations of

the corporation. 6 The lead of Pennsylvania's governor was

i Message, Nilbs, Vol. XL VI, pp. 26, 27.

2 " Resolved, That the present bank of the United States ought not to be chartered

by congress.

'\* Resolved, That the government deposites which have been withdrawn from the

bank of the United States ought not to be restored" Vote for first, 19-13; second,

18-14.- J&td., p. 85, March 21, 1834.

3 See a Tory good resume of the situation in Ajubtidxs (T. L. MoKenney),

Essay on the Spirit of Jacksonism, pp. 128-34.

\* " Mr. President, when the Governor's unexpected message arrived here, it was

felt by all parties that he had thrown his great weight into the scale of the Presi-

dent. It was blazoned forth by the administration party and prints, that the Gov-

ernor had come out in favor of the removal of the deposites, and against the bank.

It was felt here, as the Senator from Georgia expressed it, as a damper," — Cult,

April 29, 1834, C. Z>., Vol. X, Part II, p. 1546.

" On the memorable 26th of February last, all eyes were turned towards Harris-

burg It was evident, that in this political warfare Pennsylvania was viewed

as the \* Belgium ' of the continent, and that the battle of \* Waterloo ' was to be

fought at the seat of Government. Every effort was exerted to procure an expres-

sion favorable to the renewal of the charter, and a restoration of the deposites ; but

the course of policy which had marked the directory of that institution for somo

time previous, had sealed its condemnation with the Executive, Legislature, and a vast

portion of the people of Pennsylvania."— Wilkins, April 29, 1834, ibid. % pp. 1543, 1544.

& " He stated, as a matter of his own knowledge, that Governor Wolf was then,

and is now, in favor of a national bank, and he believes the fiscal concerns of the

Government cannot get along without it. He does think, however, that recent

developments in relation to the management of that institution, are sufficient to

create doubts as to its influence upon the public morals."— MgKkan, Senate, April

25, 1834, ibid., p. 1486.

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one month later followed in New York by Governor Marcy,

who did much to break the force of the financial pres-

sure by advising the issue of four or five million dollars

of state stock to be loaned to the state banks, 1 whereupon

the legislature passed a bill creating $6,000,000 of 5 per

cent stock for this purpose.\*

Almost immediately afterward the House of Representa-

tives put the quietus to the bank's hope of securing either a

restoration of the deposits or a re-charter. The debate there

centered about the same questions as were discussed in the

Senate. The tactics of Polk, who led the Democrats, were

to secure a reference of the various documents and memo-

rials to the Committee of Ways and Means, of which he was

chairman. In this he succeeded, 3 and when he had done so,

the bank was beaten. On April 4 the committee reported,

and the House adopted its findings. It was resolved that

" the bank of the United States ought not to be re-chartered,"

134 to 82; " that the public depositee ought not to be

restored," 118 to 103; " that the state banks ought to be

continued as the places of deposite," 117 to 105; and that a

select committee should be named to examine the bank's

affairs and investigate the reasons for the commercial crisis,

175 to 42. 4 The friends of the bank were furious; " The his-

tory of this day," wrote one of them, " should be blotted

from the annals of the Republic; for the heart of every

Patriot must sicken, at the recital of the events which it will

record. The Chief Magistrate of the United States seized

i Message of March 23, 1834, Niles, Vol. XL VI, p. 96.

\* By a Tote of 80 to 12 in the house, 17 to 4 in the senate.— April 2, ibid., pp. Ill,

112, 114. This loan was known as the Marcy mortgage.— Hammond, History of New

York, Vol. II, p. 441.

i McDnffie's motion for referring to Committee of the Whole, Dec. 10, 1833, C. D.,

Vol. X, Part II, p. 2166; Polk's motion for reconsideration, Dec. 11, p. 2170; motion

to reconsider carried, Dec. 17, p. 2207, Tote, 124 to 102 ; motion to commit to Ways and

Means Committee by Polk, ibid.; Polk\*s motion carried, Feb. 18, 121 to 9B.—/6ui., pp.

2730,2740.

«/Wd., Part III, pp. 8474-7.

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the Public Treasure, in violation of the law of the land; and

the Representatives of the People have confirmed the deed!!!

What American ever expected to have lived to see such

turpitude?" 1 In accordance with the last resolution of

April 4, the House appointed a committee with the most

extensive powers. 2 It was to pry into the accounts of indi-

viduals with the bank, and even into the private correspond-

ence of congressmen with it; 3 and would, as a matter of

course, return a hostile and damaging report The bank's

patience was exhausted; the president had done his worst;

the institution had everything to lose and nothing to gain

by permitting such an exhaustive and vexatious investiga-

tion ; above all, Biddle was resolved not to suffer the exami-

nation of private accounts, and particularly of the letters of

congressmen. 4 The bank, therefore, put as many obstacles

as possible in the way of the committee, ending by refusing

to allow the examination of its books, except under condi-

tions to which the committee would not assent 5 The

majority thereupon reported warmly to the House, conclud-

ing with the demand that Biddle and his fellow-directors

should be arrested and brought to the bar/ The matter was

suffered to end here, however, and no more committees were

appointed by the representatives.

i John Connell to Biddle, Washington, April 4, 1834, B. P. A week later Nilea

wrote despondingly of the situation, and pointed out the real secret of the defeat.

" It is a great misfortune that the question as to a restoration of the public deposits

was suffered to run into that concerning a renewal of the charter of the present

bank of the United States. It was not the will of the friends of a national bank

that it should have been so ; but the other party, in pursuit of its original design to

destroy the present bank, .... forced the connexion, and the removal of the depos-

ites, by the president rallied this party, and pushed it into action against the cur-

rency of the country."— Niles, Vol. XXVI, p. 96, editorial of April 12, 1834,

a C. £., Vol. X, Part III, p. 8476, resolution 4.

8 " Resolved^ That the president and directors of the bank be requested to

furnish the committee with copies of all correspondence between the president of

the bank or any of its officers, with members of Congress ; or of unanswered letters

received from one of them since the 1st day of July, 1832, touching the renewal of the

charter of the bank, the removal or restoration of the public deposites, or touching

the business transactions of such members with the bank."— Niljbs, Vol. XL VI, p, 188.

\*To John Bell, May 2, 1834, P. L. B. % Vol. V, p. 187.

\* H. R. 481, 23d Cong., 1st Sess., pp. 16-29. • IbitL % p. 13.

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Meanwhile a movement out-of-doors had ended in the

partial abandonment of the bank's restrictive policy. Pres-

sure had early been brought to bear upon the bank for the

purpose of securing a change in its operations, and was ex-

erted particularly by business men who were friends of the

bank, saw ruin approaching, solicited accommodations inces-

santly, and soon began to assert that the directors were acting

flagitiously in their restriction. The pressure was especially

intense in New York, and in February the banks and mer-

chants of that city selected a union committee which should

interview the management of the Bank of the United States

and attempt to arrange a suspension of the contraction.

The directors were much embarrassed by their propositions,

and attempted to avoid acceding to them. On February 28

Biddle declared that the bank would have granted relief had

it not been for Governor Wolf's attack. 1 Put bluntly, this

meant that New York was to suffer because the governor of

Pennsylvania abused the bank. The union committee did

not despair, however, and it soon became evident that the

bank must yield or reap a ruinous unpopularity among its

New York supporters. James G. King assured Biddle that

"the reasons assigned" for refusal "would not be deemed

sufficient by our community, for a longer postponement,"

and that if relief were not granted New York would prob-

ably establish a Regency Bank. 1 Gallatin and other mem-

bers of the union committee believed that the bank was

strong enough to give assistance, and that it ought to do so

— opinions which they were determined to express in a pub-

lic report to the merchants and bankers whom they repre-

sented. "Hence the Bank had to do something, for the

evil of such an announcement would have been enormous." '

Finally on March 23 King's warning seemed about to take

i Biddle to J. O. Kin\*, of the committee, Feb. 28, 1854, P. L. £., Vol. V, p. 145.

> Kin\* to Biddle. March 11, 1834, B. P.

\* Biddle to Watmouth, March 17, 1834, P. L. £., Vol. V, p. 164.

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shape, when Marcy recommended the loan to the banks.

The directors therefore agreed that there should be no fur-

ther diminution in its business "up to the first of May

next." 1 il P\'.^/V( Uh \* Ww«\*Wj»\*

VjWhen this decision ^as made the bank's cause was ruined

in the opinion of most mei^l It was said at once that the

contraction had been inexcusable or else the relief was so;

£1 ' ~ either the bank could have rendered assistance earlier or it

could not render it now. "I Struggle as they might against

this charge, the managers could neither refute it nor return

to the original policy with any chance of success. The relax-

ation was certain to be permanent. The exasperated direc-

tors, enraged by the act of the House of the 4th of April,

petulantly but vainly warned the nation that it had no right

to expect further favors. Previous to the 1st of October,

1833, the bank had been " responsible for the general con-

dition of the currency and the exchanges." It had under-

gone "years of effort and sacrifice" to bring "the currency

and the exchanges " to a condition superior to that which

existed in any other country. It had also had upon its

shoulders "the duty of averting every calamity." Right

nobly had it fulfilled this obligation: witness the panic of

1825; witness the extension of loans in 1831; witness the

defraying of the cost of the postponement of the payment of

the 3 per cents, in 1832 ; witness its self-sacrificing action

in the presence of the cholera. But now this obligation had

forever ceased. The bank would hereafter attend to its own

business, and it was not to blame if disaster overtook the

country. 2

The effect of the bank's concessions upon one wing of

its supporters is vividly portrayed by a letter of James Wat-

son Webb to a friend. Webb had constantly urged Biddle

i Report of the Union Committee, March 29, 1834, Nilbs, Vol. XL VI, p. 73.

25. D. 17, 23d Cong., 2d Sess., p. 100.

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■ ■■

to persist, and not to waver in his policy, with the assurance

that continued severity was certain to secure a charter. He

had also requested Biddle to let him know the moment any

change in policy was contemplated. The motives underlying

all this zeal became apparent in his letter. He had been

speculating in the stock of the bank. When the news of

the concessions to the committee reached him, he uttered a

wail of mingled reproach and despair. "The truth is, that

our friend Biddle, by loaning himself most unadvisedly to

the Union Committee of N T, has ruined most of us

in New York and dispirited the others Hamilton \*

and myself lose about $3,000, and Joseph and myself $11,-

£00! This takes my all, except my interest in the paper,

but I do not complain of Biddle." a

Some gleams of hope were shed by the spring elections

of 1834. Rhode Island was against the administration;\*

the New York local elections were favorable to the Whigs; 4

the ward elections in Philadelphia were anti-administration ;\*

Jackson's opponents carried the Virginia legislature by a

large majority, 6 and Louisiana followed Virginia's example. 7

These elections, however, lacked the significance which the

bank and its friends persisted in seeing in them. Virginia

rebuked Jackson, but would not support a bank. The New

York elections were the utterance of voters who hardly knew

what to do in circumstances of great distress and aimed a

blow at the only head that could be struck. Louisiana had

always been a tariff state, and Rhode Island had certainly

not been a Jackson stronghold.

Clay, too, had won a victory in the Senate, the censure of

the president having been voted by 26 yeas to 20 nays. 1

i Presumably Alexander Hamilton. Jr. \* Webb to . March 23, 1834, B. P.

\* Senator Bobbins, April 24, 1834, C. D., Vol. X, Part II, p. 1482.

« Nilbs, Vol. XL VI, pp. 100. 101 ; April 12, 1834, pp. 115, 116, 132.

» Ibid. % p. 66, March 29. • Ibid., p. 218, May 3.

\* Ibid., p. 379 ; for othor elections, ibid., p. 445.

> March 28, 1834, C. D.. Vol. X, Part I, p. 1187.

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But such a victory was of the Pyrrhic order, injurious to

Clay and ruinous to the bank. His triumph once secured,

Clay at last determined that some effective step in the inter-

ests of the bank ought to be taken. He therefore introduced

joint resolutions, declaring that the secretary's reasons were

insufficient and directing the restoration of the deposits after

July 1, 1834. ! The resolutions passed the Senate June 4

and June 5. 2 But it was too late, the action of the House on

the 4th of April having long since determined that agree-

ment between the houses was impossible. The bank had

lost its chance because Clay saw fit to sacrifice it to the sup-

posed interests of his party.\*

The hope of a charter would not down, however, and the

desire to secure the return of the deposits would intrude

itself: "If the Bank charter were renewed or prolonged,"

said Biddle, " I believe the pecuniary difficulties of the coun-

try would be immediately healed." If only the deposits

were restored and the executive would show itself friendly,

the bank would make an effort to relieve the country ; but if

" the Executive continued its efforts to destroy the Bank,"

the return of the deposits alone would produce no change. 4

If nothing were done by Congress, the bank would continue

its contraction and the summer and autumn would see

unusual distress. 6 But this was an unmeaning threat; every

day the resolution of the bank managers weakened, and in

June they would gladly have capitulated if only a vote of

Congress could be secured ordering the restoration of the

i May 27, 1834, C. D., Vol. X, Part II, p. 1813.

2 Ibid. y pp. 1880, 1895, 1896. Vote 29 to 16, and 28 to 16.

3 The bank, said King, of Georgia, lost its chance by the action of its supporters

in making a party question out of the removal.— March 10, 1834, ibid. % Part I, p. 847.

\* Biddle to General John S. Smith, of Baltimore, May 9, 1834, P. L. £., Vol. V,

p. 192.

& " Of one thing I am certain — that if nothing is done this session, we shall hare

a summer and fall such as have not often been experienced."— Biddle to Webster,

May 15, 1834, ibid., p. 195.

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deposits. 1 In truth, they were now struggling blindly to

find some pretext to avoid an open confession of certain

defeat All around them were heard the murmurs of one-

time friends who were rising in revolt against their action.

The Boston Whigs threatened to denounce the bank; 3 the

New York Whigs asserted that further pressure would result

in the loss of the autumn elections in that state, everybody

there being convinced that the bank could relax and Mr.

Gallatin expressing "himself strongly on the subject." 1

Biddle's close friends in the management began to see light

also, and advised " judicious action .... which may save

our beloved country from the curse of Van Burenism and

thereby save the Bank." 4

When at last Congress adjourned without taking action,

and the bank was left to continue its course without present

hope of re-charter or the restoration of the deposits, the con-

viction that all was over was irresistible. A committee had

been appointed in June to determine what should be done,

and the result was the only possible one. Jackson's tri-

umphant assertion that after the close of the session of Con-

gress in June, u the bank .... announced its ability and

readiness to abandon the system of unparallelled curtail-

ment .... and to extend its accommodations to the com-

munity " was justified. 6 In the resolutions of June 27 the

bank management distinctly states that the step is advisable

" in consequence of the approaching adjournment of Con-

gress without having taken any steps to restore the violated

rights [t. e., the deposits] of the Bank" 6 So, too, in the

report of July 11, the "adjournment of Congress" is put

i Biddlo to A. Porter, June 14, 1834, ibid., p. 231.

a Biddlo to W. Appleton, July 4, 1834, ibid., p. 245.

5 B. M. Blatchford to Biddlo, July 5, 1834, B. P.

« Mathew L. Bevan to Biddle, New York, July 9, 1834, ibid.

\* President's message, Deo. 1, 1834, MeuagtM and Paper; Vol. Ill, p. 108.

• 8. D. 17, 23d Cong., 2d Sess., p. 83.

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forward as the reason for modifying the policy of the bank. 1

It is plain that a great part of what the bank had done had

been planned with an eye to its effect on Congress.

The relaxation of July was virtually finaL The bank did

not intend to remove all restrictions and did not do so, but

the state banks, no longer fearful of the monster, had begun

a rapid expansion ; some of them had even begun extensive

exchange operations. The bank might therefore as well

follow suit, and, moreover, it was constantly embarrassed by

its half-hearted policy. On July 18 Jaudon wrote Biddle,

saying that the papers charged the bank with having cur-

tailed for political effect, and that it was now expanding with

the purpose of engineering another contraction in the au-

tumn. Our friends, he mournfully concludes, say "they do

not know how to answer them." \* On the 24th he writes

that the western friends of the bank want accommodations,

too, "and I suppose that we shall be obliged to let the

western offices extend their purchases of Bills on New Orleans

without reference to the amount of their receipts from col-

lections for other offices." f The accommodations demanded

were granted, the bank putting an end to all restrictions in

September, and thus ending the last faint efforts to force

action by inflicting commercial ruin.

The long, harsh struggle of 1833-34 completely changed

the position of the bank in public favor. It had now become

extremely unpopular, and for the first time parties clearly

divided on the issue of bank or no bank. The strife had

been transformed, too, from a fair and open contest to the

most savage and implacable struggle. This temper had been

thoroughly developed on both sides by the contest in Con-

gress; by the suffering resulting from the panic; by the

cumulation of irritating circumstances: the pension ques-

ts. D. 17, 23d Cong., 2d Sess., p. 83.

s Jaudon to Biddle, July 18, 1834, B. P. » Ibid.

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tion; the censure of the president; the protest; the inflam-

matory memorials; the rejection of the appointments of

Taney and the government directors ; the refusal of the bank

to permit investigation by the House committee; the votes

of the two houses. The feeling generated by these events

was tremendous. "It will be difficult," says Benton, "for

people in after times to realize the degree of excitement, of

agitation and of commotion which was produced by this

organized attempt to make panic and distress. The great

cities especially were the scene of commotions but little short

of frenzy." 1

The opponents of Jackson, convinced that he was aiming

at absolute dominion over Congress, soon lost their temper.

Neither Clay nor Webster, however, can be counted of this

number, though Calhoun, intense in his convictions, showed

much bitterness. Speaking of the government directors, he

exclaimed: " Directors! did I say? No! spies is their proper

designation! " a and after the protest he spoke with indigna-

tion of the president " Infatuated man ! " he cried, " blinded

by ambition — intoxicated by flattery and vanity! Who, that

is in the least acquainted with the human heart — who, that

is conversant with the page of history, does not see, under

all this, the workings of a dark, lawless and insatiable am-

bition!"\* McDuffie, in the House, was more passionate,

more intense, more Thrasonic, and more incoherent in his

wrathful outpourings. 4 Burgess, of Rhode Island, shrieked

that the "miscreants of our times and of our country " should

"remember the Marats, the Dan tons, the Robespierres of

other times and other countries," and declared that the out-

raged American people would quench " the flaming ruins of

their country .... by the immolation of those traitors who

had lighted up the conflagration." 6 The venerable Senator

i Thirty Yeart, Vol. I. p. 421. a C. D., Vol. X, Part I, p. 212, Jan. 12, 1834.

• Ibid., Part II, p. 1645, May 6, 1834. «/6id., Part III, p. 3459. \*JWd., p. 3168.

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Bobbins, of Rhode Island, asserted that " the fearful and

momentous struggle" between liberty and despotism had

"already commenced," and that unless checked "blood must

flow." \* Ewing, of Ohio, commenting on Jackson's assertion

in his protest that he bore upon his "person enduring

memorials of that contest in which American liberty was

achieved," queried:

If it be true that, boy or lad, he got hurt any where, or any how,

at any time, or by any accident, during the revolutionary war, what

effect ought it to have, or should it have had, if urged in time, in

the grave judgment of the Senate, upon their construction of the

constitution? The Senate say to the President, Tou had no right

to seize the public purse; the constitution intrusts its custody to

Congress; pray restore it. Hear the reply: Tou are mistaken in

your construction of the constitution; I got hurt when I was a boy,

in the time of the Revolution, and I have the scar on me yet.\*

Poindexter was furious in his assaults. The protest, he

declared, "is wholly vindictive and libellous .... I, for

one, sir, spurn this foul effort to cast a stigma on the purity

and patriotism of this honorable body, .... I throw back

the libel into the hands of its reckless, infatuated author/ 9 \*

Jackson, declared his opponents, was a tyrant, a usurper, a

Napoleon, a Cromwell, a George III., an infatuated old man,

a turbulent military chieftain.

The language of Jackson's supporters in Congress

matched that of his opponents, and the depths of the

ridiculous were frequently reached in the search to attain

the moral sublime, as when Peyton, of Tennessee, concluded

a glowing peroration by shouting:

Yes, sir, he had trod the paths of glory which Washington had

trod before him. The historian had but to complete his office, and

his name was immortal; the sculptor to perform his task, and he

stood beside the father of his country, with the finger which penned

i C. Z>., Vol. X, Part III, p. 1462, April 24, 1834.

2 April 21, 1834, ibid., p. 1411. 3 Ibid., Part I, p. 1340, April 17, 1834.

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the Declaration of Independence pointing him out as the noblest

Roman of his day. And, sir, this is the man, under these circum-

stances, against whom all these shafts are hurled! Yes, sir, even

the kitchen knife of Kentucky, which has been cast aside for years,

is hunted up and thrown into this House, full of rust and gaps, to

be sawed across the bosom of a patriot. 1

The bank, in the vocabulary of the Democrats, was a mon-

ster, a hydra, a dark, subtle, demoniac power, striving to

overthrow the constitution and hurl free institutions into

ruin. To one section of the party Biddle appeared as Em-

peror Nicholas, the imperial despot who sought to extend

the sway of a moneyed aristocracy over the nation; to

another wing he was "old Nick," equipped in imagination

with horns, hoofs, and tail

But no one was so thoroughly at home in this tempes-

tuous warfare as the aged president of the United States.

As his opponents continued to call down anathemas upon

his gray head, his temper rose higher and higher, until it

finally reached the bursting point With paroxysms of rage

he drove popular deputations from his presence. In re-

sponse to the request of the Baltimore delegation for relief,

he burst out: "Relief, sir! .... Come not tome, sir! — Go

to the monster! — .... It is folly, sir, to talk to Andrew

Jackson — The government will not bow to the monster."

The chairman meekly injecting something about the people,

the exasperated old man exclaimed: "The people! talk to

Andrew Jackson, sir, about the people! The people, sir,

are with me. I have undergone much peril for the liberties

of this people, and Andrew Jackson yet lives, to put his

foot upon the head of the monster, and crush him to the

dust." The chairman remonstrated that Jackson's experi-

ment was ruining the merchants. "The mammoth, sir,"

shouted the president, " has bled you ! .... I would rather

undergo the tortures of ten Spanish inquisitions than that

i Ibid., Part II, p. 2859, Feb. 6, 1834.

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the depositee should be restored, or the monster be rechar-

tered." And thus he continued until his rage had grown

too great to permit further discussion. 1 To the Philadelphia

committee he said: "Andrew Jackson never would restore

the depositee to the bank — Andrew Jackson would never

recharter that monster of corruption — .... that sooner

than live in a country where such a power prevailed, he

would seek an asylum 'in the wilds of Arabia." As for

"brokers and stock speculators, and all who were doing

business upon borrowed capital, .... such people ought

to break," and he threatened repeatedly to put an end to

the circulation of branch drafts by forbidding their receipt

in payment of the government revenues. 2

Such being the temper of the leaders, that of the follow-

ers certainly did not lag behind. The grand jury of David-

son county, North Carolina, solemnly presented Andrew

Jackson for "his arbitrary, despotic and unconstitutional

conduct, in seizing the public money," his " reckless obsti-

nacy," his "haughty and kingly deportment," besides a

number of other equally monstrous offenses. 1 The Rich-

mond Whig declared that if Congress adjourned without

doing anything to end the distress, " the clangor of arms and

the voice of battle " would " resound in the land " within six

months.\* The Commercial Herald of Philadelphia theatri-

cally exclaimed: " We say in the face of the world, and

with a solemn reliance on the God of the free, that this people

are not excusable for remaining an hour longer quiet under

the present state of constitutional degradation, and of national

1NILB8, Vol. XLVI, p. 9, March 1, 1834; C. D„ Vol. X, Part III, pp. 3074, 3075.

Beport of committee signed by twenty-two members.

3 Nilrs, ibid.i p. 81, March 8, 1834 ; C. D., ibid., p. 3074. On Jackson's sentiments

about borrowers see almost the same expression in his letter to J. A. Hamilton,

Feb. 2, 1834, Reminiscences, p. 270.

sNilks, Vol. XLVI, pp. 155, 156, May 3, 1834, quoting the New York Courier and

Enquirer.

«Clat, of Alabama, quoting the Whig, March 25, 1834, C. D., Vol. X, Part III,

p. 3144.

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and individual ruin. Let the crisis be met!" \* A Washing-

ton letter published in the Richmond Compiler voiced the

writer's "sincere belief" that violence was certain. "My

friends in the Northern cities tell me that, in their opinion,

pistols will be flashed and dirks drawn in their streets before

the expiration of another month There must be a

bloody revolution. For one, though a cool and considerate

man, I confess I am ready to whet my knife." a Both Jack-

son and Biddle received anonymous letters threatening assas-

sination, and Jackson having had the bad taste to allow some

to be published, the Globe overflowed with rage against the

opposition which was inciting murder at the hands of " bank

minions." Biddle, meanwhile, attained immense fame. His

appearance in Wall street was a signal for the gathering

of enormous crowds " to gaze upon the man who " had

"been made conspicuous by the unrelenting hostility of

President Jackson," while the merchants cheered him at the

exchange.\*

The Senate, too, was savagely assailed as an oligarchy

attempting to overthrow the executive power in its own

interest. The Pennsylvanian thought it should be amended

or abolished, and intimated that violence would be visited

upon the senators if they refused to pass the appropriation

bill 4 "Fearful reports" were " put in circulation." Rumor

asserted that the president was about to issue a proclamation

against the Senate, if his protest was not received, "and that

a gathering" was "already making at Washington to sup-

port him, in certain ulterior measures." 6 At Baltimore

1 Idem, ibid., quoting the Herald. \* Idem, ibid., quoting letter of Feb. 16.

\* Diary of Philip Hone, Vol. I, p. 96, March 15, 1834.

'"The democrats never heartily sanctioned it, and now, having the power,

should amend or get rid of it once and forever."

"Let them, if they dare, and hasten the bursting of the storm which is already

lowering above their heads. They have yet to learn to what an indignant people-

may be aroused."— N ilea, Vol. XL.VI, p. 131, April 26, 1834, quoting the Pennsylvanian.

» JWd., p. 145, May 3, 1834

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McDuffie referred to these reports and was tumultuously

cheered when he said "that ten days after the entrance of

the soldiers into the senate chamber, to send the senators

home, that 200,000 volunteers would be in Washington." 1

Meanwhile memorials and resolutions poured in, for and

against the action of the president in removing the deposits,

filled with denunciations and intemperate language. Paint-

ers, carpenters, coopers, tanners, watchmakers, cab-drivers,

shoemakers, curriers, blacksmiths, and all the other com-

ponent parts of the "sovereign people" joined in the dis-

cordant clamor. The inhabitants of Bucks county, Pennsyl-

vania, resolved,

As the deliberate opinion and the decided conviction of this

meeting, That if Andrew Jackson, President of the United States,

is sustained by the people in his reckless usurpations, and the

monstrous doctrines promulgated by him and his kitchen cabinet,

in the late protest, and sought to be enforced by prostituted

presses, and by his pledged and collared partisans, tending to con-

centrate all power, executive, legislative and judicial, in himself,

there is an end to liberty in this country, and the last refuge of

freedom, the world's last hope, will cease to be a republic ;\*

while the freemen of Schuylkill county in the same state

resolved to the contrary,

That we approve highly of the course pursued by our vener-

able Chief Magistrate, with regard to the United States Bank, that

we view it as a corporation dangerous to the permanency of our free

institutions; subversive of a free and unbiassed expression of public

sentiment, corrupt and corrupting, and now, in its desperation, a

vampyre that would draw the last drop of blood from the veins of

the honest yeomanry of the country, and revel in the glorious exhi-

bition of the effects of its secret implements of destruction. ,

The personal enmities and animosities engendered by the

struggle may be measured by the social ostracism which was

visited upon Philadelphians like C. J. Ingersoll who deserted

i Nilbs, Vol. XLVI, p. 146.

s Ex. Doc. 435, 23d Cong., 1st Sess., p. 4. \* Ex. Doc. 144, 23d Cong., 1st

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the bank's cause in 1833, and by Adams's treatment of

Richard Bush, who had warmly supported the bank in 1828,

had requested the presidency of the Washington office in

1831, 1 and in 1834 urged his supporters to "go on with"

their "patriotic work of extirpating such a corporation." 1

With righteous sorrow Adams gave Rush what old John

Knox would call a " discharge of his friendship;" to Adams

Rush was a moral pariah.'

These social ostracisms; these breakings of old-time

friendships; these repeated charges and countercharges;

these insinuations and insults, criminations and recrimina-

tions, bred a Vehement ferocity^ the congressional campaign

of 1834^tnknown for many yeaife. It was by all odds the

hottest campaign in which the bank was involved. It was

the last desperate effort of the institution to secure a charter

against the will of the president, and the last occasion on

which the Whigs identified themselves with the big bank.

The political passions generated during the struggle over

the deposits had reached an excessive point, where no one

listened to arguments, where everyone wished to declaim at

the same moment, and where partisans on both sides were

quick to proceed from words to blows and from threats to

outrage. Each party to the contest felt that the struggle

would be decisive of the bank's hopes. So important did

Blair deem the crisis that he began in June the publication

of the Extra Globe, to be issued at brief intervals through-

out the campaign, with the object of contributing "one

feeble ray to aid in disclosing the machinations of the great

Tempter which now seeks to pollute and destroy the purest

and happiest Government ever known upon earth." 4 The

i To Biddle, Jan. 81, 1831, B. P. a Extra Globe, Vol. I, p. 122.

\* " I received a letter from Richard Bosh, still friendly in terms, bat it closes all

confidential correspondence between him and me forever. I can never repose con-

fidence in him again There is a moral obliquity in his present coarse which

proves that his principles sit light upon him, and that he cannot stand fire in a

minority long."— Adams, Memoir\* , Vol. IX, p. 40, Nov. 29, 1833.

'Announcement of reasons for issue. Extra Qlobe, Vol. I, p. 1, June 28, 1834.

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bank, on the other hand, relaxed its now evidently impolitic

contraction, and covered the Union with swarms of articles

disseminated for it in scores of instances under the franking

privilege of its supporters in Congress ; the Senate Commit-

tee on Finance, with John Tyler as reporter, investigated the

bank and prepared a report supporting it on all essential

points; and the Whigs went to work with zeal to secure the

elections and prepare for a re-charter. Biddle hoped still:

"when that [i. e., the election] is over it will be time, I think,

to discuss the renewal or the modification of the Charter.\*' 1

The elections were attended with riot and bloodshed,

especially at Philadelphia, where a number of houses were

burned by the mob; and when the decisive day came, Biddle

took precautions, not so much for himself as for his family

and the bank. Wife and children were sent out of the city;

he made his house literally his "castle," filling it with

armed men, while he stationed a force provided u with mus-

kets and bayonets " in the bank on the night of the election

to provide for its safety. 2 The precautions were unneces-

sary. No physical assault was made, but when morning

dawned upon Biddle standing to his defenses in house and

bank, it brought the news of a worse disaster than any mere

mob could inflict. ^The Whigs were everywhere defe ated^

and the bank's days were numbered.

The campaign had another important effect. The Whigs

at last were convinced that their alliance with the bank was

a blunder, andjhencef orth the party silently dissociated itself

from the moribund monster, j The advisability of doing so

had been pointed out much earlier by that subtile politician

Thurlow Weed,\* and immediately upon the close of the

election he uttered a joyful nunc dimittis in the Evening

Journal:

i To C. A. Davis [Major Downing], Sept. 14, 1834, P. L. B. % Vol. V, p. 257.

2 Biddle to John Tyler, Oct. 23, 1834, ibid., p. 270.

a Weed, Autobiography, p. 431.

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There is one cause of congratulation connected with the results

of the recent election in which even we can participate. It has ter-

minated the United States Bank war After staggering along

from year to year with a doomed bank upon our shoulders, both

the bank and our party are finally overwhelmed. The burden,

however, is now removed, and we hope to see the efforts of a great

and patriotic party directed, with better chances of success, to the

ultimate restoration of the rights of the people and the honor of

the country. 1

Four days later the Journal of Commerce, a staid Whig organ,

published a review of the reasons for the defeat, in which

every reason came back to the connection with the bank,

which gave the party a hateful aristocratic character: the sup-

port of the institution, right or wrong, the panic fomented by

44 the tools of party for political effect," the unmeasured attacks

upon the president in connection with the removal of the

deposits, the unjustifiable curtailments of 1833-34 — these

were the causes of the party's defeat; 1 while Blair exulted

because the party had ruined the bank. " Had the task been

assigned to us to delineate for the opposition a course of con-

duct which should utterly destroy the present Bank, and

forever prevent the establishment of another, we could not

have devised one so effectual as that which they have pur-

sued." At the same time he admitted that had the Whigs

renounced the bank in 1832 " and come out in favor of a

new institution, with a charter much modified, it would have

been difficult, if not impossible, to prevent their success." 1

To these judgments unqualified assent may be yielded. Few

causes have ever been more unwisely managed than that of

the bank from the beginning of 1832 to the end of 1834,

and now it had to see its friends, unwilling to be involved

in its overthrow, silently desert it. Even Webster, its great-

i Ibid., quoting the Albany Evening Journal, of Nov. 15, 1834.

i Extra Globe, Vol. I, pp. 354, 355, 357, 358, quoting the Journal of Commerce of

Not. 19, 1834.

> Ibid., p. 355, Not. 24, 1834.

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est and most influential champion, coldly gave up its advo-

cacy, declaring that "the people had decided against" the

bank, "public opinion had decided against it!" 1 Biddle

upbraided him sorrowfully and reproachfully for his apos-

tacy, 8 but from this time Webster's hearty co-operation

ceased.

Jackson's message of 1834 as usual expressed hostility to

the bank. The president censured it for withholding the

dividend due on the government's shares in order to force

payment of the bank's charges for the protested French bill,

and closed by recommending the sale of the government's

stock, the cessation of the reception of its notes in payment

of government revenues until the bank had paid the divi-

dend, and the repeal of " all laws connecting the Govern-

ment or its officers with the bank, directly or indirectly." f

As a set-off, the Senate Committee on Finance offered its

report favorable to the bank. The message and report were

supported and attacked, but there was little heart in the sup-

port and not much more in the attack. The affair was vir-

tually closed.

i In Senate, Feb. 26, 1835, The Work\* of Daniel Webster, Vol. IV, p. 200.

a Biddle to Webster, April 6, 1835, P. L. B., Vol. V, p. 369.

• Messages and Papers, Vol. Ill, pp. 109-11.

CHAPTER XV

THE LAST DAYS OP THE BANK

The results of the election of 1834 having decided that the

bank was doomed, it had now to prepare for the end, and it

began immediately to do so. Accordingly one would expect

that its business would diminish all through 1835. But this

was not the case, for the monthly returns furnish proof that

\fche bank carried a larger active debt through the last months

of its existence than at almost any other period of its history.^

A review of its transactions will show how extensive they

were. By February, 1835, the total debt was $55,000,000;

by July it was $65,000,000; and by January, 1836, it stood

at $59,000,000. The remaining items were, as a matter of

course, correspondingly extensive. Thus the note circula-

tion reached a higher level in 1835 than in any other year

' of the bank's history. On July 1 it stood at $25,000,000,

and at the close of the year it was over $23,000,000. All

through 1835 the amount of specie held was also unusually

large. At the beginning of February the amount held was

over $16,000,000, on October 1 it was $12,545,000, and in

December it was $8,740,000. The total showed no consid-

erable diminution until March, when it was $5,595,000.

This result was due to the increase of the bank's transactions

because of its new Pennsylvania charter. In like manner,

deposits kept up until August and then fell away rapidly.

The whole movement is revealed by the chart on p. 361. !

1 Discounts on Discounts on Domostie Dsposits of

Personal Soenrity othsr Security Kxehanf\* Total Ctrenlatton 8poeis Individuals

Feb. 1 81,354,000 3,962,000 20,206,000 55,524,000 19,733,000 18,309,000 8,755,000

April 32,161,000 5,013,000 22,926,000 60,100,000 30,544,000 16,448,000 9,372,000

Aug 33,638,000 6,478,000 24496,000 64,314,000 24429,000 12,883,000 8,506,000

Not 30,499,000 9,176,000 17,854,000 57,529,000 23,031,000 10,224,000 5,406,000

Jan., 1836... 25,775,000 14,206,000 19,251,000 59,232,000 23,075,000 8,417,000 4^369,000

—8. D. 128, 25th Cong., 2d Smb., and 8. D. 312, 24th Cong., 1st

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One would be misled, however, if he supposed that the

business of the bank was increased because the managers did

not intend to close up its concerns. Most of the increase

was explicable enough, resulting from the policy of the direc-

torate inCmaking long loans in settling up the bank's affairal

— loans which appeared as discounted paper in the monthly

returns. This policy contemplated getting control of the

capital without exerting pressure upon the business commu-

nity. The enormous amount of specie secured and retained

so long as the bank adhered to its design of closing up,

proves how successful the effort was. Writing in „dTune,

Biddle pointed out the policy under which he was acting,

showing that the attempt was to concentrate the capital in

the East, " while the diminution is going rapidly on in the

more distant and unmanageable points. This is in fact the

great problem. I am endeavoring to work the insensible

concentration of the funds of the Bank in large masses of

disposable capital, while the process of reduction is going on

without being felt." 1

Remembering this statement of policy, it is easy to ex-

plain most of the business done. Thus it will be found that

the dealings in exchange were particularly large. 2 Not only

so, but the major part of the bills were drawn on the East

and New Orleans, while those on the West diminished almost

to the vanishing point. Thus out of $16,614,000 in bills of

inland exchange, falling due about March 3, 1836, $14,970,-

000 were payable at the offices of Philadelphia, New York,

Boston, and New Orleans, while at all the western offices the

sum payable was only $95,000.\* Another fact will also be

revealed: the exchange transactions in the Mississippi val-

ley, though infinitely less extended than usual, are much

larger than usual at New Orleans, $7,000,000 being payable

i Biddle to C. A. Davis [ Major Downing], June 5, 1835, P. L. £., Vol. V, pp. 972, 373.

'See Appendices VI and VIII. \* Ex. Doc, 118, 24th Cong., 2d Sess., p. 128.

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Hotiment op Principal Iran When CLOsraa up the Bakk

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at this office alone on the 3d of March, 1836. x In brief, the

loans at the small and distant offices fell off rapidly, while

they increased rapidly at the large eastern branches.

These facts lead to one conclusion and only one: The

bank was getting its capital from the distant branches to the

Atlantic offices by dealings in exchange. Much credit is due

to it in this respect, for, if it intended to cease business, this

was precisely the manner in which it must operate.

Similarly in the item of " discounts on other security"

the increase was largely due to the closing up of the bank's

concerns, being made with the idea, first of keeping its

funds employed while its affairs were being settled, and sec-

ondly as a result of granting stock loans in the process of

selling the branches. This is the noticeable item in the

bank's returns in 1835, and how remarkable the increase

was a few figures will show. Thus in February, 1835, the

amount loaned "on other security" was only $3,900,000, a

figure whioh it had never before exceeded, while by March 3,

1836, it had reached the enormous sum of $17,300,000,

according to the monthly reports. But there were still to

be added loans on bank stock and other amounts, accru-

ing from the sale of distant branches and not yet known at

the central office, which made the aggregate $28,600,000/

Most of these loans were made at Philadelphia, New York,

Baltimore, and Charleston.' Since this state of affairs was

due to the settlement of the bank's business, in what appeared

the best and most feasible method, it is not to be condemned.

It was nevertheless decidedly unfortunate, for it constitutes

the real beginning of a great deal of the bad business of the

i Ex. Doc. 118, 24th Cong., 2d Sess., p. 128.

> " Besides the long paper arising from these sales, loans for one or more years

were made both at the bank and its offices, principally with a view to the employ-

ment of the funds during the process of winding up The total amount of long

loans is, therefore, $28,624,289.31, and there are others at some of the other offices

which it would take time to ascertain.\*\*— Commissioners of the bank to the govern-

ment commissioners, Oct. 19, 1896, ibid., p. 42. \*Ibid.

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bank. Nor is it necessary to suppose that there was any-

thing wrong before this to explain the bank's final over-

whelming, rpn. The errors which led to thattfrsaster began

in xmsjoamng of immense sums on the security of bonds

and stocks, which depreciated rapidly during the critical

years of 1836 to 1841] and brought the bank into difficulties

from which it could not be extricated. From the moment

when it made its first great loans on stock to its fall, one can

trace the steps by which it was hurried headlong to a mone-

tary catastrophe unequaled since the breaking of the South

Sea Bubble. \*

There remains for consideration only the regular dis-

counts on mercantile paper. At the distant branches these

fell off to a considerable extent, being transformed into bills

of exchange payable in the East; but at Philadelphia, New

York, New Orleans, and some of the other large offices they

remained at the old figures or exceeded them. The demand

for loanable capital was indeed very great. An immense

expansion in all lines of trade and industry had been gather-

ing head since 1830, and was now in full swing. The price

of cotton in 1835 reached a very high figure, and its culti-

vation led to an almost unparalleled inflation in the Missis-

sippi valley. Everyone borrowed money, quite regardless

of his future ability to pay, and invested it in slaves or

land, with the object of increasing the culture of cotton. 2

The speculation in land was astonishing; ' north, south, east,

and west everyone was trading in real estate. 4 Internal

i See the chart, p. 861, for the morement in " other securities."

a " The high price of cotton, .... which began to rise in 1833, baring made the

culture of it a most gainful pursuit, many were tempted to borrow money for the

purpose of buying lands, and of purchasing slaves, as well as for the ordinary

interior traffic."— Tucmb, On Money and Bank\*, p. 873.

\* Sales of public lands :

1833 $3,900,000 1888 $24,800,000

1834 4^00,000 1837 6,700,000

1835 14,700,000

\* The writer of the pamphlet Reflection\* upon the Preteni State of the Currency

in the United State\* published in 1837, declares that $30,000,000 were forested in land

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improvements were also projected on a vast scale, and enor-

mous sums were expended in the building of railways and

canals. More miles of railway were built in 1835 than in

any other year in that decade. 1 All this led to a very active

demand for capital. The facilities for meeting the demand,

however, had been created by the chartering of numerous

new state banks and a tremendous expansion of their loans.

From 1830 to 1836 the state banks in the United States

increased their paper issues from $60,000,000 to $140,000,-

000, their loans from $200,000,000 to $457,000,000.\* In

1830 there were 330 state banks; 1 in 1834, 506. 4 Under

such circumstances the supply of capital in 1835 was ade-

quate to the demand. 6 Consequently the Bank of the United

States for the most part steadfastly resisted the temptation

to make loans, though not in every instance, the New York

office apparently seizing the opportunity afforded to make

large and unjustifiable loans. 6 The excuse for extending in

New York in December must, however, be admitted, for in

in 1835, which " within a similar portion of time had never before attracted orer

7 or 8, and rarely over 5 " millions. Even lands in Massachusetts were speculated

in; "Towns were plotted and sold— Timber, lands, stone-quarries — water-power

and coal-mines,— everything that could be twisted to a possibility of future use.\*\*—

Pp. 22, 23. Sumner says that the real estate of New York was assessed at $306,000,000

in 1836, and that it was not again assessed at as high a figure until 1851. — History </

American Currency , p. 119.

11830 23 miles in operation 1836 175 miles built

72 miles built 1837 224 "

" " 1838 416 " "

41 44 18 J0 ggQ 44 44

1840 516 "

44 44

—Poor, Manual of Railroad\*, 1874-75, p. xxriL

2 Reflection\* upon the Present State of the Currency of the United State\*, p. 15.

• Adams, Gallatin's Writing\*, Vol. Ill, p. 356.

« Wilde's report, Ex. Doc. 496, 23d Cong., 1st Sess.

& It was " a golden age for money-borrowers. ... In January appeared the fol-

lowing and like advertisements : . . . . \* Money may be had at 5 per cent, per \*nn nm

on deposit of bank stock as security .... $15,000, to loan on bank stock at 5 per

cent, per annum. 1 "—Joseph Q. Martin, Twenty -one Year\* in the Boston Stock

Market, p. 7.

• " It is probably well and very well to, to put a stop to the way we are going on

here in the manner we are making loans."— Lenox to Biddle, Jan. 22, 1836, B. P.

1831

72

1832

134

1833

151

1834

253

1835

465

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that month the city suffered severely from a disastrous fire,

and for the benefit of the insurance companies, and at the

request of the merchants, the bank opened a credit of

$2,000,000. 1 A further increase of business was occasioned

by the demand for the bank's notes on the part of new state

banks which were being organized/ This would account for

the phenomenal increase in its circulation.

On the whole, the directors managed their affairs in a

laudable manner all through 1835, and were clearly busy

setting their concerns in order for the purpose of final

settlement. In addition to the transfer of funds to the East

from the distant offices by the means of exchange operations,

as already explained, these preparations for closing up

consisted in loaning the bank's capital at long dates while

selling out the branches. uFhe sale of the branches"Jncluded

the disposal of the active debt,' the suspended debt, and the

real estate, including the banking houses — in fact, everything

that the bank owned in these branches — this being a much

more expeditious mode of settlement than for the bank to

attempt to collect all its debts itself. Moreover, it would be

much easier for the community, since those who bought the

debt would continue the business of the office, whose imme-

diate closing would in many cases have occasioned distress

and considerable loss both to the community and to the

bank. 4 The property was for the most part sold to local

banks in the cities or towns where the branches were estab-

lished. 6 Sometimes the active debt went to one, the sus-

pended debt to another, and the other items to a third. 9

Money was very plentiful early in 1835, and the bank

took the opportunity thus afforded to collect its debts in the

i Biddle to Albert Gallatin, Dec. 21, 1835, Nmsa, Vol. ILU, p. 307.

\* Biddle to C. A. Davis [ Major Downing], June 5, 1835, P. L. B., Vol. V, pp. 371, 372.

\* This is frequently what is meant by selling the office, • . c, the sale of its active debt.

« B. L. Colt to Biddle, July 2 [1835], B. P.

» Ex. Doc. 118, 24th Cong., 2d Seas., pp. 105-7. • Nilss, Vol. XIIX, p. 181.

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way described 1 It began the sale of its offices as early as

the month of March, when orders were issued to the branches

at Fayetteville, Cincinnati, Savannah, Richmond, Utica, and

Lexington to cease making new loans. 3 Washington received

similar orders in April, 1 and Louisville and St. Louis in May. 4

In June the Hartford, Utica, and Portsmouth offices were

actually closed, Buffalo and Burlington were on the point

of closing, while the nine other offices above mentioned were

rapidly reducing their loans. 6 Late in the same month the

office at Nashville ceased active dealings, though it is worthy

of note that a long term was granted it in which to put its

affairs in order. It was to cease discounting; its old debts

were to be settled by the 4th of March, 1836 ; its more recent

debts, founded on bills to New Orleans, were to be settled

within six months of November, 1835 ; and the office was to

be closed on the 1st of May, 1836.\* The western business

was evidently to be settled through this office, which was to

collect and remit to New Orleans. The Lexington branch

had arranged to close up its affairs in August, 7 while the

New Orleans office was instructed in October to cease taking

bills on the West or on Baltimore, 8 and this order probably

marks the end of the bank's active business in the western

and southwestern country.

By November 30, 1835, the bank had disposed of the

active debt of nine branches. 9 By the 3d of April, 1836,

i Nn.ES, Vol. XL VIII, p. 128, April 13, 1835.

« Biddle to the presidents of these offices, March 24-8, P. L. £., Vol. V, pp. 341-2.

3 Biddle to the president of the Washington branch, April 3, ibid,

« Biddle to the offices, May 4 and 29, ibid., pp. 354, 367.

• " Portsmouth and Hartford and Utica are closed; Buffalo and Burlington

soon will be ; while Lexington, Cincinnati, St. Louis, Louisville, Fayetteville, Nor-

folk, Washington, Bichmond and Charleston are under a process of reduction." —

Biddle to C. A. Davis, June 5, ibid., p. 373.

• Niles, Vol. XX.VIII, p. 310, July 4, 1835, quoting a Nashville paper.

flbid., p. 410, Aug. 15, 1835.

s Ibid., Vol. XLIX, p. 138, Oct. 31, 1835, quoting the New Orleans Unum.

These were Portsmouth, Baltimore, Fayetteville, Buffalo, New Orleans,

Natchez, St. Louis, Cincinnati, and Charleston.— Ex. Doc. 118, 24th Cong., 2d

p. 109.

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the number was eighteen. 1 Moreover, three offices had been

closed without the sale of their assets. 2 There remained,

therefore, only Boston, New York, Savannah, Nashville, and

the mother office unsold, and these were rapidly getting their

affairs settled. The intention in the case of Philadelphia,

New York, and Boston was not to sell the debts, but to col-

lect them, as this could be done more advantageously for the

bank 1 The suspended debt in the South would be collected

at Savannah and that in the West at Nashville. Meanwhile

the eastern discounts were to be diminished, Biddle instruct-

ing the New York office in August to reduce its discounts, to

cease the collection and purchase of bills on the western and

southwestern offices, to stop discounts on bank stock except-

ing for long dates, and to increase its supply of specie. 4 A

week later he forwarded like instructions to Baltimore. 6 In

October, however, came a change, the stockholders being

encouraged to take long loans on their stock at 5 per cent

interest, in order to keep the stock together "to await the

contingency of an incorporation from any other quarter." 6

This is the first intimation in Biddle's correspondence of a

new policy in connection with the project of securing a state

charter. Up to this moment the bank had conducted its

affairs apparently with no intent but that of closing up.

"The bank," wrote Biddle late in August, "is winding up

its affairs, quietly and certainly. The nature of its opera-

tions which consist mainly in Riling out its debts on long

credit J is calculated to ease the debtors, and our great object

i Richmond, Portland, Lexington, Providence, Mobile, Norfolk, Burlington,

Pittsburg, and LouisTille.— Ibid.

'Hartford, Utica, Washington.— JMd., p. 291, Dec. 26, 1835, quoting the National

Gazette. Niles says five, but is in error.

• Case of New York, Biddle to C. A. Davis, Not. 13, 1835, P. L. £., Vol. V, p. 409;

Boston, same to Wm. Appleton, Not. 17, 1835, ibid., p. 410.

• Biddle to Jandon, Ang. 7, 1835, ibid. % pp. 888, 887.

• Same to John McKim, Jr., Ang. 15, 1835, ibid., p. 392.

• Biddle to W. Hoghlett, Oct. 31, 1885, ibid., circa p. 400.

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is to close its concerns in such a manner as to avoid all

pressure." l Even now that the idea of a new charter was

seriously adopted, the institution varied its policy bat little.

Discounts ceased in New York city on the 23d of January,

1836;\* virtually no loans were made at any of the other

branches, and in April the debts at Boston were being col-

lected so rapidly as to cause much distress.'

The ease with which the debts were collected, the facility

with which the offices were sold, and the terms at which

they were sold furnish conclusive evidence of the bank's

condition. The sum realized by the sale of active debts up

to the 3d of April, 1836, was $15,716,726.53/ There was

no difficulty in making the sales at good prices to respon-

sible parties, the debts being sold "at their par value,

without any actual deduction for the risk and expense of

collection." 5 Biddle considered "the arrangements . . . .

very advantageous." \* The branch which brought the highest

sum was New Orleans ; next came Charleston, and after that

in order were Baltimore, Louisville, Mobile, and Natchez. 7

As a rule, cash was not paid for these debts, but instead

promissory notes were given, secured by collateral. The

terms were usually payment in four years, with interest

until paid at from 4 to 6 per cent., the larger part of the

debt bearing 5 per cent, interest 8 The security given was

generally in stocks and bonds, frequently the stocks or

i To Silas M. Stilwell, of New York, Aug. 24, 1835, P. L. £., Vol. V, p.

2Niles, Vol. XL1X, p. 387.

3 President William Appleton to Biddle, Boston, April 7, 1836, B. P.

« Ex. Doc. 118, 24th Cong., 2d Sess., p. 109.

6 Report on the debts and effects of the Bank of the United States on March ft,

1836, government commissioners to Secretary Woodbury, Jan. 25, 1837, ibid. y p. 19l

« To John McKim, Jr., Aug. 15, 1835, P. L. B. % Vol. V, p. 392. It mast be remem-

bered that these were for " active debts " only ; suspended debt would be sold under

other arrangements, or collected, while bills of exchange were collected by the bank.

7 The prices paid were $3,500,000, $2,073,645.61, $1,339,776.46, $1400,000, $1,096,446,79,

and $1,043,278 respectively.

» Out of $15,700,000, $8,200,000 was at 5 per cent.— Ex. Doe. 118, 24th Cong., 2d

Sess., p. 109.

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bonds of the corporation which bought the debt. 1 In six-

teen cases the sale was made to banks, and the securities of

these were taken; in one case the notes of individuals were

received, and in one case the purchase money was paid

down. 3 The misfortune which followed this disposal of the

bank's business was that much of its capital was thus tied

up in long loans for from one to twenty years, while it accu-

mulated enormous quantities of the stock of various institu-

tions, which it would have been better off without.

Further settlement of the bank's business was made in the

items of "suspended debt," "real estate," and "banking

houses.' 9 In December, 1835, the bank owned real estate,

apart from its banking houses, valued at $1,110,924. By

October 19, 1836, the corporation had sold of this lands and

buildings to the value of $356,258.\* In these transactions

the sale of banking houses is not included. These the

institution parted with at a slight loss. By October, 1836, it

had sold all but seven, receiving from the purchasers $640,-

100 for property which had cost $666,077/ A loss of $89,621

was calculated to result at the sale of the remaining houses. 6

The suspended debt amounted to $3,481,000 on the 3d of

March, 1836. It was much increased by the operations

consequent upon the settling of the bank's affairs. For

instance, at one office alone $405,280 had been added to it/

i Ibid., p. 101. $1,761,100 on stock of the Bank of the United States.— 7Wd M

p. 104. In one case the credit given was for four, fire, six, and seven years on $250,-

000 at 4 per cent. ; in another, twenty years on $1,000,000 at 5 per cent.— Ibid., p. 42.

This last was the sale of the Cincinnati branch to the Ohio Life and Trust Co.— Ibid.,

pp. 78, 106.

\* Ibid., p. 109.

\* Ibid., p. 117. The real estate was expected to net an actual gain to the bank;

$1,532,000 was estimated to bring in profits amounting to $111,900.— Ibid., p. 115.

« Ibid., pp. 112, 113. 5 Ibid., p. 112.

\* This sum was in domestic exchange.— P. 48. It is worthy of note that the items

composing the " suspended debt " were mostly bills discounted, and not bills of

exchange. On the 3d of March, 1836, the account was as follows :

Bills discounted on personal security ... $2,672,693.97

Bills discounted on other security 496,851.96

Domestic bills of exchange 244,333.23

Foreign bills protested 114,285.41

Total $8£30464J»

— Ibid., p.9L

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and at another $232,000.' This debt was far from being a

complete loss. For example, at Lexington the Bank of Ken-

tucky agreed to manage and collect it without charge, 2 while

the bank calculated that out of the whole it would lose

$1,297,979.\* Even so, however, the suspended debt of

$3,481,285 would be worth $2,183,306. Suspended debt

and real estate together were calculated at $6,822,000 in

July, 1834, while by July, 1836, in spite of many additions

to the items, the bank had diminished the whole to $4,427,-

000. In other words, $2,355,000 had been secured in that

time, over one-third of the whole original amount. 4 The

showing is an excellent one.

It has already been several times said that the most ques-

tionable result of these methods of closing out consisted in

the creating of long loans on stock securities. Many of the

bills of exchange were also taken for doubtful debts and at

long terms. 6 When the bank ceased doing business on the

3d of March, 1835, the bills to be collected amounted to

$16,413,144.26, and it was calculated that by October 28,

1836, only one-half of this sum was paid. 9 The loans on

bank stock and other security, moreover, amounting to over

$5,300,000, had all been renewed with slight exceptions. 1

The commissioners for the bank estimated that by October

28, 1836, only $22,727,000 had been collected out of a debt

due in March of $54,890,000. 8 Of course, it must be re-

membered that most of the sales of the branches were on notes

due only in one, two, three, and four years. Unhappily, the

i Natchez.— Ex. Doc. 118, 24th Cong., 2d Sess., p. 124.

SBiddle to John Huske, of FayetteTille, N. C, Aug. 6, 1835, P. L. £., Vol. V,

p. 386.

3 Ex. Doc. 118, 24th Cong., 2d Sess., pp. 114, 115. It may be worth while to remark

that the item of suspended debt does not appear in the bank reports before March.

1836. It must therefore be entered under the caption of bills discounted. On the sale

of suspended debt at Cincinnati the bank lost $140,846.— Ibid., p. 53.

«/6td., pp. 118-25.

5 " At other offices, bills at long dates were taken in payment of doubtful debts,

and are not yet at maturity."— Letter of the Committee of the Bank, ibid. % p. 48.

« Ibid. 7 Ibid. \* Ibid., pp. 47-0.

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actual state of the bank is considerably obscured by the fact

that the corporation continued business under a state charter,

without opening a new set of books, 1 thus making it im-

possible to disentangle the accounts of the old bank from

those of the new.

Several conclusions, however, may reasonably be drawn:

the bank's affairs were in good order; though many of its

debts might have to be renewed, the vast majority of them

were secured by business firms as reputable as any then

existing in the United States; 1 and it had a surplus in excess

of all losses of $6,155,177 when it ceased to be a national

bank. 1 With the capital stock and the funds due stock-

holders, the books showed a total of $70,500,000 of first-

class assets to meet outside liabilities of a little over $26,-

000,000, by far the larger part of which was circulation.

The specie on hand was $5,595,000. The bank was solvent,

and more than solvent ; it was prosperous. 4 Its profits had

\* Ibid., p. 42. a See the list, ibid. % p. 105. » Ibid., p. 129.

\* State of bank, March 3, 1836 (cents omitted) :

▲8SBT8

Notes discounted and bills

of exchange ...

Baal estate and banking

houses ....

Mortgages, etc. ...

8tate banks: balances and

notes doe ...

Specie

Deficiencies ...

157,368,019

2,212,390

101,449

4,933,178

5,595,077

149,797

166,803

835,000,000

21,109,352

371,777

253,938

1,105,647

1,548369

120.622

3,594,048

3,765,032

925,020

1,104,228

1,628,185

$70,526,718

-Ibid., p. 100.

The loss and estimated loss on banking houses, Oct. 19, 1836, was $114^635.83.

Hie surplus from this fund, therefore, was $989,587 .26.— /Md., p. 112. The losses

chargeable to contingent fund aggregated $4,304,000.— Ibid., p. 88. Most of this was

lost daring the administration of William Jones.— H. R. 460, 22d Cong., 1st Sets.,

p. 217. The suspended debt amounted to $3,415,000,— Ex. Doe. 118, 24th Cong.,

Capital ....

Circulation ....

Due Barings ...

DiTidends unclaimed -

Discount, exchange, and in

terest ....

Due to bank and offices •

Public debt

Due depositors ...

Profit and loss

Foreign-exchange account

Fund for banking houses

Contingent fund, less losses

chargeable

Totals

$70,526,713

2d

., p. 87.

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been large, its losses small daring the administrations of

Langdon Cheves and Nicholas Biddle, for even at closing

the larger part of the losses were chargeable to the adminis-

tration of William Jones.

Everything seemed to be in the way of final settlement,

but unfortunately the bank did not go out of existence at

this time; unfortunately the complete settlement of its affairs

did not take place. The project of a Pennsylvania charter

was started, and the bank immediately ceased its preparations

for closing. 1 This was the end of the whole movement. In

February the bank was chartered by the state of Pennsyl-

vania, under the style of the Bank of the United States of

Pennsylvania. The new institution went on under the old

president, became the trustee of the defunct corporation,

whose president now was Mathew Bevan, reissued the notes

of the old bank, and continued the use of the old books,

thus involving in immense difficulties any attempt to reach a

settlement. 3

The consequence was serious, for there was one stock-

holder which urgently demanded a settlement, and whose de-

mands had to be satisfied, since the new bank went on with-

out this partner. This was the government of the United

States. In his message of 1834 Jackson referred to the

bank as "the scourge of the people," and urged a settlement

upon Congress, to be reached by selling the government

stock. 1 On September 18, 1835, Secretary Woodbury wrote

Biddle, asking him for information as to the bank's inten-

i Biddle to J. W. Webb, Feb. 16, 1836, B. P.

> " The difficulties in making a satisfactory estimate have been increased by the

coarse adopted by the bank, in not closing its concerns on the 3d of March last, at

the expiration of its charter, in the customary manner ; or, at least, in not requiring

new books and accounts to be opened by its trustee, and in not retaining or cancel-

ling its redeemed circulation, instead of re-issuing it after the transactions of the

bank chartered by Congress had ceased."— Woodbury, Ex. Doc. 118, 24th Cong., 2d Seas-,

p. 3. Congress specifically repealed the 14th section of the charter in June, 1896, in

order to put an end to any responsibility of the government to take the old notes. —

Statutes at Large, Vol. V, p. 48, c. xcvii.

a Messages and Paper\*, Vol. Ill, pp. 106, 109, Dec. 1, 1834.

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tions in regard to reimbursing the government for its shares

in the capital stock 1 Biddle replied that nothing had yet

been decided upon. 3 The president in his annual message

for 1835 urged Congress to begin proceedings to bring about

a settlement with the bank, 1 and Congress responded by an

act of June 23, 1836, appointing Secretary Woodbury the

agent of the nation with full powers to make terms. 4 Wood-

bury then addressed a letter to President Bevan of the old

Bank of the United States, asking for information and the

intentions of the directors.\* The secretary was referred for

an answer to the new bank. 9 In September Biddle wrote

Woodbury, saying that a commission appointed by the bank

had arranged the matter, and offering to submit the materials

on which it had based its conclusions. 7 The commission had

been appointed to evaluate the stock without a word to the

government on the subject, though the government was the

party most interested. The calculation reached was that the

stock of the bank was worth SI 11.47 a share, 8 an estimate

which was revised so as to make the value $ 111.87. 9

Commissioners appointed by Secretary Woodbury believed

that the correct value was $115.58. I0 The bank finally offered

to pay at a valuation of $113.44 a share. 11 This was refused,

and here negotiations obstinately stuck. The whole amount

of stock owned by the United States at the time was

68,752 shares, and the difference involved in the diverse

estimates of the government and the bank was at least

$242,000." The secretary of the treasury had hoped to get

» 8. D. 2, 24th Cong., 1st Seas., p. 39. \* Ibid.

\* Menaot\* and Paper\*, Vol. Ill, p. 163, Dec. 7, 1835.

\* Statute\* at Large\* Vol. Ill, p. 56, c. cxvi.

\* Ex. Doc. 113, 24th Cong., 2d Sees., p. 28, June 25, 1896.

\* Bevan to Woodbury, July 25, 1836, ibid., inclosing a resolution of the Bank of

the United States of that date, ibid., pp. 28, 29.

7 Ibid., p. 29, Sept. 10, 1836. \* Ibid., p. 83.

• Ibid., p. 49. io Ibid., p. 18. " Ibid\ % p. 20.

H Woodbury's report to Concrete, ibid., p. 2.

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about $4,000,000 from the bank in 1836. 1 The bank, on

the other hand, declined to pay anything in that year,

wishing to begin payments in 1838.' Woodbury was dis-

appointed, and, in sending the report of the commissioners

to the House, censured the bank, particularly for its failure

to post up the old books and for its reissuing of the old

notes.\* Jackson, who had not once failed to strike at the

bank in his annual messages, did not neglect this new oppor-

tunity, but denounced the institution for its delaying to

settle with the government and for its reissue " of the notes

of the expired corporation" — an act " sanctioned by no law

and warranted by no necessity." \*

The government commissioners had offered to accept

payment for the stock at an evaluation of $115.58 a share,

the bank to pay the government interest at 6 per cent until

the shares were paid off. Woodbury's report of the failure

to arrange affairs satisfactorily had been made on January

30, 1837. On February 24 of the same year the president

and directors of the Bank of the United States presented a

memorial to the government petitioning to have the debt

due by the bank to the United States liquidated. 5 Biddle

declared that the reason for the bank's delay in settling was

mainly due to the stipulation that the funds retained on

account of the French indemnity affair should be surren-

dered to the government. He asserted that the bank was

ready and anxious to settle, and would gladly accede to

everything that the secretary of the treasury had demanded

in his report. "The Board of Directors," he concluded,

" agree, at once, to those terms, and are ready to carry them

into execution." e Woodbury rejoined to the memorial with

bitter sarcasm, corrections, and an exegesis of his own. 7

i Ex. Doc. 118, 24th Cong., 2d Sess., p. 1. 2 ibid., p. 18. > Ibid., p. 3.

\* Message\* and Papers, Vol. Ill, p. 252, Deo. 5, 1838. & S. D. 201, 24th Cong., 2d Seat.

• Ibid., p. 3. ? s. D. 208, 24th CoQ «' M Sess " Feb \* \*\*, 1837 '

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Congress on the 3d of March directed the secretary to

accept the bank's offer. 1 This was done. Four bonds of

the bank, payable in September, 1837, 1838, 1839, and 1840

at 6 per cent, interest, were taken as security for the debt —

the sum being $7,866,145.49. The bank redeemed the first

two bonds at "about the time they became due." 9 In 1838,

as a consequence of the commercial panic, the secretary of

the treasury was in urgent need of funds, and sold the third

bond, the bank being the purchaser. It was the irony of

fate which so disposed events that Van Buren's secretary of

war was forced to admit that the purchase of the bond by

the bank furnished "the only means by which a failure to

meet the pecuniary engagements of the United States, or

the alternative of another call of Congress by the President,

could be avoided^ \* JChe fourth bond was redeemed in

1840, and thus [the\* gove/nment^nnally cleared itself of its

interest in the bank, which was left to run its disastrous

course under its Pennsylvania charter. .

i By Joint Resolution No. 5, March 8, 1837, 8tatute» at Large, Vol. V, p. 200.

» Woodbury's report, Dec. 24, 1838, & D. 81, 25th Cong., 3d Sees., p. 1.

'Poinsett to Van Bnren, Jan. 11, 1880, & D. 78, 28th Con\*., 3d Sees., p. 2.

CHAPTER XVI

THE BRANCHES AND THEIR ADMINISTRATION

The possession of branches was the most characteristic

and the most essential feature in the plan of the first and

second Banks of the United States. Without them they

would have been virtually useless to the government ; unable

to exercise an efficient control over the state banks ; inca-

pable of furnishing accommodations in discounts and ex-

change throughout the country; unprovided with a note

circulation of uniform value, or with any extended currency.

On the other hand, they would have been relieved from hos-

tile contact with states and state banks, and freed from the

charge of unconstitutionality.

The charter authorized the corporation to establish offices

anywhere in the United States and to appoint annually the

branch directors, who were to number not over thirteen

nor less than seven, and who must be citizens of the United

States resident in the state in which the branch was located.

They were empowered to appoint one of their number presi-

dent of the branch ; one-fourth of them were to retire each

year, and none excepting the president could be appointed

for more than three years in succession. The central direc-

tory made whatever regulations it deemed best for the gov-

ernment of the branches, providing that they were not

"contrary to law" or to "the constitution of the Bank," 1

while the treasury must deposit its funds in the branches, if

such existed in the states where the funds were collected.\*

i Charter, sec. 11, Art. 14. See Appendix I.

2 Ibid., sec. 16. But the secretary of the [treasury might order their removal if

he saw fit. He must, however, give his reasons to Congress. Other stipulations of

little moment made it obligatory upon the corporation to establish a branch in the

District of Columbia when required to do so by Congress, and in any state where

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Stars on the map indicate defunct branches.

BRANCHES

IS.

Louisville • -

1817

20.

Hartford •

- 1824

1.

Philadelphia ■

New York- -

■ 1817

16.

Lexington • -

1817

21.

Mobile •

■ 1828

2.

• 1H17

17.

Cincinnati - -

1817

22.

NashTille

- 1827

ft.

New Orleans ■

- 1817

(discontinued

23.

Portland ■

• 1828

4.

Boston - - -

1817

1820; re-estab-

24.

St. Louis •

- 1829

5.

Portsmouth - •

• 1H17

lished 1825, to-

gether with an

».

Buffalo - •

• 1829

6.

ProTidence - -

1817

28.

Utica - ■

• 1830

7.

Pittsburg- • ■

1817

agency)

Chillicothe - -

27.

Burlington •

1830

8.

Baltimore - •

- 1817

18.

1817

28.

Natchea - •

1830

9.

Washington • •

1817

(discontinued

10.

Richmond • -

1H17

1825. and agency

established)

AOKNCIBS

11.

Norfolk • -

1M7

Chillicothe - - 1825

IS.

Fayetterille - •

1817

19.

Middletown - -

1817

Cincinnati - • 1825

IS.

Charleston - •

1817

(removed 1824 to

Hartford)

29.

Macon \* • - 1830-34

14.

Savannah - - •

1817

THE LOCATION OP THE BRANCHES AND AGENCIE8

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The qualifications for directors were similar to those for

directors of the central board. The general control of the

branches was, however, almost wholly in the power of the

central directorate through its authority to appoint the local

directors and to create by-laws for the branches, the election

of president being the one important privilege left to the

uncontrolled will of the branch directorates.

It was, of course, essential to the safety of the bank, to

the security of its operations, and to the unity of its policy

that the control of the central board over the branch officials

and directors should be real and effective. The making of a

body of rules and regulations for the government of the

offices was therefore one of the first tasks of the first tibard

of directors. These rules and regulations were generous in

the extent of the power they granted. Certain restrictions,

however, were imposed; for instance, notes were to be dis-

counted only at short dates, not longer than sixty days ; 1 all

notes were to be laid before the board, 2 of which three-fourths

must consent to the discount; 8 overdrafts were forbidden; 4

and discounts were not to be made on personal security

"without two responsible names."\*

To secure a larger measure of control the central board

retained in its own hands the power of appointing the

cashiers of the offices, 6 these being the most important offi-

cials and sometimes the only ones thoroughly versed in

correct banking methods. Consequently the power to ap-

point them was the principal means by which effective control

over the offices could be exercised. If the board at Phila-

delphia used discretion in these appointments, it could

undoubtedly keep a firm hold upon the branches by select-

ing cashiers known to it, who had the interests of the cor-

£,000 shares were held, if the state legislature requested it and Congress by law

required it.— Ibid., sec. 11, 14th fundamental article, Appendix I.

i Rules and Regulation\* for the Government of the Qfflcet % Art. 12. See Appendix X.

3/6td.,Art.H. »/6trf..Art.l6. \* /Wd., Art. 17. » /6i4 M Art. 15. • IbUL % Art. 4.

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poration at heart and were competent and conservative

bankers.

To increase its hold upon the cashier, the board carefully

defined his duties. He was to exercise supervision over all

the subordinate officials, "examine the settlement of the

cash account of the office; take charge of the cash/' attend

all board meetings, keep the minutes, report to his board all

cases of neglect or incapacity among his subordinates, and

hold himself at the disposal of the board for consultation,

the furnishing of information, and what other services were

" required of him." ' Moreover, he was the usual channel

through which instructions came from the parent office.

Consequently he might exercise the utmost influence in

determining the character and amount of business trans-

acted. The branch cashiers, in short, were treated as execu-

tive officers of the central boa^l, as well as of the branch, and

constituted the efficient links in the system of branch banks.

The other local officers were appointed by the local board. 1

To exercise efficient and intelligent control, the central di-

rectorate needed not only authority over the branches, but

complete information about them. For this purpose " weekly

statements of the affairs of each" were "made — monthly re-

turns" were "made — sixty day returns" were "made —

quarterly examinations" were "made — and in addition to

all these an inspection not anticipated, at uncertain times —

and with no notice," was "made by officers immediately

deputed from the Bank;" 8 while every quarter a committee

of each of the branches investigated its affairs, scrutinizing

the debts and reporting upon them. The lists furnished by

the branches were detailed enough to show whether they en-

gaged in discounting paper which took the form of perma-

i Rules and Regulation\* for the Government of the Office\*, Art. 5. See Appendix X.

2 Biddlo, H. R. 460, 22d Cong., 1st Sess., p. 815.

3 Biddle to A. H. Tracoy, March 3, 1830, P. L. £., Vol. Ill, p. 198. See also H. R.

460, 22d Cong., 1st Sess., p. 315.

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nent loans, or allowed the constant drawing and redrawing

of bills. 1 The officers sent out from the parent office to

examine the branch accounts were experts, capable of de-

tecting errors or frauds at once. The parent board also pre-

pared and furnished all the notes issued by the branches,

and might therefore limit the branch issues and diminish

the branch discounts at any time by declining to furnish any

further supply of notes. All in all the board at Philadel-

phia could exercise a very real and a very extensive control

over the branches.

Did it exercise such control? Under the administration

of William Jones it certainly did not The extensive estab-

lishment of branches under his presidency was in itself an

ominous sign of loose management Eighteen offices were \

erected in 1817 — a number much too large. 1 In some cases, J

too, the locations were badly selected and in defiance of correct

banking principles. Thus the new, thinly settled, and poor

western states had as many offices as the whole of rich and

populous New England or the middle states. There could be

no possible justification for so numerous a supply of branches

in these agricultural communities, in most parts of which

genuine banking transactions were hardly possible to any

extent, where borrowers constantly demanded, not bank

credits, but long loans, and where the security offered fre-

quently had to take the form of real estate. Many of the

other branches were not skilfully placed. Among these may

be named those at Fayetteville, N. C, Portsmouth, N. H.,

and Middletown, Conn.

The directors in the early years of the bank were at

fault, not only in locating offices, but in managing them.

i J. Lippincott's testimony, Feb. 4, 1833, H. R. 121, 22d Cong., 2d Bess., p. 58.

\* Secretary Crawford says that twenty offices were established by April, 1818, and

mentions one at Augusta, Ga., which would probably be abandoned on account of the

lack of ability to supply it with notes.— To Senate Finance Committee, April 7, 1818,

A. o/C. % 15th Cong., 1st Sess., Vol. I, pp. 353, 354.

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The plan of government noted above was not thoroughly

worked out until the administration of Nicholas Biddle, and

under Jones but little efficient control was exercised. The

executive officers at Philadelphia were too incompetent and

too anxious to make fortunes to require strict obedience

from the branches ; the officers of the branches were inca-

pable, with little or no knowledge of banking methods ; while

the business which they were permitted to transact inevitably

took the form of semi-permanent loans made to agricul-

tural interests. Finally, Jones's conception of branch man-

agement was faulty. He thought that specific capitals ought

not to be assigned to offices, because it was the intention of

the central board " to extend or control their operations, as

the exigencies of commerce, .... and the general interest

of the institution " should "from time to time direct." 1

This, Jones thought, was managing the institution as a unit,

" integral in its organization, .... indivisible in its inter-

ests." 9 But the supposed unity actually meant complete

disintegration, since strict and competent supervision was

wanting. The result was enormous loss. The story of the

looting of the Baltimore office and of the piling up of sus-

pended debt at the southern and western branches is elo-

quent testimony to the inefficiency and impotency of the

Jones administration both at the central office and at the

branches.

As soon as Cheves became president he struck at the root

of the disorder by recovering the capital and then apportion-

ing fixed capitals to the offices. To accomplish these ends he

held the branches in check with an iron grasp. The issue

of southern and western branch paper was reduced, and in

some instances totally suppressed, while the other transac-

tions of these offices were materially reduced; the Cincin-

i Jones to Charleston branch, Feb. 6, 1818, F. % Vol. Ill, p. 335.

3 Jones to Savannah branch, Dec. 5, 1817, ibid.

The Branches and Their Administration 381

nati branch was discontinued ; the boards were reorganized

and many officials dismissed, committees appointed by the

central board investigated the affairs of the branches, while

a plan was formulated by which the capitals of the branches

were kept stationary. 1 When Cheves resigned, the offices

were fairly under control, but the business done by them

scarcely justified their existence, and the advantages of a

uniform currency were almost destroyed by the limitations

placed upon the issues. Cheves pointed out the essential

defect of the bank's organization as existing in the character

of the local directories, and he advised the strict execution

of the orders of the parent board, 1 the payment of good

salaries to the presidents, the permanent reduction of the

bank's active capital, 8 and the diminution of the number of

the branches. He was positive that these were the only safe

measures to pursue. 4

It is these early yeare which furnish evidence that the

western branches were political machines, or at least sub-

ject to the influence of politicians who acted as directors/

i See chap. It.

2 " That the President and Directors of the Parent Bank keep steadily in view

the absolute necessity of enforcing its own orders through all the various depart-

ments of the institution; without which, neither harmony can be expected in its

administration, nor security to the interests of its stockholders."— Report of Com-

mittee of Stockholders, Oct. 1, 1822, Cmran, p. 10, and Nilbs, Vol. XXIII, p. 88.

\*Chxvs8, p. 30.

\*" I am perfectly satisfied that with the present organisation of the Bank it can

never be managed well. We hare too many branches, and the directors are fre-

quently gOTerned by individual and local interests and feelings. For a time we

must bear with the branches, but I hope they will be reduced, and I hope the presi-

dents may be made to devote their whole time to the business, engage in no other

business, and receive a Tory liberal salary, which would make them value their

Offices and be afraid of losing them. A different management of several offices

would in the business of each have saved and gained more than would have paid

five thousand dollars per year to each president of the branches. Nay, there is no

calculating the actual loss and the loss of gain the Bank has sustained by the want of

competent and confidential men at the head of the branches."— Cheves to Crawford,

May 27, 1819, Exposition, p. 73 ; and Report of the Committee of Stockholders, Oct. 1,

1822, ibid., p. 11.

& " I am disposed to think, that, unless it is placed in the hands of political

partisans, as it was once before, that much of the losses sustained there will be

recovered."- Tilford to Biddle, Lexington, Jan. 30, 1829, S. D. 17, 23d Cong., 2d Seas.,

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and made large loans to political friends. This was particu-

larly the case in Kentucky. 1 In this matter it was Cheves's

wish and endeavor to withdraw the branches from such in-

fluences, though apparently he did not entirely succeed.

Cheves's recommendations to diminish the number of the

offices and to retain the bank's stock forfeited to it in con-

sequence of the frauds at Baltimore and other offices, in

order to decrease the size of the capital, proved that he de-

spaired of establishing any efficient control over the branches,

since, relatively to the capital of the bank, no one could have

argued that they were too numerous. All the evils incident

to their management under Jones were not corrected, and

probably could not be in the time Cheves had at his dis-

posal. The affairs of the western branches were infinitely

confused by the enormous amounts of real estate thrown

upon them in discharge of bad debts, and by the attempt to

collect from hundreds who refused to pay even in real estate.

Continuous litigation was carried on; the branches did little

or no business, and the conflict with the states absorbed

much time and energy. The president and cashier at

Savannah allowed overdrafts and engaged in other repre-

hensible practices without the knowledge of the local board. 1

The entire business of the Georgia office had finally to be

suspended until the difficulties with the state and the state

p. 306. " His name and character were well known to the bank in former times, hav-

ing served several years as a director previous to 1822. So derated to polities, that

all his views as a director, .... were directed to the policy of the Government as

connected with the bank, and not to the interests of the stockholders. Always

ambitious of being a leader of a party, he produced factions in the board, and

measures were advocated and opposed from party feeling alone. .... Many of

the difficulties and losses of this office may be attributed to him."— Shippen, regard-

ing Warden Pope, to Biddle, Jan. 24, 1829, ibid., p. 301.

i " In your section of the country we have surely had a melancholy experience

of the hazard of lending to politicians."— Biddle to J. Harper, Jan. 9, 1829, & D. 17,

23d Cong., 2d Sess., p. 296.

44 That the offices in Kentucky had suffered deeply from the influence of politi-

cians ; that we had for some time been endeavoring to withdraw the bank ont of the

reach of that influence ; that we had, at length, succeeded in giving a business char-

acter to its transactions."— Biddle to Shippen, Feb. 12, 1829, ibid., p. 304.

2S. Nicholas to Biddle, Savannah, Feb. 26, 1821, B. P.

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banks were accommodated, 1 which did not occur until the

decision of the Supreme Court in the case of the Bank of the

United States vs. the Planters' Bank of Georgia and the con-

sequent repeal in 1824 of the Georgia law hostile to the

bank. 9 Politics still influenced the choice of directors, cashiers

were not selected judiciously, and frauds frequently resulted

as a consequence.\* The offices were still unmanageable to a

considerable extent, while "a sufficient knowledge of the

accounts between" them was still wanting. 4

When Nicholas Biddle became president of the bank, the

safe business methods inaugurated by Cheves were con-

tinued, but a more effective means of control and an expan-

sion of business were also desired. In brief, Biddle's

measures consisted in extending the transactions of the

large eastern offices; prohibiting the issue of state-bank

notes ; forbidding loans on long-term paper and mortgages,

renewals, and the making of loans by small committees;

while dealings in exchange were extended at all the offices,

and the bank's notes were freely circulated and redeemed

everywhere. It was not until 1827, however, that Bid-

die put the finishing touches to his schemes for expansion,

by the invention of branch drafts and a larger participa-

tion in inland exchange. This was Biddle's final plan for

safe and extensive dealings, which kept the capital of the

i " I believe its not doing any business. Not a single deposit is made in it nor do

they discount a dollar bnt in renewal of paper as no one offers any paper there from

the entire inability to make payments into it." The branch had done nothing for a

year.— 8. Nicholas to Biddle, Savannah, Jan. 14, 1822, ibid.

> "The repeal and the decision of the court having opened the way to the

re-establishment of the office and the investment of a portion of the capital of the

Bank in Georgia "—Biddle to John Camming, president of the Savannah

branch, Jan. 12, 1825, P. L. £., Vol. I, pp. 198, 197.

» The cashier at New Orleans defrauded the bank in 1825. He was an old

appointee. The cashier at Middletown, Conn., plundered the branch there in 1820.

The cashier at Richmond was also delinquent. The president of the Portsmouth

branch appropriated the pension funds in 1824. The bookkeeper at Charleston was

guilty of peculation in the same year.

\* Biddle to John McKim, of Baltimore, March 14, 1826, P. L. £., Vol. II, p. l«a

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bank localized, and it was one which he always regarded with

pride and satisfaction.

His plan of stricter control consisted in securing the ap-

pointment of the presidents of the branches by designating

to the local boards the men whom the central directory wished

elected to that office, Biddle declaring that unless the boards

did appoint as directed^ the central board would find a rem-

edy by leaving off the local directorates presidents chosen in

opposition to its will ; \* directors of the parent board living

outside of Philadelphia were authorized to sit at the board

of the branches which might be located\* in their cities ; offi-

cial advisers were chosen at the different offices ; the cashiers

of the branches were carefully selected from the employees

trained at Philadelphia, made responsible to the central

board, and required to furnish information to that board and

to the other branches ; large borrowers were excluded from

the directorates; and, finally, assistant cashiers were ap-

pointed at Philadelphia, whose duties were exclusively con-

fined to the management of the bank's suspended debt and

real estate and to the business of the offices.\* The results

were gratifying. There is no instance known of peculation by

cashiers appointed during Biddle's presidency ; the control

of the offices was fairly efficient, and their business was con-

fined to safer channels, even while it was largely expanded.

Biddle's success led to the establishment of a number of

new branches during his presidency. From 1817 to 1826

there had not been a single new branch created, while that

at Chillicothe had been discontinued. From 1826 to 1831

eight new branches were established: two in the South west, 1

two in the West,\* two in New England, 5 and two in the mid-

dle states.\* These localities were carefully selected. The

i Biddle to S. Wharton, of ProTidence, Sep. 19, 1828, P. L. £., Vol. I, pp. 183-6.

3 See chap, v, " Nicholas Biddle and His Policy, 1823-28."

s Mobile, 1826 ; Natchez, 1831. « Nashville, 1827 ; St. Louis, 182ft.

» Portland, Me., 1828 ; Burlington, Vt., 1830. • Buffalo, 1829 ; Utica, 1880.

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southwestern offices secured the business beginning in

the new cotton-growing country, and were established for

that purpose, while in the West the phenomenal growth of

wealth and population justified the additional offices. Criti-

cisms may be directed against their establishment because

the loans in these sections would necessarily be made to per-

sons engaged in agriculture and cons .quently apt to become

semi-permanent. In both instances the wishes of the

treasury were considered, the secretary having urged the

opening of offices at Mobile and at St. Louis. 1 In the cases

of Buffalo and Utica the increased trade due to the naviga-

tion of the Great Lakes and the opening of the Erie Canal

was sufficient warrant for the selection ; the trade with Canada

justified the choice of Burlington; while the office at Port-

land was opened at the solicitation of the treasury. 3 Be-

fore establishing these various branches, the central board

sent special agents to make careful examination of the sites

in relation to their convenience to the government and the

amount of trade which centered about them. 8

Notwithstanding the improved methods introduced, there

were still occasions when the control of the central board was

not effective. Necessarily much power had to be given to the

executive officers of the branches. For instance, the president

and cashier of an office were given complete authority in the

purchase of foreign bills, and a veto upon the purchase of

inland exchange. 4 Indeed, in the early years of Biddle's

administration the branch directorates were given entire

control of all questions relating to exchange. Either this

discretion had to be confided to them, or a certain amount

of capital for investment in bills put at their disposal, or the

1 8. D. 17, 23d Cong., 2d Sess., p. 225. » Ibid.

s For examples of the thoroughness of such examinations see ibid., additional

documents.

\* " Yon and the President hare confided to you the exclusire purchase of

foreign bills,— and an absolute negatWe on domestic bills."— Biddle to Cashier

West, of New Orleans, May 17, 1823, P. L. B. % Vol. I, p. 2ft.

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central board most give minute instructions in regard to

purchases. It was found inexpedient to give a general credit

on which to trade, 1 while the central board could not give

the necessary instructions with regard to purchases without

a much more intimate acquaintance with the state of busi-

ness in the neighborhood of the offices than could be possessed

by it. Later the plan was adopted of instructing the

offices as to the rates to be charged and the nature of the

bills to be taken, and an officer of the central board was ap-

pointed to supervise exchange dealings. Even so late as

1829, however, the claim of a branch to fix its rate of ex-

change was admitted, and the Savannah office insisted, in

flat opposition to the wishes of the parent board, upon the

management of its inland exchange business. 9

Similarly, in the making of discounts a large discretion

had to be granted. The bank fixed the capital of each

branch, but, having done that, could not dictate the precise

loans which should be made by it It prohibited long loans

and those on real-estate security, but within these limita-

tions the offices were supposed to control their own loans.

l " The question of general credits by the Bank to the Southern offices has often

been discussed, and after some experience it was found best not to continue them.

The general theory on that subject is to leave the office as far as possible perfectly

free, to give it the command of the Bill market, and let it judge of the time and

manner and rate of purchasing its bills. Where credits were given, the office was

more or less obliged to buy the bills, and even where the office did not, the knowl-

edge of the fact that the credit was lodged with the office enabled the party to dis-

pose of his bills out of doors at a higher rate than the office would be willing to have

given— thus using the credit of the Bank to its own disadvantage."— Biddle to R.

Oilmor, Baltimore, Dec. 19, 1825, P. L. P., Vol. II, p. 82.

s The branch, despite instructions from Philadelphia, had resolved to take

checks on the North at par, in liquidation of state-bank balances.— G. B. Cum-

mings to Biddle, Savannah, Dec. 24, 1828, P. P.

" The fact is, that I was surprised at the course of the Board, and have bean so

unwilling to trust myself with any observations on it, that this is the very first time,

I have ever attended [alluded!] to it, except to the members of the Parent Board.

The change which it made in the policy of the office with regard to exchange, was

obvious — the surrender of the whole question, which it involved was painful — yet,

recognizing as we do, the right of the Board, to fix its rates of exchange, it was

thought better not to interpose for the present, but to watch the progress of the

system which the Board adopted."— Biddle to George B. Cummings, of Savannah,

Feb. 6, 1829, P. L. P., Vol. Ill, pp. 3, 4.

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This was unavoidable, and indeed there could be little excuse

for separate branch directorates on any other basis, 1 and

though the central board appointed all the branch directors,

it could not know them all, nor even any considerable num-

ber of them.\* Indeed, though Biddle took advice about the

qualifications of candidates, whenever he could get it, the

board had finally to depend mostly upon the opinion of the

executive officers of the branches. 1

It was consequently of vast importance that the executive

officers should be honest and capable. While these qualities

were usually assured in branch cashiers by the methods

already explained, there was always a doubt in the case of

branch presidents, who could not in all cases be well known

to the managers at Philadelphia. Moreover, though the

presidents were salaried, the sum paid was in most cases too

meager to secure first-class talent Consequently extreme

losses might and did occur, as a result of the inefficiency

or dishonesty of these officers. Thus the president of the

Portsmouth branch secured complete control there, used

his power to defraud the government of $20,000, and

remained undisturbed until his death in 1824 revealed the

i \*• I do not think it judicious nor safe for the Board here to say to a Distant

Board \* Proceed to Discount as liberally as if the failure of Mr. A. and Mr. B. had

not occurred.' It is oar business to direct the general state of the operations of an

Office, bat as we cannot estimate the effect which failures may hare orer the persons

connected with the office it would be hasardous to giro directions. The discretion

most be left to the local Directors."— Biddle to P. P. F. Degrand, of Boston, Jane 22,

1838, totd.. Vol. II, p. 171.

\* Biddle, in writing to James Lloyd of the candidates for the presidency at

Washington, says : " Of all these gentlemen, there is no one with whom I hare the

■lightest acquaintance."— Dec. 21, 1823, ibid.. Vol. I, p. 85.

\* \*\* In the Branches we naturally look to the confidential officers of the Bank

(the Cashier who is appointed by the Parent Board, and the President of the Branch)

to nominate suitable persons to fill the Tacancies as they occur by rotation— and if,

after inquiry from other independent sources, we see no reason to distrust their

judgment, we generally lean to their nomination. This is the safest general prac-

tice, because if we at a distance place in the Direction gentlemen without knowing

their precise pecuniary situation, we may introduce indiriduals who hare already

borrowed too much, who wish to borrow too much, or who hare needy friends whose

claims they may urge successfully while sitting at the Board, when they might

otherwise be resisted. "-Biddle to John McLean, Jan. U, 1829, B. P.

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peculation. 1 His successor was inefficient, and granted

unjustifiable loans which resulted in a loss of $112,000.\* At

Hartford, in 1826, the branch management, by neglecting

judicious advice from the president of the bank, incurred a

loss sufficient to sweep away all the profits for the first six

months of that year. 1 In 1827 the cashier at Pittsburg

flatly disobeyed orders, not only by neglecting to cany out

his instructions from Philadelphia, but by concealing from

the branch directors the instructions themselves, and by

failing to notify the central board of his delinquency until

months afterward. 4 In 1834 the branch at Louisville

refused to obey the orders for reduction.\* In 1832 the

board at Lexington, in spite of strict instructions to refuse

all discounts, loaned $5,000 "to secure the Hon. Henry

Clay " and the university at that place, though the derelic-

tion was immediately reported by the cashier. 6 An investi-

gation of the Portland office in the same year revealed a

surprising state of affairs at that branch. As early as 1829

the president there was reported as in control of the office

and as having jeopardized its discounts, while two directors

appointed on his recommendation had failed. 7 He was

i " After the death of Mr. Cutts, President of the Office at Portsmouth, Mr.

James Shapley " was elected and the delinquency at once discovered.

A clerk najned Parker in 1822 " forwarded to the Board here, charges against

Mr. Cutts, accusing him of applying to his own use, the monies held by him as Loan

Officer ; but these charges were deemed malicious or frivolous, and disregarded."

" Mr. Cutts had chosen the directors of the branch, for the most part [t. c, they

were chosen on his recommendation] who have never been much known." — Biddle

to James Lloyd, Boston, Oct. 4, 1824, P. L. B., Vol. I, p. 174; see also Biddle to

Ingham, July 18, 1829, H. R. 460, 22d Cong., 1st Sess., p. 442.

2 Ibid. \* Biddle to President Parsons, June 17, 1826, P. L. £., Vol. II, pp. 169. 170.

\* Cashier Corey, of Pittsburg, to Cashier Mcllvaine, Jan. 15, 1827, in respect to

a resolution of Sept. 26, 1826, B. P.; Mcllvaine to Biddle, Jan. 21, 1827, ibid.

5 "The determination of the directors of the Branch Bank of this city to dis-

obey the recent order of the parent bank, has been very generally approved, even

the friends of the bank approve it, because they can perceive no necessity for a

measure so harsh and oppressive."— Louisville Public Advertiser, C. 2> M Vol. X,

Part in, p. 8157.

• J. Towler to Biddle, private, Aug. 21, 1832, B. P.

7 Biddle to Cowperthwaite, March 13, 1829, P. L. £., Vol. Ill, pp. 2S-6.

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"utterly unfit for his place; .... ignorant, inefficient,

coarse in manners, and in all respects an incumbrance to the

office The board, called at 11 o'clock, seldom met

till one — and then seldom or never organized — official

letters, when received, rarely communicated, or perhaps

thrown carelessly on the table, to be read by such as chose to

read them — no minutes kept — and official papers the most

important irregularly scattered — some in the office and some

at his private dwelling." 1

This case shows neglect in the officials at headquarters,

since Biddle was informed of the president's incapacity

three years before the investigation took place. The other

cases, however, might have been amenable to no oversight

The essential difficulty lay in the characters of the branch

directorates and the branch officers, who were not expert

bankers. Usually, too, the central board took immediate

cognizance of complaints. Thus when charges were made

against the cashier at Washington in 1824, the Phila-

delphia board at once suspended him, and a thorough inves-

tigation was made both by the Washington directors and by

those at Philadelphia.\* The president of this office, who

had been forced upon the bank by the branch directors,

was also removed in 1827 for inefficiency and failure to

give proper attention to the affairs of the office. 1 Further

complaints about the cashier, however, were not noticed.\*

Charges made in respect to the Norfolk office were taken up

i Cadwalader to Biddle, Philadelphia, May 24, 1832, B. P., quoting Cowper-

thwaite's report on the office.

2 Smith's Defense, pp. 23, 24, Appendix VII, and pp. 29, 30. The Washington

board cleared Smith by a vote of 5 to 1, the Philadelphia board unanimously.

\* Biddle to President Thomas Swann, of Washington, Dec. 10, 1827, P. L. B. % Vol.

II, p. 322\*

< Edward Jones, writing to Biddle from Washington, Oct. 31, 1827. declines to sit

on board longer because it is too subservient to the cashier. The cashier has shielded

culprits who have been committing robbery on the bank for three years past; to the

cashier's " unpardonable negligence the robbery is chiefly to be attributed."

Jones also complained June 21, 1826, of business done. The branch would lose

1600,000 now under protest.— B. P.

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as soon as made and thoroughly investigated by the central

board. 1

Much more serious than these minor acts of disobedience,

inefficiency, and dishonesty was the failure to control the

western and southern offices after the introduction of

Biddle's plan of exchange operations to support the circula-

tion of branch notes. As the dealings in exchange were

almost wholly in the hands of the branch executives, the

opportunities for evading the strict regulations of the bank

were much increased under these new circumstances, and it

was inevitable that with directorates composed of men igno-

rant of sound banking these opportunities would not be neg-

lected. Furthermore, the enormous expansion of the bank's

business after 1829 made proportionally difficult the task of

investigation, supervision, and control, while the distance of

the branches from the central offices, added to the wretched

means of communication, infinitely aggravated the difficulty.

Finally, as these considerations pressed, the distant offices were

occasionally permitted to suspend the rules which had gov-

erned their operations in the past,\* and thus a further opportu-

nity was afforded for the transaction of reprehensible business.

The history of the bank in its later years proves con-

clusively that the branches south and west loaned large sums

on accommodation paper, and frequently renewed the loans;

that they employed much too large a proportion of the bank's

i Biddle to H. Binney, Jan. 29, 1832, P. L. £., Vol. IV, p. 187, and H. R. 460, 22d

Cong., 1st Sess., p. 547.

> " The 12th article of the bye-laws for the government of the offices, restricting

their discounts to notes having not more than sixty days to ran, was passed on the 3d

of January, 1817, .... It has not yet been formally repealed; bat, being found imprac-

ticable, and not calculated for the business of the country, or the convenience of the

bank, all the branches I believe, without exception, have, from time to time, been,

by special resolutions and instructions, exempted from its operation. It is, there-

fore, in fact repealed, though not in form."

Articles 4 and 6 for exchange operations " are in force, except so far as they may

have undergone modifications, by instructions to particular offices, growing out of

the exchange operations adapted to their respective localities."— Biddle to .the

mittee of 1832, H. R. 460, 22d Cong., 1st Sess., p. 542.

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means, and could not be controlled when attempts were made

to check them.

The Cincinnati office furnishes excellent evidence to sub-

stantiate these assertions. When the policy of expansion

became effective in 1827, permission was accorded this office

to grant discounts to former debtors who had not cleared

themselves with the bank. 1 Early in 1832 Biddle was notified

that some of the old debtors were exercising an undue in-

fluence over the officers, securing loans to which they were

not entitled, and speculating in the bank's real estate.\* No

notice, apparently, was taken of these warnings, 1 but later

in the year the Cincinnati counsel of the bank assured Biddle

that too many large loans were made, that the directors had

decided to call in 10 per cent, of the loans every ninety

days, 4 that the " crisis is full of difficulty," and that the

branch was taking mortgages to secure doubtful paper on

its renewal\* Evidently constant renewal was the rule at

Cincinnati, and the calling in of 10 per cent every ninety

days was considered a drastic measure.

At Nashville similar conditions prevailed. The " race-

horse bills " invented during the administration of William

Jones were again extensively employed, and the complaint

of the president of the branch shows that the cashier, a local

i Biddle to Cashier Benson, Hay 19, 1817, P. L. £., Vol. II, pp. 268-5.

\* u The best of my information and judgement is, that for several years past, an

influence has gradually gained the ascendency in the Branch composed of the old

managers of 1817-1820, and that Messrs. Cope and Benson hare with great ingenuity

been involved in their toils. That the Branch has been managed to a great extent

in favor of other interests, than those of the community at large,— or the Bank

itself,— that for some months past almost all the business paper has been rejected —

and whatever loans have been made, have been applied in relief of speculators in

property, and of some few persons whose seal to engross, has carried them beyond

their depth."— Henry Avery to Biddle, March 24, 1882, confidential, B. P. Same to

same, Feb. 1, 1832, confidential, ibid,

8 Same to same, May 5, 1832, ibid.

\* Bellamy Storer to Biddle, Cincinnati, May 22, 1832, ibid.

\* " In all cases where the debt is the least doubtful, I recommend, as their legal

adviser, that we ask a mortgage, on condition of renewing the paper. This request

is always granted, and by this means I have saved thousands to the institution,"—

Same to same, Dec. 7, 1832, ibid.

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appointee, and probably the only cashier of that character in

the bank's western offices, had secured control and man-

aged matters to suit himself. The aggrieved president

wrote to Biddle:

I have often hinted to you, in my former letters that Our

Cashier — Was entirely too fond of Bills of exchange — and often on

the refusal of bills by, me that he wished to take; I have gotten the

ill-will of my neighbors, as he never of late years was known to

refuse a bill — of exchange let it be as it would — .... This season

he does Vote against some — but not with his Consent it would

ease me of a good deal of responsibility if you would drop a hint to

him on this subject .... he is — one of the Best officers belong-

ing to the Establishment — but he would run too great risques to

make Money — please keep this to yourself. l

Here is revealed the essential defect of western manage-

ment: an ignorant cashier\* bent on making money at all

odds, and willing to take any kind of paper, and a president

who does not wish the " ill-will of his neighbors," Instruc-

tions were given to stop the bill business, only to elicit the

response that such action was impossible. The cashier at

Nashville was the one instance of the appointment of a cashier

from the vicinage of an office after the beginning of Biddle's

administration. The appointment had been made, Biddle

said, largely on the recommendation of the officer by Andrew

Jackson in 1818. It was the irony of fate that precisely there

i J. Nichol to Biddle, Nashville, Not. 22, 1832, B. P.

2 The following extract from one of Sommerville's letters will indicate his quali-

fications : " The coarse pursued by the board, in its general diffusion of discounts,

has always commanded my approbation, as thereby it extends its immense benefits

to the doors of every section of the country, and thus affording the strongest practi-

cal proofs of the incalculable importance of the operations of the Bank of the United

States through its unrivalled machinery in the improvement of the wealth, happi-

ness, and general welfare of the country, in every particular ; passing through every

grade of society, from the wealthiest, in regular gradation, to the poorest man in

the country ; and in this none are so much or more benefitted than the poorest and

middling classes of our country, and, above all, the agriculturists of every rank and

denomination ; combining, at the same time, with such important results, that of

the greater security for the debts of the institution in the way before described ; and

I feel fully persuaded that, if the parent board had set here, they would, under all

circumstances, have operated precisely in the same way that the board has, M — Nov.

26, 1832, H. R. 121, 22d Cong., 2d Seas., p. 158.

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the most reckless and reprehensible banking should have

been done.

Cashier Jaudon of the New Orleans office, an intimate

friend of the bank's president, an old and trusted employee

of the central office, later to be its cashier, appears to have

been responsible for much of the unsafe bill business in the

West In April, 1832, Biddle wrote him saying that he had

44 rarely been so much surprized and startled " as by the

appearance of the accounts of the New Orleans extension in

inland bills of exchange, and instructed him to give up the

purchase of widely scattered bills and direct his attention to

foreign exchange. l In answer Jaudon returned a long defense,

declaring that the office could liquidate bills of exchange drawn

upon it by the western branches only by drawing more bills

upon them ; in other words, by creating " race-horse bills."

Protests from the bank did not cease, Cashier Mcllvaine

writing Biddle that a large part of the exchange purchases

made at New Orleans " must come up by the roots." \* But

they were so deeply planted that getting them up was not an

easy matter. It is significant, in regard to the business done

later by the bank, that Jaudon became cashier at Philadel-

phia in July, 1832.

Other offices showed equal inability to answer the

demands of the bank. In 1834 Charleston could not dimin-

i " I have rarely been so much surprised and startled as at the appearance of

your two last weekly statements representing such an extension of discounts of

domestic bills widely scattered and of circulation which in the present state of the

country presses upon us immediately. My surprise has been increased by the cir-

cumstance that you seemed in your correspondence with Mr. Mcllvaine to hare

understood completely, as you always do, our whole plan of operations, and were

preparing to act in concert with us, but these increases of every branch of your busi-

ness are entirely at variance with that plan." Instructs him to reduce at once, to

give up scattered domestic exchange, and to buy foreign exchange.— Biddle to

Jaudon, April 20, 1832, P. L. £., Vol. IV, p. 256.

'"The aggregate loans [of the New Orleans office] appears almost exactly at

the same point at which they stood on the 30th day of April, but more than two-thirds

of the domestic bills purchased are at 60 days upon the Northern Cities — and a large

portion of them must ' come up by the roots.' "—To Biddle at Washington, Jane 1,

1832, B.P.

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ish its accommodations, 1 while the Louisville office made

a return showing that it had on hand a large amount

of what was called "stationary debts," only $648,000 out

of a total of $2,348,000 being payable at maturity. 2 The

correspondence of other western offices reveals the same

conditions.

In the East the bank was also lax in the assertion of its

authority. At the New York office in 1828 Robert Lenox

complained that too much money was loaned;\* in 1832 he

asserted that, in spite of instructions to contract, the board

expanded its discounts, and in addition made loans to itself

and to brokers. 4 In 1834 he declared that the cashier would

not do his duty ; that discounts were made after the board

separated ; that loans were charged to the account of bills

receivable; that overdrafts were permitted; that the com-

mittee on domestic exchange was an evil; that its members

made loans to themselves; and that the president and his

family had large sums from the bank, half of it being

charged to bills receivable. 6 In 1828 the Portsmouth branch

proved that it had beei^ badly managed by suffering $148,000

out of $460,000 of notes discounted to go to protest. Out

of this sum $112,000 was likely to be lost 6 Renewals were

1 8. D. 17, 23d Cong., 2d Sess., p. 78. 2 Ibid., p. 110.

\* Lenox to Biddle, March 5, 1828, B. P. \* Same to same, Feb. 29, 183&, ibid.

6 The cashier is going to be in Philadelphia, and Biddle most "convince the

cashier that he is bound to do his duty. It will occupy more of your time than I

chose to claim ; to state all that requires amendment. Suffice for the moment that

discounts should not be made after the board seperate. None should be made ■"\*\*

charged to l Bills receivable \*— People should not be allowed to overdraw their

account by lodging a note under the promise if not discounted —they will make

good the overdrawing— It need not be stated what the result is— In short it is no

more like the Bank it was and what it is now intended to be, than any other

extremes/\*

He and Mr. Bathbone u remind the tx>ard that they are acting contrary to

orders, but they care for none of these things." Some directors help themselves.

"Our Committee on Domestic Exchange is a great Evil— much is done that was

never intended, and in fact it is a species of Executive Patronage very much

abused, and seldom a day when I do not point out the instances.\* 1 — B. I^nnox to

Biddle, Feb. 15, 1834, ibid.

• Biddle to Ingham, July 18, 1829.— H. R. 480, 22d Cong., 1st Sess., p. 442.

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common here, the role being the collection of 10 per cent

every one hundred and twenty days. 1

The real peril, however, was with the western branches,

and arose from the opportunities granted them in dealings

in inland exchange, as Biddle tacitly admitted in 1834,

when he gave utterance to his dread of renewing the bill

business of the West. 8 He knew well that bills were con-

stantly renewed, and that too many were bought The

directors, however, denied all knowledge of such operations,

and were certain that the paper discounted was sound. 1

Such ignorance was so far from being an excuse that it con-

demned them as inefficient and negligent agents of an

honorable trust Even the executive officers do not seem to

have been thoroughly informed until 1832. \* In October,

1833, Jaudon's letters to the cashier at New York prove

that he did not even understand the custom of that office in

respect to the receiving of branch notes. 6

On the whole, however, loose methods, wilful disobedi-

ence, dishonesty, and reprehensible transactions were by no

means so common even in the later years of Biddle's

administration as they had been in the early years of the

bank. The capital was kept localized, though too much of it

was employed in the West and Southwest, 6 and though the

business led to losses, they were not excessive. The total losses

i Extra Globe, Vol. I, p. 256.

2 " Unfortunately these bills are mainly in the crop exchange of the western

cities, and I feel a little afraid of reviving them. 11 — Biddle to Jaudon, Newport, July

lft, 1834, ibid.

• H. R. 121, 22d Cong., 2d Sees., pp. 58, 77, 89.

\* " I should be glad to receive from yon an explanation of the business upon

which bills drawn upon St. Louis, Natchez, Nashville, Lexington, Cincinnati, Pitts-

burgh, and Wheeling are founded, and how far the purchase of such bills could be

restricted without producing injurious consequences."— Jaudon to the cashier at

Pittsburg, Nov. 10, 1832, ibid,, p. 143.

• Jaudon to cashier at New York, Oct. 5, 1883, S. D. 17, 23d Cong., 2d Sees., pp.

122,128.

• New England - $ 2,900,000 South $2,500,000

Middle states 21,650,000 West and Southwest - 5,950,000

The capital at Philadelphia (816,450,000) must have been largely nominal.

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before August, 1822, were $3,005,000, while in 1836 they were

$4,600,000, so that not more than one-third of the whole

had been lost in Biddle's presidency, which covered two-

thirds of the term of the bank's existence. In the long run

the losses were beyond the figures given, because part of

the suspended debt was never paid. The calculation in

1836 was that this would furnish an additional loss of

$1,389,000, but the greater part of this would also be due

to the operations of the first few years. That the so-called

" active debt" — the discounts on personal security — was good,

is proved by the fact that the bank sold the " active debt"

of eighteen branches at par for $15,716,726.' Of this sum

$8,990,000 were paid for the " active debt" of seven out of

eight western and southwestern offices, while for that at the

Charleston office $2,073,745 were paid.\* These figures do not

indicate anything resembling insolvency, or even unusual

losses on the investments.\*

i Ex. Doc. 118, 24th Cong., 2d Sess., p. 109.

\* Ibid. Henry Carey calculated that from 1820 to 1886, inclusive, the loss on the

whole capital loaned on personal security was not over one-fifth of 1 per cent, per

annum .—Credit System in the United States, etc., p. 29. The considerable losses took

place in the South and West.

business losses 1822-36 (round numbers)

Norfolk $ 38,000 New Orleans ... $ 12,000

Fayetteville - - - 91,000 Nashville ... 2,000

Charleston - 105,000 Lexington .... 257,000

Savannah - - - 81,000

For statistics see H. R. 460, 22d Cong., 1st Sess., p. 244, and Ex. Doc. 118, 24th

Gong., 2d Sess., pp. 58, 59.

Between March, 1836, when this statement was made, and July of the same year,

at one office, probably Natchez, $405,280 of the active debt went to protest, or 10 per

cent, of the whole debt.— Ibid., p. 43. A considerable part of this would be lost.

The same state of affairs must have existed at some of the other offices. The same

conclusion holds as to the suspended debt. That of the office at Cincinnati netted

a loss of $140,816 (ibid., p. 58) ; at Pittsburg of $38,050.— Ibid., p. 59.

8 Moreover, all losses were amply covered by a contingent fund which had bean

established by President Cheves. Biddle's administration increased this fund

enormously, so that in 1836 it amounted to $5,943,000, more than sufficient to cover

losses charged to all the heads under which losses might come on the books of the

bank. Besides this there was a fund of surplus profits of over $3,700,000. — Ibid. %

p. 83. There was also a similar fund of $1,104,223, to cover losses on nankins houses.

— Ibid. This would, of course, more than cover any such losses. The fund was, in-

deed, a part of the surplus which was put under this head in 1831, with the purpose

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Nevertheless it would be a mistake to argue that because

the loans were actually safe, therefore they were made in ac-

cordance with the principles of sound and conservative bank-

ing. This is not true, and if the bank had been forced to

pass through a commercial crisis, such as that of 1819 or

that of 1837, no one conversant with its situation can doubt

that the losses would have been well-nigh ruinous.

The office at New Orleans was the most important, be-

cause that city was the emporium for all the trade of the

West and Southwest. Vast accumulations of funds from

other branches and from the state banks inevitably took

place there, as the result of shipments of produce from

western Pennsylvania, Ohio, Missouri, Kentucky, Tennessee,

and Mississippi. 1 New Orleans was consequently the center

of exchange dealings for the entire western and southwestern

country, while its loans on personal security were always

extensive. As it was the most distant office, it was almost

independent of control, and unusual care was employed in

selecting its officers and its board.\* Next in importance

stood New York. Both of these offices at times transacted

a larger business than that of the bank at Philadelphia, and

from the beginning of 1831 to the end of 1834 this was the

rule at New Orleans. 1 The third branch in importance was

of concealing the sis© of the surplus from Congress. " I shall propose this because

I do not wish to increase the surplus fund of $1,750,000 — nor the contingent fund of

12400,000, which if too ostensible might increase the cupidity of those with whom

we may hereafter hare to deal."— Biddle to Cadwalader, Dec. 30, 1831, B. P.

1 The profits were commensurate, being in 1829 34V4 per cent, on the capital em-

ployed.— Biddle to C. J. Ingersoll, March 30, 1830, P. L. £., Vol. Ill, pp. 209, 210.

\* " We regard the office at New Orleans from its distance from the parent Bank,

from its intrinsic importance, and from its being the key of the Western offices, as

the first on the whole establishment, decidedly superior to any other office, and de-

manding indeed for the Cashier the qualities of perfect confidence in his fidelity

eren in a higher degree than would be required in any situation in the Bank." —

Biddle to B. Qilmor, of Baltimore, Jan. 4, 1826, ibid., Vol. II, p. 90.

» TOTALS — DISCOUNTS AND EXCHAXOB

1S37 J\*n. » July SO 1\*31 Jan. » July SO

Philadelphia - • $3,517,000 $3,568,000 Philadelphia - - $5,678,000 $8,789,000

New York - 3,432,000 4,367,000 New York - 3,273,000 4,370,000

New Orleans • • 2^22,000 3^11,000 New Orleans - • 7,500,000 10,282,000

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that at Charleston, which was the center of exchange opera-

tions for the South, though in the later years the offices at

Nashville and Louisville sometimes carried on more ex-

tended operations than did that at Charleston. The centers

of the bank's operations would, therefore, be: Philadelphia

and New York for the East, Charleston for the South, New

Orleans for the Southwest, and Nashville and Louisville for

the West.

In all twenty-six branches were established, though not

more than twenty-five existed at any one time. The first

eighteen were located in the first year of the bank's exist-

ence, the other eight under President Biddle. The Cincin-

nati branch was discontinued in 1820 and re-established in

1825, 1 the Chillicothe branch being discontinued in the latter

year; while the Middle town office in Connecticut was trans-

ferred to Hartford in the same state in 1824.\* Benton and

others boldly asserted that the Biddle administration se-

lected the locations of the new offices from political considera-

tions, but there is not a grain of evidence to support these

charges. Had such motives swayed the directors, they would

certainly have established many more offices, for they had

most tempting inducements in the applications made by the

secretary of the treasury, the governors of territories, state

1838

Philadelphia

New York

New Orleans

18S9

Philadelphia

New York -

New Orleans

1880

Philadelphia

New York

New Orleans

Jan. SO July 80

$4,500,000 $4,996,000

5,142,000 4,535,000

2,935,000 4,071,000

4,446,000 4,234,000

4,196,000 4,521,000

3,864,000 6,299,000

4,670,000 8,942,000

4,092,877 3^77,000

5,718,000 8,754,000

1881

Philadelphia

New York

New Orleans

1888

Philadelphia -

New York -

New Orleans •

1884

Philadelphia

New York

New Orleans

Jin. SO Jmlj s§

$10378,000 $7,968400

6,065,000 5^97,000

8311,000 12311300

7,200,000 7,908^00

5,710,000 5357400

7,509300 10,080300

7,586,000 7,090300

6,348,000 5357,000

736630O 5,728300

Compiled from the monthly reports of the bank.

1 Niles, Vol

XXVm, p. 176.

2 On the ground that more business was to be secured at Hartford.— Biddle to

Enoch Parsons, April 7, 1824, P. L. £., Vol. I, pp. 143, 144.

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legislatures, statesmen, congressmen, politicians, state offi-

cials, and prominent business men. One may say without

hesitation that if political motives had controlled, the bank

would have established an office at Albany in response to

the petition of Martin Van Buren and the members of the

Albany regency in 1826, 1 for certainly the establishment at

that place, and under such circumstances, would have saved

the bank from bitter attacks. In all sixty-three applica-

tions for new branches were refused. 2

The selection of the offices was in fact made with the pur-

pose of combining business interests and the interests of the

government. Of offices located rather for government than

business purposes three may be designated, 3 while of those

more directly beneficial to the bank than to the government

there were not more than six.\* Twelve out of the total of

twenty-six offices were established virtually on the seaboard,

beginning at Portland, Me., and running to New Orleans. 6

In addition five offices were located so as to be easily acces-

sible to the coast; 6 one was placed on Lake Erie; 7 one on

the Erie Canal ;' one on Lake Champlain ; 9 one at the source

of the Ohio; 10 two on the Ohio; 11 three on the Mississippi;"

and two on tributaries of the Ohio. 11 Roughly speaking,

the offices may be divided into nineteen connected with the

Atlantic seaboard and seven on the Mississippi and its tribu-

taries, with New Orleans as connecting link between the two

systems.

i S. D. 17, 23d Con\*., 2d Sess., pp. 251-3.

s Ibid. \* Portland, Me., Norfolk, Va., and St. Louis.

\* Buffalo, Utica, Burlington, Lexington, Natches, Cincinnati.

\* Portland, Me., Portsmouth, N. H., Boston, Providence, New York, Phila-

delphia, Baltimore, Norfolk, Charleston, Savannah, Mobile, New Orleans.

\* Hartford, Washington, Richmond, Favetteville, Natches. 7 Buffalo.

\* Utica. • Burlington, Vt. "Pittsburg. » Cincinnati and Louisville.

H St. Louis, Natches, and New Orleans. The last is counted also among the

board cities.

\*• Nashville and Lexington.

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In addition to the regular offices, there were several

agencies of various kinds. Two were located at Chillicothe

and Cincinnati, whose whole business was to secure the

debts incurred during the early years of the bank and super-

intend sales of real estate. Agents appointed by the central

board managed these agencies, and Biddle directed much

time and attention to them, evolving a plan of operations for

the liquidation of the debts. In 1823 the suspended debt

at Cincinnati was $2,528,350. When any part of this was

( \_ secured by mortgage, and interest was regularly paid, the

debtor was not disturbed; where the security was insuffi-

cient, the mortgage was foreclosed and the property sold,

usually to be purchased by the bank, which then improved

it in whatever way possible. The final operation was the sale

of the improved property in small parcels at a profit. 1 The

branch at Cincinnati was re-established as an aid to carrying

out this policy. As a result of efficient management of

these affairs, the sale of real estate in the West in the end not

only secured returns sufficient to cover all the losses of the

early years, but yielded an excess. 2

The agencies at Cincinnati and Chillicothe were closed in

1836. Another agency, consisting of a single individual

appointed by the Savannah board, was established at Macon,

Ga., in 1830, to purchase inland bills of exchange. 1 It was

closed in 1834/

The particular advantages of the branch system, evident

from the experience of the Bank of the United States, were

briefly as follows: The funds of the treasury were collected,

i " I determined to avert such a tremendous loss, I hare been working at it for

nearly eight years, and I have now the great satisfaction of thinking, that every

dollar of it will probably be saved.'— Biddle to S. Smith, Nov. 5, 1830, P. L. B. % VoL

III, pp. 385, 386. For plan see H. R. 460, 22d Cong., 1st Sess., p. 323.

\*Ex. Doc. 118, 24th Cong., 2d Sess., pp. 114, 115.

8 27. R. 460, 22d Cong., 1st Sess., pp. 480, 481.

\* Biddle to John Gumming, June 19, 1834, P. L. £., VoL V, p. 237.

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transferred, and disbursed only by means of the branches.

In the dealings in exchange, both foreign and domestic, the

bank's advantage was derived altogether from its system of '

branches. The same statement holds good for the circula-

tion of the bank. Without the branches it would have been

insignificant in quantity, and could not have been either

general or uniform; as it was, the system furnished the

country a currency better and cheaper than any other paper

currency which had yet existed in the United States. The

branches not only made this paper more convertible, but

more elastic, since it was issued in response to business «

demands in the various localities, and withdrawn as the

demands died away. Another consequence of the possession

of branches was the supplying of loans at a cheaper rate

to the West and South than would have been possible with-

out them. A further result of this ability to supply cheap

loans was an otherwise impossible development of western

and southern industries, which was beneficial to those sec-

tions, whatever its effect upon the bank might be. Again, the

control of the state-bank issues was possible only through

the branches, so that the system not only gave the people a

better currency, but protected them from the ravages of a

much poorer one. It may be added that the branches were

sure of more capable management than merely local banks,

since they received the attention of able men at Philadel-

phia as well as that of the local directors ; that the branches

facilitated the distribution of loanable capital owned but not

employed in one part of the Union and needed in another;

and that the system gave to the managers of the bank much

greater opportunities to secure valuable information about

business and about men than any other system could furnish.

These various advantages, it is safe to assert, cannot be fur-

nished by any bank without branches, and it was in these

that the Bank of the United States exhibited its superiority

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over any other banking system ever established in the

United States.

The defects of the system were, however, great and per-

ilous. In the last analysis all resolved themselves into a

failure to exercise an adequate control over the offices. To

do this demanded first-class branch officials, complete intel-

ligence, eternal watchfulness, and constant checking of the

operations of the distant branches. The conditions rendered

all this well-nigh impossible. The denial of accommoda-

tions at the branches made the bank unpopular, and conse-

p, quently there was an overwhelming temptation to be lenient

in the management of them. This difficulty was involved

with a second — the nature of western and southern business.

Loans in a new country are almost certain to be made on

' real-estate security and at long dates. This is not good

banking. Tet the Bank of the United States indulged in it,

and the practice of renewing even long loans, and finally of

making such loans with the understanding that they would

be renewed, inevitably grew up. Still more serious was the

% character of the branch officers and the branch directorate\*,

On the whole they were not men of knowledge and experi-

ence in sound banking. The president, who had most in-

fluence in determining loans, had to be selected from these

directors, who in turn must be taken from the state in which

\* the branch was established — conditions which made the selec-

tion of competent officials at times impossible. Moreover,

these men had to deal with their neighbors, sometimes their

relatives, and in the handling of the funds of distant stock-

holders were more inclined to care for their friends than for

t the bank. Then, too, the presidents were insufficiently paid,

and first-class talent could not be secured for meager sala-

ries. In such cases it was almost vain to attempt the check-

ing of the boards, and it was not until the cashiers were

carefully selected that any considerable check upon local

The Bbanohbs and Theib Administration 403

banking methods and reprehensible loans was possible.

Finally, the knowledge necessary and the investigations

requisite for a proper control of the offices were excessively

difficult to secure because of the remoteness of the offices

from the mother bank afid the lack of first-rate means of 1

communication. It took weeks to gej information from

New Orleans and the far western offices., Yet it would not

do to attempt complete government of the branches from

Philadelphia, even had that been possible. The needs of

the local community had to be consulted, and only men of

the place could justly measure these.

The only adequate means of remedying these defects

would have been the, erection of a board at Philadelphia

entirely separate from the local board, whose whole time

should have been given to the management of the branches. ^

Biddle objected to the suggestion when made, 1 and yet adopted

it to the extent of having assistant cashiers appointed at the

parent office whose business was solely with the general

affairs of the bank. Ha<L-he himself been relieved of the

necessity of attending to local business at Philadelphia, the

results would no doubt have been highly beneficial Had

the central board been confined to general questions of man-

agement and supervision, the danger of managing the insti-

tution from the point of view of local Philadelphia interests

would have been avoided, and the opportunities for correct-

ing bad methods and prohibiting unjustifiable loans would

have been enormously increased. The difficulties of com-

munication would have been solved in time by the extension

of railroads and the introduction of the telegraph, while the

lack of adequate banking knowledge in the local boards would

have been remedied by further experience.

i The suggestion of keeping the Philadelphia business separate, with a separate

eaahier, was made by E. J. Dupont to Biddle, Wilmington, January 80, 1826, B. P.

CHAPTER XVII

THE ISSUES OF THE BANK

The charter of the Bank of the United States limited the

note circulation of that corporation to thirty-five million

dollars; 1 stipulated that all notes should be paid in specie

on demand, 2 imposing a penalty of 12 per cent, per Annum

in case of all notes not so paid;\* prohibited the issue of

notes of a less denomination than five dollars; 4 and gave the

notes a partial legal-tender quality by making them receiv-

able in all payments to the United States. 6 These provi-

sions were evidently intended to render difficult a suspension

of specie payments on the part of the bank, to hinder it

from making excessive issues, to restrict the circulation of

paper for small sums, and to establish a uniform circulat-

ing medium for the use of the government

Under the various administrations there was considerable

difference in the management of the bank's issues. In the

presidency of William Jones the use of the notes was respon-

sible for many of the embarrassments experienced during that

period. The corporation had inaugurated at the beginning

a policy of expansion which was secured through the indis-

criminate issue and indiscriminate redemption of its notes

everywhere. As the course of exchange was always against

the West and frequently against the South, this permitted

the western and southern offices to issue their notes without

any limitation whatever. The consequence was that the

capital of the bank was drawn away to the South and West.

To put an end to this perilous situation, the board of direc-

tors in August, 1818, prohibited the offices from redeeming

i Charter, sec. 11, Art. 8. See Appendix I. \* Ibid., sec 11, Art. 12.

3 Ibid., sec. 17. \* Ibid., sec. 11, Art. 17. \* Ibid. % sec. 14.

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Issues of the Bank 405

notes not issued by the particular branch to which they

were presented. By this order the usefulness and currency

of the bank's issues were seriously impaired. Once more

there was no common medium of exchange, and thus the

first attempt to give the country a better currency through

the agency of the Bank of the United States ended in failure.

The policy of refusing to receive the notes except where

they were made payable was supplemented by an attempt to

restrict the issues, and these fell off by over a million from

April to July, 1818, and by over three millions up to Janu-

ary, 1819. 1 In this month Jones was forced to retire, and in

March Langdon Cheves came into control.

Cheves's policy led to a continuation of the contraction.

It is true that the five-dollar notes of the bank were once

more received at all the offices at par, 2 but the western offices

were not permitted to issue any notes, 8 and the circulation

went lower and lower. In April, 1819, its volume was less

than half that of April, 1818, and by December of 1819 it

was only a little over one-third that of April, 1818. Indeed,

during Cheves's entire administration the issues were so

carefully restricted 4 that it was hardly possible to speak of a

circulation of the Bank of the United States in many parts

of the country, notably in the West. In so far, however, as

there was a currency, it was sound and fairly uniform.

In January, 1823, Cheves retired and Nicholas Biddle

became president of the bank. Biddle was particularly

anxious that the circulation should be less restricted, espe-

cially in the South and West, where the advantages of a uni-

form circulating medium had not been enjoyed since the

restrictions were placed upon the bank's issues. To supply

1 Sea chart, p. 427.

> Beport of the Bank Committee, Sept. 25, 1818, see. 15, F., Vol. IV, p. 908.

• 76td.,sec. 14.

« Thus from 1819 to 1823 the arerage circulation was $4,800,000, $4,400,000, $5,600,000,

and $5,900,000 as again\* $8,400,000 in 1818. See Appendix V.

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this deficiency became Biddle's anxious care, and to a great

extent justly so, since the bank's profit and the country's

welfare were equally involved in the restriction of the multi-

farious issues of the state banks. From this time the inter-

est in the currency of the Bank of the United States centers

around the manner in which the problem was solved. The

difficulty was twofold: the perils incurred by the course of

exchange — namely, the danger of having the capital of the

institution shifted to the West and South — had to be over-

come ; and, in the second place, some means had to be found

to supply the corporation with notes. It was impossible to

furnish notes sufficient for the supply of the West and South

under the provision in the charter that all notes must be

signed by the president and cashier of the parent office. 1

Under this check to the issues it was impossible materially

to expand the currency, and it reached a lower average in

1823 them in any other year. 1 Biddle solved these difficul-

ties by his plan of dealing largely in inland exchange while

issuing freely the bank's notes. By the buying of bills when

notes were issued, a fund was provided out of which the

notes were paid when they were presented at the Atlantic

offices. In this way the danger of having the bank's capital

shifted to the West and South was avoided.

Under this plan the note circulation of the bank was

materially increased. The expansion in issues is very easily

seen on the chart. In 1827 the increase was slight, but in

1828 the volume of the currency was a million and a half

dollars larger than in 1826; in 1829 the increase had become

$3,500,000, and in 1831 $9,500,000, or just double the aver-

age of 1826.\* By thus doubling the circulation in five years

1 H. R. 460, 22d Cong., 1st Sess., p. 53.

2 In 1824 the average was slightly higher, and in 1825 it was higher than ever

before — results brought about by the reissue of some old notes which had

retired. This supply was, however, soon exhausted.— Ibid., p. 54.

• See Appendix V and Appendix XII.

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the currency of the Bank of the United States at last became

truly national and fulfilled the purposes for which it was

intended when the bank was established. The notes were

in excellent repute, and circulated from Montreal to the City

of Mexico, the issues of the state banks were restrained,

and the business of the country was carried on with more

facility than at any other time between 1811 and 1860.

It was frequently asserted during the bank's existence

that its issues were excessive. Yet, if they are compared

with the sum to which they might have attained under the

restriction imposed by the charter, they were never excess-

ive. The charter permitted a circulation of notes to the

extent of $35,000,000, and the highest sum ever out was

$25,000,000, and this only for one month. The highest an-

nual average was $22,340,000, less than two-thirds of the

capital stock. Not until 1831, when three-fourths of the

bank's existence had passed, did the issues average over

$15,000,000, or less than one-half the amount of the capi-

tal 1 If one looks, then, to the legislative restriction, and to

this alone, it must be admitted that the note issues were

never excessive, even though the incitements to note issues

were so much greater at that time than they are now. But,

taking the issues after 1830, it is only if one looks at nothing

but the legislative restriction that they can be said to be

limited. One has here, indeed, only an illustration of the

truth that there is no definite proportion between a bank's

capital and its note circulation. The attempt to fix a propor-

tion between them is absurd.

The distribution of the circulation is of interest as show-

ing what parts of the Union were chiefly supplied with a

currency by the bank. The figures, of course, do not show

actually what amount of the bank's notes were circulating in

the regions considered, but only what amounts had been

issued by the branches in these sections.

> See Appendix V and Appendix X1L

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The New England states were not supplied with any

large part of their currency by the Bank of the United

States. In September, 1818, the amount of the bank's notes

issued in that section was a little less than one-thirteenth of

the bank's entire note circulation. It was small relatively

to the whole amount issued, and it was small considered in

itself, the sum being $518,415. One year later it was much

less, but relatively to the entire circulation it was a little in

excess of one-ninth of the whole. In January, 1823, the

proportion was about one-eleventh, and in December of this

year it was one-tenth. The issues in New England had not

increased to any appreciable extent, either relatively or

absolutely, since 1818. By September, 1830, the total had

materially increased, but not to anything like the extent that

the entire note circulation had. At that time it amounted

to only one-twentieth of the sum of the bank's issues. By

January, 1832, the New England issues were about what

they had been in 1830, and were only one twenty-ninth part

of the whole. It is evident, therefore, that New England

was largely outside the sphere of the bank's circulation. It

never was a favorite field for the operations of the institu-

tion, and it grew less so as time passed. Undoubtedly this

was largely due to the excellent system of state banks in

operation throughout New England. There was little need

of a national bank in these states.

In the middle states the issues were more extensive. Yet

even here they were not so large as might naturally be ex-

pected. In September, 1818, not one dollar in seven was

issued in this part of the Union. A year later the proportion

was more favorable, being about one in three, a result due

to the contraction of 1818-19 which materially limited the

southern and western issues. After this time the offices in

the middle states never issued so large a proportion of the

note circulation. In 1823 it was from one-fourth to one-

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fifth of the whole. In 1830 it was still the same, and in

1832 it had not increased to any marked degree. Consid-

ered in themselves, the sums show an increase from about a

million in the early years to three times that sum in 1830,

and to five times that sum in 1832. On the whole, how-

ever, considering how extended commercial operations were

in both the middle and New England states, the amount of

the issues in these sections was surprisingly smalL 1

The truth is that the sphere of the bank's operations was

always considered to be rather in the South and West than

in the East and North, and the figures show that this was

the case in respect to its issues. In September, 1818, over

half of them were made in the South, meaning by "the

South " the branches of the bank located in the states, of the

original thirteen, south of Mason and Dixon's line. A year

later, after the contraction of 1818-19, the proportion here

was a little less than one-third of the whole, and the total,

considered absolutely, had fallen off in a remarkable manner.

In January, 1823, the issues were again over half the total cir-

culation, but did not reach nearly so high a figure as in 1818.

In 1830 the proportion exceeded one-fourth, but the abso-

lute amount of the issues was greater than ever before.

There is a further large increase in 1832, but the propor-

tion remained about the same. These facts show that the

South was in the beginning the principal field of the bank's

operations, and that it remained until the end a very impor-

tant one. The reason for its smaller relative importance at

a later date is to be found in the great extension of the

bank's dealings in the Southwest and West.

As regards these sections there was a slightly different

course of affairs. The Southwest was represented in the

early years of the institution only by the great office at New

Orleans. Its issues were very extended and usually exceeded

i See table of figures for the circulation of the bank at various periods, p. 408.

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the sum of all those made in New England. But it was not

until after 1827 that the Southwest became an especially

important territory for the bank's issues. In September,

1830, the total of the note issues was only a little over a

half million less than that of the southern offices. In 1832

the same continued to be the case, the offices of New Or-

leans, Mobile, and Natchez issuing a full fourth of all the

notes emitted.

In the West — strictly speaking, at the Kentucky, Tennes-

see, and Ohio branches — the issues followed about the same

course as in the Southwest In September, 1818, they ag-

gregated about one-eighth of the whole, being almost equal

to the sum of the issues in the middle states. In propor-

tion to the population and commercial interests of these new

states this circulation was enormous. It was in respect to

the West, therefore, that the most energetic efforts were

made to restrict the circulation. In September, 1819, the

total was not one-third that of the year previous, and in pro-

portion to the entire note circulation was less than one-

fifteenth of the whole. By January, 1823, the active west-

ern offices issued only $45,820, and in December of the same

year only $16,785 — insignificant sums which hardly permit

one to speak of western issues. After 1827, however, as a

result of the invention of branch drafts and the new plan of

extensive operations in exchange, the change is remarkable.

In September, 1830, the issues were over $3,600,000 — an

amount in excess of that issued in the middle states and

almost equal to the sum of those of the middle and New

England states taken together. The proportion is a little

less than one-fourth of the whole, and this proportion is re-

tained in 1832, which year shows a great increase in the

issues of the West, the amount being over $5,000,000.

From this analysis it is seen that the South was for one-

half the bank's existence the principal field for the note

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issues. After 1827 the West and Southwest rise to about

equal importance. Taking Southwest and West together,

their total issues equal about one-half of the whole. Taking

South, Southwest, and West together, in comparison with

the New England and the middle states, these sections in

September, 1818, had almost four times as great a note cir-

culation ; in September, 1819, it was a little over that of the

East and North ; in 1823 it was more than double ; in Sep-

tember, 1830, it was three times greater, and had increased

from $3,400,000 in 1823 to $11,400,000. In 1832 the pro-

portion was not so great, though the increase since 1830

was larger than during any other two years of (he bank's

history.

There were, of course, many excellent reasons for this

state of affairs, but the principal reasons can be given in

one sentence: Banking transactions in these regions were

more profitable than elsewhere and the demand for note

issues was greater. But at the bottom of these facts lay a

serious danger to the bank. It will not escape notice that

at the periods of great expansion, which were also periods

of embarrassment to the Bank of the United States, the

expansion of the currency in these sections was especially

noteworthy. The two periods of greatest expansion are

marked by the years 1818 and 1832, and both these yeais

saw the bank hard pressed to get command of its means.

In 1818-19, as clearly shown in the second chapter, the

note issues of the South and West ran steadily in enormous

streams to the East and North and were redeemed there.

The southern and western branches could not and did not

furnish means for their redemption. On the contrary, they

poured out ever-increasing volumes of notes in response to

an incessant demand for more currency. This simply meant

that the southern and western borrowers invested the loans

made by the bank in permanent improvements, and conse-

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quently could not pay their debts when these became due. 1

A similar state of affairs existed in 1832. Under Biddle's

system, which became thoroughly effective in 1827, the

business of the West and Southwest had been increased

enormously, and there was naturally an immense stimulus to

the note issues. Again loans which were virtually perma-

nent were made; again the immense mass of notes running

to the eastern offices embarrassed the bank, which could

only with great difficulty find the means with which to

redeem them ; again the West was called upon to settle, and

again immediate settlement was found impossible.

From Nashville the cashier of the branch writes that all

bills offered for collection are renewed. 2 The situation at

New Orleans was precisely similar, 1 while at Louisville the

cashier admitted that the embarrassments of the branch were

caused by a too great extension of its credit, 4 and that bills

sent to Louisville for collection were not collected but

renewed. So, too, the cashier at Cincinnati remarks that

"as fast as good bills of exchange are offered to be applied

to discounted notes they are purchased." \*

And yet, while the West could not discharge its debts,

and while the circulation there was far in excess of any sum

it had ever before attained, the cry was still for more cur-

rency. The cashier at Nashville declares that "the scarcity

of money" in Alabama and Tennessee is "unexampled,"

and that "no portion of the Union contains a more suffer-

ing population, for lack of circulating medium, than does

the portion of which this office is the focus." 6 Yet in April

the circulation credited to the Nashville office was $1,609,-

000 — a note circulation greater than that of any other office

escept those of Philadelphia and New Orleans. The cashier

i On April 1, 1819, the debt due in Kentucky and Ohio was $6,351,000.— Chxvbs, p.

27, and Nile\*, Vol. XXIII, p. 94.

iH. R. 121, 22d Cong., 2d Sess., p. 150, Oct. 21, 1832. » JWd M p. 47, Not. 24, 1832.

\* Ibid., p. 145, Not. 18, 1832. \* Ibid., p. 148. » Ibid., pp. 150, 151, Oct. 21, 1832.

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at Cincinnati utters like complaints, asserting that the

"demand for money" is "enormous," 1 though in April the

circulation of the Cincinnati branch was in excess of $1,100,-

000. What had become of this enormous mass of notes? To

this question the response was that it had passed to the East

It is plain, then, that the demand in the West was not

for a circulating medium, but for capital. It was a demand

for means to make what, in the nature of the case, would be

permanent investments, for means to assist in developing a

new country. Had the issues fulfilled the real duties of a

currency there would have been no such demand for "a cir-

culating medium." The truth was frankly and innocently

expressed by Senator Ewing, when he said: "In these sec-

tions of our country, capital — accumulated capital— does

not, and, in the very nature of things, cannot, exist; and

there, of all places else, is there need of capital to sustain

the enterprise and aid the industry of the people." f

Two of the most important questions about any paper

currency are these: Is it truly convertible? Is it elastic?

The provisions of the charter show that the paper issues of

the bank were legally redeemable in specie on demand.

This is convertibility, but there are many degrees of con-

vertibility. The paper may be redeemable at a distant

point; or the business habits of the community may be such

as to embarrass individuals who wish to convert paper into

specie ; or means may be used by a bank which will hinder

most men from any attempt to get specie for the paper which

they hold In any of these cases convertibility is only

partial, and in any of them depreciation is likely to result.

One must, therefore, examine the conditions under which

the paper of the Bank of the United States was redeemable

with these considerations in mind

i H. R. 121, 22d Cong., 2d Sess., p. 149, Not. 21, 1832.

» C. D., Vol. Vm, Part I, p. 1255, July 11, 1832.

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The issues of the bank were at their best in the first year

of its existence. As the bank could not suspend specie pay-

ments, and as its notes were receivable in all payments due the

government, the credit of these notes was excellent from the

beginning. A third circumstance made convertibility fairly

complete. Each office of the bank received the notes of

all the other offices at par. The results were excellent As

today everyone accepts a national-bank note without caring

to ascertain where it was issued, so at that time everyone

willingly accepted a note of the Bank of the United States,

because wherever there was a branch the note would be re-

deemed at its face value. Indeed, such notes were even

superior to specie for the purpose of remittance. Under

these circumstances there could be no depreciation.

Unfortunately the business conditions existing in the

United States were such that this excellent condition of the

currency could not continue, and, as already pointed out, the

management decided in August, 1818, that the universal

receivability of the notes should cease. Henceforth the

notes were to be redeemed only where issued. 1 There were

now nineteen distinct currencies of the Bank of the United

States, and to a considerable extent the country lost one of

the principal benefits sought in the establishment of the

bank. The currency was not completely convertible, and

this want of complete convertibility manifested itself in

depreciation of the notes. This begem with the order con-

cluding their universal receivability, namely, in August,

1818, and lasted until the bank went out of existence. The

depreciation was not always the same. In 1819, for

instance, the bank restored the quality of universal redeem-

ability in respect to its five-dollar notes, 3 and this, of course,

diminished the rate of depreciation materially.

l F., Vol. Ill, p. 987. The offices were not to pay, or receive in payment of debts,

or on deposit, any notes but their own.

> Order of October 16, 1819, Nilm, Vol. XVII, p. 115 ; F., Vol. Ill, pp. 906, 900, tec 15.

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Immediately after the order to cease receiving the notes

of each branch indiscriminately at every branch, the notes

were quoted at a discount. Exact figures are available only

in the case of Philadelphia. On September 7, 1818, all

branch notes were at a discount of 1 per cent, in that city,

and they remained at this rate of depreciation until March 1,

1819, when they were quoted at § per cent, discount. In

July the quotation was even more favorable, being -J per

cent. At this figure they remained for the next four years.

On March 3, 1823, the depreciation at Philadelphia was £

per cent., and on the 2d of June in that year it was £ per

cent. 1 At this rate it remained until July, 1824, when all

depreciation on small notes ceased so far as Philadelphia

was concerned, and the depreciation on large notes expired

with the year. This result was due to the policy now

adopted of receiving all notes at par in Philadelphia. 2

The figures given for depreciation during this period are

for the branch-bank notes generally. The issues of Boston,

Middletown, and Portsmouth were at an even greater dis-

count. In September, 1820, these were depreciated 4 per

cent, in Philadelphia, and 2 per cent, all through 1821, and

until June, 1822. 8 On the 4th of that month they were equal

in value to other branch notes. Why the paper of these

branches should have suffered greater depreciation than that

of the others it is not possible to say.

The recovery of the complete credit of branch notes at

Philadelphia after six years of depreciation was confined to

that city. In the other towns and cities where the bank

had branches the notes were still worth less than their face

value. Thus McDuffie, though he asserted that the notes of

the branches were paid " everywhere indiscriminately,"

1 See Appendix XI for the figures.

2 " 1823. The Bank of the United States receives the notes of all its branches."

— Gouge (Cobbett's edition), p. 136.

3 See Appendix XI.

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admitted in his report of 1830 that there was sometimes a

discount, though it was never equal to the cost of transport-

ing specie. 1 In 1833 it was proved conclusively that at

Baltimore from 1820 the office had not received the paper

of other branches at par from state banks, and the notes had

consequently always been at a discount. 2 This ceased with

October, 1833, when the bank adopted the policy of receiv-

ing all its notes at par from state banks along the Atlantic

coast. The condition of affairs in New York was the same.

The office refused branch notes from state banks and the

notes were commonly depreciated £ per cent. For fifteen

years brokers had bought these notes from state banks at a

discount of from ^ to ^ per cent., and had then sold them at

a smaller discount to merchants having duty bonds to pay.

The latter parted with them to the Bank of the United States

at par. This was true in respect to all but five-dollar notes,

which were taken at their face value. Notes of other de-

nominations were called u uncurrent," because they were not

so received. Nevertheless such notes were taken by the

state banks from individuals at par on deposit, or in pay-

ment of debt.\* At Mobile in Alabama the same conditions

applied to the notes of the branches. 4 Nor was this alL It

is certain that some branches sometimes refused to receive

the notes of other branches even at a discount, a fact which

would make such paper, if far from its place of issue, vir-

tually irredeemable. President Biddle's testimony corrobo-

rated the testimony of others. He declared that all notes of

five dollars were received indiscriminately at all the branches

of the bank ; notes of a larger denomination were not neces-

sarily, but usually, received at their face value; all notes

offered on account of government were of course received at

1 C. />., Vol. VIII, Part II, p. 1877, and H. R. 358, 21st Cong., 1st Seas., pp. 14, 15.

2 S. D. 24, 23d Cong., 1st Sess., pp. 6, 7. » Ibid., pp. fr-12.

\* Ibid.y p. 4. Letter from branch of Bank of the State of Alabama, November

4,1833.

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par; the branch issuing the notes paid all of them on de-

mand at par, as also did the parent office at Philadelphia. 1

The conclusions which one is justified in deducing from

the above facts may be summarized as follows: There was

always depreciation after 1818. This depreciation, however,

varied, being greater from 1818 to 1825 than it was later.

Moreover, the paper was depreciated because it wandered far

from its place of issue and redemption, not because it was

irredeemable. The amount of depreciation, however, was in-

considerable, ranging from 1 per cent in the early years to

£ and £ per cent, in the later years of the bank. 2 All notes,

moreover, were redeemable at Philadelphia as well as at their

place of issue; all notes of five dollars were receivable at par

everywhere ; frequently all notes of all denominations were

received at all the offices from individuals, but not from banks;

all were receivable in payment of government dues. Finally,

all notes might be, and sometimes were, refused, except at the

places where made payable.

Now, this is not true convertibility. The currency was

sound enough ; it was uniform enough ; but a part of it did

not circulate at its face value except in the immediate neigh-

borhood of its place of issue. However, when the facts

are justly weighed, the matter in the later years of the

bank's existence was insignificant. All the five-dollar notes

were at par, and these constituted one-sixth of the entire cur-

rency of the bank, find were equal in value to two-thirds of

its ten-dollar notes.\* Fives and tens comprised by all odds

the greater part of the bank's circulation, so far as the usual

transactions between individuals were concerned, and the

notes in the hands of individuals usually passed at their face

i S. D. 79, 22d Cong., 1st Sess., p. 3, and S. D. 98, 22d Cong., 1st Sess., p. 3.

2 Except in the case of the New England offices.

\* Gallatin, Considerations on the Currency and Banking System of the United

States, p. 57. See also Adams, Gallatin's Writings, Vol. III. This was for the year

1829. There is no reason to suppose that the proportion ever decreased.

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value. Not only bo, but the state banks took them from their

customers at par; so did the Bank of the United States,

and the government received all of them at their face value.

Consequently, in ordinary circumstances, depreciation could

hardly have existed as between individuals. It might be

concluded then that, though convertibility was not com-

plete, though notes of over five dollars were below par when

they circulated outside of the immediate vicinity of the

branch which issued them, yet the currency was as convert-

ible as possible under the system in use. This Gallatin

asserted, saying that the paper of the Bank of England in

like circumstances suffered an equal depreciation. 1 Yet this

conclusion is not quite borne out by the facts, for after

October, 1833, the bank received its paper from many state

banks at par, and this immediately improved its character.

The currency, therefore, admitted of improvement. 2

Moreover, there is another important point to be noted in

reference to the convertibility of the bank's issues. The

business habits of the day were hostile to payments of specie

for bank notes, and it was very unusual for specie to be drawn

from banks in exchange for their notes. Raguet complains

of this fact in 1820, and declares that while it exists there is

no real safeguard against an inconvertible paper currency/

Crawford also lays stress upon this condition of affairs. 4

That it applied in the case of the bank and lasted all through

its history is well known. Nor would public opinion support

the individual who demanded the payment of obligations in

specie. Banks refused accommodations to men of this class,

i Consideration\* on the Currency, p. 841.

3 The principal objection to the bank's notes was that of their not being receiv-

able from the state banks. The charter In 1832 had a clause compelling the bank to

receive all its notes from state banks in payment of dobta.— See Appendix IV, sec. 4

of the bill.

\* Ragukt, On Banking, p. 297, report to Pennsylvania senate, Jan. 29, 1820.

\* Crawford to Senate Committee on Finance, Dec 29, 1818, \*\*., Vol. Ill, p. B4;

and report to House of Representatives, Feb. 24, 1820, ibid., p. 498.

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and very few were bold enough or strong enough to stand

out against a pressure so powerful as the combined forces of

public opinion and the refusal of bank accommodations. 1

The same conditions existed among bankers themselves.

Consequently there was no immediate, automatic check

upon the issues of the bank — a check which is absolutely

necessary where a paper currency is almost entirely used.

Otherwise there is nothing to hinder inflation except the

demand for specie abroad. This was the case with the cur-

rency of the United States during the entire existence of

the bank. The result was that the currency was apt to be

unduly expanded at one time, and, when the foreign check

came, unduly contracted. 3 As deposits were little used, the

whole business of the country commonly suffered severely at

every contraction and was unhealthily stimulated at every

expansion. The currency, moreover, was not composed suffi-

ciently of specie to make it in any degree stable, the amount of

specie ranging from about one-sixth to one-eighth of the

whole, most of it held by the banks as a reserve. 3

It was the opinion of the Senate Committee on Finance

in 1830, however, that the currency had " for some years

past .... been improving by the infusion into the circu-

lating medium of a larger portion of coin, and the substitu-

tion of the paper of more solvent banks in lieu of those of

inferior credit ;" and that the inconveniences still remaining

i Baguet, On Banking, p. 102.

2 " There is no example in history of a currency similar to that of the United

States. It is banknotes issued without restraint, unless when a high rate of foreign

exchange prevails. ....

"The existence of a legal right to convert banknotes into coin, is specious

and imposing, inviting the judgment to conclude that it must be an effective restraint

upon over-issues : but the authority which we possess to demand coin is essentially

different in its effects from an indispensable necessity constantly and daily to require

coin."— C. P. White, report of the Select Committee on Coins, Feb. 19, 1834, H. R. 278,

23d Cong., 1st Sess., p. 24.

3 See Triennial Report of the Bank of the United States, 1831, Nu.es, Vol. XX.I, p.

115. Hero the committee speaks of " the great mass of the precious metals " lying

\*\* accessible in the banks of the Atlantic cities. n

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would " be wholly and insensibly remedied " in a brief

period. 1 The currency was certainly sounder in that year

than it had been since the war of 1812, but no remarkable

improvement took place, and when it became certain that

the Bank of the United States would not be re-chartered the

licentious issues of the state banks increased instead of

diminishing the unsound condition of the mass of the cur-

rency. The whole situation is tersely expressed in an oft-

quoted extract from a speech of Webster's in favor of the

bank:

Our system, as a system, dispenses too far, in my judgment,

with the use of gold and silver It is true that our circulat-

ing paper is all redeemable in gold and silver. Legally speaking,

it is all convertible into specie at the will of the holder. But a

mere legal convertibility is not sufficient. There must be an actual,

practical, never-ceasing convertibility. This, I think, is not, at

present, sufficiently secured. 3

The paper of the bank was, therefore, far from being

convertible in the full sense of that term. The process of

getting specie on demand was too difficult to be persisted in

by most men, and the notes were depreciated to a slight

extent because payable only where issued. Consequently the

paper currency of the day admitted of considerable improve-

ment, and the efforts of men who wished a better currency —

men of whom Benton was a type — were to a considerable

extent justified by the conditions.

But it must never be forgotten that, while the paper of

the Bank of the United States was not in as good a state

as it might have been, it was still far preferable to the paper

of the state banks, and that the choice at the time lay

between the issues of the two systems. In such circumstances

a sensible man could not hesitate which to choose. The state

banks poured out streams of paper of a smaller denomina-

tion than $5, even as low as $1 — paper that was redeemable

iS.£.80,22dConff.,lstS««.,i».a. > C.D., Vol. Vm, Part I, p. 958, May 0,1882.

\*

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only at the place of issue, and which had hardly any cur-

rency elsewhere; paper which was frequently not redeemable

even where issued; paper of all degrees of credit. On a

just review of all that was done and all that had to be faced,

the Bank of the United States is not censurable for the

fact that its paper was not completely redeemable. The

currency was infinitely better than that supplied before the

establishment of the bank; it was much better than any

other paper after that event ; and it was gladly taken every-

where throughout the country. One may justly conclude

with Gallatin that the bank was, in the circumstances of that

day, the only means to insure " a sound currency" and " a

just performance of contracts." '

The banking methods of that time made the question of

elasticity one of far greater import than it is nowadays,

because the important element of the circulation now con-

sists of the deposits; then it consisted of the note issues of

banks. This fact is the significant one in every comparison of

banking operations then and now, but in no consideration is it

more important than in this of the elasticity of the currency.

The bank's advocates always claimed for it the particular

virtue of furnishing an elastic currency. One of the great-

est advantages of its paper, said the Senate Committee on

Finance in 1830, is "that it bears a proper relation to the

real business and exchanges of the country ; . . . . increas-

ing with the wants of the active operations of society, and

diminishing as these subside, into comparative inactivity." 1

The claim was certainly not baseless. The bank's organiza-

tion made its issues much more elastic than those of the

present national banks, or than those of state banks. Only

through a system of branches, such as the Bank of the

United States possessed, can a bank currency be completely

i Gallatin to Robert Walsh, Jr., April 27, 1830, Adams, OcMaUn\*9 WriUmm.

Vol. II, p. 426.

2 S. D. 50, 22d Cong., 1st Sess., p. 23.

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elastic, for it is only so that the currency needed can imme-

diately be supplied where it is wanted. Moreover, it is

apparent that a great bank with a large capital under its

control can meet local demands much more easily and safely

than a small bank. Particularly would such a bank meet

the demands for a currency of small towns and villages — a

demand which in many instances cannot now be met. On

the other hand, the bank's connection with the government

at times seriously affected the complete elasticity of its

issues. Thus, whenever a portion of the national debt was

discharged, the bank was called upon for large sums of

specie. At such times a contraction of the issues was likely,

and the property of elasticity was seriously interfered with.

Again, when the government revenues yielded a surplus, the

bank had on its hands an enormous amount of capital for

which some use had to be found. Acting under the stimulus

of the necessity, an expansion in the business of the bank

then took place, and there were over-issues of its paper.

It may be argued that over-issues could not occur so long

as the currency was redeemable on demand in specie, or, if

they could occur, only a temporary and immediately cor-

rected expansion would ensue. The opinion expressed by

President Biddle was that a paper currency, redeemable in

specie on demand, can never be long redundant, because an

approach to redundancy will lead at once to a foreign

demand for the precious metals; to an exportation of specie;

to a rise in its price ; to an immediate redemption of notes

in order to obtain silver and gold, and hence to an effective

check upon over-issues. 1 Meanwhile, however, the currency

had been redundant; a considerable time had been necessary

to correct the error, and therefore complete elasticity did not

exist There were two reasons for this state of affairs: the

public opinion of the country was hostile to the practice of

i Article in the National OasetU of Philadelphia, April 10, 182S. See for extract\*

Gouoa (Cobbett's edition), pp. 150-U.

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drawing specie from the bank, and the rule which allowed specie

to be paid out only at the bank and the issuing offices inter-

fered with the frequent presentation of the notes. In these

circumstances, unhealthy expansions in the currency were

not only probable, but inevitable.

Consequently, if the mass of the bank's paper was to be

completely elastic, some other effective means had to be

found for returning the note circulation upon the bank when

the transactions upon which it was issued had ceased. One

means was provided in the payments made to the govern-

ment. Tariff dues were collected at all the seaports ; enor-

mous sums came in through the land offices and also

through the post-offices. 1 All these payments were made

into the Bank of the United States, and most of them in

notes issued by that bank. Here was a ceaseless and an ever-

efficient means of retiring its issues. Another resulted from

the course of trade in the United States. There was always

a flow of the bank's circulation from the West and South to

the Atlantic cities of the North and East, a consequence of

the commercial relations of these sections to one another, which

made the West and South debtors to the East and North.

The amount of notes 3 received in a single year at the Atlan-

i'\*The government receives its revenues from 343 customs houses; 42 land

offices ; 8,004 post offices ; 134 receivers of internal revenue ; 37 marshals ; 33 clerks of

courts."— Report of the Finance Committee of the Senate, March 29. 1830, & D. 50,

22d Cong., 1st Sess., p. 21. According to this report the government received from

these sources in the ten years preceding Jan. 1, 1830, $230,068,000.

2 Amounts of branch notes received at the offices at Boston, New York, Phila-

delphia, and Baltimore :

Boston

New York

Philadelphia.

Baltimore

Totals

1828

$ 1,010,000

11,938,000

4,453,000

1,497,000

$18,898,000

1829

$1344,000

11,294.000

4,106.000

1,420,000

$18,664,000

1830

$1,794,000

9,168,000

4,579.000

1,376,000

$16,917,000

1831

$ 1,816,000

12,284,000

5,396,000

1,588,000

$19,086,000

1832

$ 2£4&000

13,542,000

6,780,000

1.601,000

$24481,000

For 1828 to 1831 see H. R. 460, 22d Cong., 1st Sess., p. 534 ; for 1832, 8, D. 82, 22d Coo\*.,

2d Sess., p. 3.

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tic offices, largely as a result of the coarse of the exchanges,

was very large. In addition a great deal of paper was

received by the inland offices. In these ways millions of

dollars in the notes of the bank were retired every month.

The paper taken up in 1832 by offices which had not issued

it amounted to about forty million dollars. 1 What amount

of their own individual issues the offices received is not

stated. It must, however, have been considerable. As the

note circulation in 1832 averaged about twenty million dol-

lars, it is evident that at least twice its volume was redeemed

in that year. It is probable that this rule would hold good

for most years. Thus there was a constant redemption and

a constant renewal of the issues, which insured a very con-

siderable degree of elasticity.

Speaking generally, then, it can be said that the issues

were elastic, and a consideration of the issues and deposits,

as revealed by the accompanying chart, will add something

specific to this general conclusion. The first evidence, con-

clusive in itself as to the elasticity of the note circulation,

is the close correspondence between the loans of the bank

and its issues. The chart shows that as the loans increased

the issues increased, as the loans diminished the issues

diminished. This is elasticity. Carrying the analysis a

little farther, it will be evident that the loans and issues

fluctuate generally in a systematic and not in an irregular

manner. The demand for banking credits was greater at

certain periods of the year than it was at others. In the

summer the demand was usually less than during the rest of

the year. This was due to the fact that between two crops

the necessity for banking accommodations diminished. As a

general rule — a rule determined by the need of credit to

grow and to move the crop — the circulation increased from

October to April, then either remained at the level attained

1 8. D. 82, 22d Con\*, 2d Sots., p. 3.

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or rose slightly until July; from July to October it dimin-

ished to a considerable degree. These variations amount to

several millions in a few months. That there are exceptions

to this general rule goes without saying. Where there are

exceptions, however, they can be explained either on the

ground of something unusual in the transactions of the

bank, or something unusual in the commercial condition of

the country. Thus the rule for fluctuation will not apply

at all during the entire period in which Cheves administered

the affairs of the bank. The explanation is not far to seek.

Cheves almost put an end to that part of the bank's business

which was based upon the southern and western trade, in

other words upon the crop. Necessarily, the fluctuations in

the currency could not be determined by demands having

reference to the crop. That the periods of fluctuation are

changed is only additional evidence of the elasticity of the

issues. Again in 1831 the issues did not decrease through

the summer months. The reason was that in this year there

was a general expansion of such potency that the issues

could not be diminished. 1 Similarly in 1832-33 there is a

contraction where regularly there should be an expansion.

This is explained by the fact that the bank had to secure a

stock pf specie in order to redeem a portion of the public

debt. Again in 1833-34 there was a similar contraction,

because the bank was operating to create distress.

In the nature of the case, deposits are elastic The line

in the chart resulting from combining deposits and issues

shows a wonderful correspondence with the line for "total

accommodations.'' The circulation of the bank, using the

word to include the deposits, was certainly elastic in a high

degree. 2

1 8. D. 17, 23d Cong., 2d Sess., p. 97.

3 The question of elasticity possesses importance today largely because the vary

inelastic currency of the United States has been productive of considerable injury

to the business interests of the country. It is admitted by most that the evils inci-

Issues op the Bank

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Issues Ann Deposits

{Computed \*t and of guh month)

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That, in considering only the note issues of the bank, all

the elements of the circulation have not been touched upon

goes without saying. It is necessary to add to these the

bank drafts in circulation, the deposits, and even bills of

exchange in so far as these were transferred by indorsement

All these elements were of importance, but in the case of

bills of exchange and bank drafts it is impossible to determine

the amounts, and therefore they cannot be considered. Gal-

latin, indeed, is authority for the statement that the drafts

in 1829 were equal to a million dollars in the circulation. 1

But while this gives information which is of value for 1829,

it does not help in the least toward determining the amount

of that species of currency for other years. It is only

certain that it was a varying sum, that in the early years of

the bank it amounted to very little, while after 1829 it con-

tinually increased and was of considerable importance. For

instance, while in 1829 the amount was $24,384,000, in the

fiscal year from July 1, 1830, to June 30, 1831, it was $33,-

641,000, a and in 1832 $45,157,000.'

The deposits, which constituted by all odds the most

important of these elements in the bank's circulation, were

almost or quite as large a part of the circulation as the note

issues. But the really striking matter in regard to them, to

one familiar with the importance of deposits today, is that

they were so insignificant It would be difficult now to find

many banks whose deposits do not greatly exceed their note

issues, while from 1817 to 1836 the one great bank of the

dent to a currency largely composed of a fixed amount of greenbacks and the

inelastic issues of the national banks should be removed. The principal question,

however, is as to the remedy to be used. There is certainly ground for thinU^

that a system of great banks with numerous branches would be by all odds the

most successful measure.

i u The total annual amount of those drafts is about twenty-four millions of

dollars, and they are on an average paid within fifteen days after being issued. The

amount always in circulation may, therefore, be estimated at one million." — At>aw

QaUatin'9 Writing; Vol. Ill, p. 296.

3 Ex. Doc. 147, 22d Cong., 1st Sess., pp. 4-30. • 8. D. 17, 23d Cong., 2d 8eas., p, 180.

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country held deposits only about equal to its note cir-

culation, and this, too, under the favorable circumstance

that the larger part of them consisted of government

deposits. 1

In conclusion it will not be amiss to point out the one

great defect in the paper currency of the second Bank of the

United States, and to suggest remedies. The prime defect

in the currency was its want of strict convertibility. This

led to depreciation and to redundant issues, and interfered

with the elasticity of the paper. The remedy for this state

of affairs was certainly not to destroy the bank. In the

stage of banking then existing that was an excess of folly.

A re-charter should have been granted and the bank should

have been compelled to receive all its notes at all its offices.

In this respect the bill to re-charter insured great improve-

ment, 3 for it compelled the bank to take all its notes in pay-

ment of debts due to it from state banks. This would have

almost completely met the difficulty, as is proved by the

result of the bank's adoption of this plan in New York and

Baltimore in 1833, whereupon depreciation in those cities

ceased to exist for the first time in fifteen years. In the

next place, the state banks as well as the national bank

should have been prohibited from issuing notes of a smaller

denomination than $5. This would certainly have brought

into circulation a larger amount of specie, which would have

helped to check the tendency to undue fluctuations so com-

mon in the currency of that time. These measures would

undoubtedly have given the country an excellent paper cur-

rency, completely convertible and sufficiently elastic. Had

these things been done, the nation would in all probability

have escaped the worst disasters of wild-cat banking, the

mistake of the greenback issues, and perhaps the free-silver

agitation.

i For tables of deposits see Appendix V and Appendix XTTT.

s See Appendix IV, see. 4 of the bill.

CHAPTER XVHI

THE BANK, THE STATE BANKS, AND THE CURRENCY

The relations between the bank and the state banks

necessarily fall under consideration in any history of either

the bank or the state banks. This is true because the two

systems were intimately associated, not indeed by law, but

by ties more strict, more far-reaching, and less easily evaded.

In brief, what Bagehot has said of the Bank of England will

apply to the Bank of the United States, though not to the

same extent It was the center of a " single banking reserve

system." In the case of the bank this was not the result of

depositing state-bank reserves in its vaults, but of the fact

that the state banks made no particular efforts to keep an

adequate reserve. Instead of doing so, they trusted to the

Bank of the United States to protect them in case of an

unusual call for the precious metals. Consequently all large

demands for specie finally fell upon it; all hope of payments

in time of monetary stringency rested ultimately upon it

In other words, the Bank of the United States alone was

capable of preserving the soundness of the currency; it

alone was responsible for the continuance of specie payments.

The most potent argument for the establishment of the

bank was found in the confident expectation that it would

compel the resumption of specie payments, hold the state

banks in leash, and supply " a sound and uniform currency/ 9

And yet, though everyone in the country ascribed such

powers to the bank, few had any conception of the precise

method by which it attained these desirable ends, and fewer

still had the faintest notion of the actual relations between the

bank and the state banks, while probably Biddle alone had

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grasped the idea that the bank held the final specie reserve

of the country. In an interesting letter to Gallatin in July,

1830, his appreciation of this fact is apparent The exist-

ence of a specie currency, he asserts, depends wholly upon

the Bank of the United States, and sixty days after it ceases

to exist specie payments will likewise cease to exist The

state banks almost always have their resources " strained to

the utmost," and under these circumstances a slight pressure

would bring on a panic, if the Bank of the United States

did not stand ready to stave it off.

Such is the inevitable tendency of the Banks. It becomes there-

fore of great importance to have amongst them something to which

they can be anchored in these squalls. When such a demand arises

as the local Bankers and private Capitalists cannot supply the Bank

of the United States by means of its accumulations of Bills and its

extended credits in Europe is enabled to weaken the pressure, to

supply the demands at rates which ward off from the State Banks

too great a demand for coin — to allow them time to diminish their

issues without ruin to their customers, and by the gradual reduction

of their business cure the existing disorder.

At such moments the bank is the only safeguard. 1 In other

words, the local banks traded without any feeling of respon-

sibility on their part, anxious only to make the largest pos-

sible profits and leaving to the Bank of the United States

the problem of keeping up specie payments.

That Biddle's opinions were sound, that the bank was in

the circumstances the only guarantor of specie payments,

that it was expected to take care of the state banks and the

country, is established by a number of circumstances. Its

specie reserve was always much greater in proportion to its

circulation than that of any other bank. The proportion

was large, being fixed deliberately at one-third of its circula-

tion, 3 though in fact it was far in excess of this for much of

i Biddle to Gallatin, July 29, 1830, P. L. £., Vol. Ill, pp. 806, 308. See also the

Triennial Report of 1831, Nilm, Vol. XLI, p. 115.

a Webster, Feb. 26, 1834, C. D., VoL X, Part I, p. 737.

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the time. The state banks held no such proportion. Thus

in 1833, while the Bank of the United States had a circula-

tion of $17,000,000 and held specie to the extent of $9,000,-

000, the state banks had a circulation of $68,000,000 and

only $10,000,000 or $11,000,000 in .specie. 1 The propor-

tion of loans to its capital which it felt justified in making

shows just as clearly that its responsibilities were recognized,

even if only dimly. The largest sum it ever had on loan was

$70,000,000, being twice the amount of its capitaL Even

the directors thought this proportion excessive, unwise, and

unsafe, while the man on the street raved against the indis-

cretion of the bank, sober men suggested that a repetition of

the offense should be legally prevented, 1 and a famous Phila-

delphia banker, friendly to the bank, in discussing the acts

of the directors declared: "They have acted like madmen,

and deserve to have conservators appointed over them." 1

Yet at the very same moment the New York banks had

loaned two and a half times the amount of their capital,

and no one censured them for doing so. 4

This simply meant that everyone looked upon the bank,

and justly, as the holder of the ultimate banking reserve,

and that every state bank acted on that assumption. Per-

haps the most surprising illustration of the extent of this

belief was furnished by Girard's Bank. Girard was univer-

sally esteemed as a wise and conservative banker, and yet he

apparently allowed his bank to run along without the slight-

est preparation to pay its obligations. In 1828 Biddle

records his sensation of overwhelming astonishment at hav-

ing Girard's cashier enter the Bank of the United States

and coolly deliver the astounding information that his bank

had not enough specie in its vaults to meet a sight draft for

1 Verplanck, H. R. 121, 22d Cong., 2d Sess., p. 5.

2 Selden, of New York, in the House, Feb. 3, 1834, C. £>., Vol. X, Part II, p.

3 Camberleng, quoting letter of Feb. 16, 1832, ibid., pp. 2380, 2381.

\* Selden, loc. cit.

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$57,000. Biddle at once did what alone remained to do: he

loaned the Girard Bank $50,000 in specie. 1 When in 1831

Girard died, Biddle made the still more astounding discovery

that his bank held only a few thousand dollars in coin to

meet immediate specie liabilities for large sums. The Bank

of the United States again came forward, this time with a

loan of $100,000, to protect the Girard Bank 1

The situation was made much more perilous because of

the complete lack of unity between the bank and the state

banks, and because the actual elements in the situation were

not plainly admitted. The lack of unity, and the general fail-

ure to recognize the actual status, made any common policy

or any concerted action on the part of the bank and the

state banks impossible. This was probably the most serious

defect in the banking system of that day, yet it was unavoid-

able. Even had the Bank of the United States made over-

tures to the state banks for united action, it would have been

repelled, for such a proposal would immediately have aroused

the suspicion that it was attempting to secure an advantage.

Therefore it had to do as well as it could without such agree-

ment. So long as all was fair and debts were promptly

paid, the state banks expanded to the last dollar allowed by

the law and by the Bank of the United States ; but as soon

as a demand for specie arose or commercial panic threatened,

each hastened to get under cover and to throw the burden

on the others. " The action of the Banks among themselves,'\*

said Gouge, " has been compared to that of so many drunken

men passing along the street together, occasionally support-

ing one another, and occasionally knocking one another

down." \* " If the Banks here," wrote Lenox in 1825, " were

faithful to each other there would not be any difficulty, but

we have reason to believe they are not." 4 It would have

i Memorandum of Biddle in B. P. \* Biddle to Cadwalader, Dee. 29, 1881, ibid.

\* Cobbett's edition, p. 135. \* Lenox to Biddle, Dee. 8, 1825, B. P.

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been strange, indeed, if there had been reason to believe

anything else. In December, 1827, he again wrote that, as

a consequence of unusual demands for specie, the New York

city banks were exercising " great caution .... and a

trial of skill to keep from being debtor Banks, and every

engine used at home and abroad to get demands on the

Branch," which of course the branch was doing its best

to evade. 1 In February, 1828, Biddle noted that the Phila-

delphia banks in the presence of a distressing stringency

were reducing and declining to bear their share of the bur-

den of relief. 2

The inevitable result at such times was still further to

diminish confidence, increase the force of commercial dis-

tress, and throw the burden finally on the Bank of the

United States, which had no means of evading it. Thus in

1825 the bank had kept off the panic so disastrous in that

year to England, and in 1828 everyone looked to it for

similar services, and complained bitterly because it did not

discount freely and relieve the pressure. Biddle in answer

published a long article explaining that it was the duty of

the bank to take care of itself, and that the state banks were

at fault in overtrading.' That he felt compelled to defend

the bank is significant of the position ascribed to it in popu-

lar opinion.

Granted that the bank might justly be looked to for

assistance in time of pressure, it follows, as a matter of

course, that it would be perfectly justified in attempting to

restrain the state banks in its own interests, as well as in the

interests of the country. For its own sake it was still

further bound to do so, because in case of suspension it must

pay interest at the rate of 12 per cent, per annum on all its

i Same to same, Dec. 20, 1827, ibid,

2 Biddle to Lenox, Feb. 12, 1828, P. L. £., Vol. II, p. 344.

• Article of April 10, 1828, in the National Gazette\* For extracts ae\* Gouob (Cob-

bett's edition), pp. 150-55.

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notes and deposits, not immediately redeemed in specie on

demand. 1

What means of control over the state banks did it possess?

How could it restrain their discounts? How could it put an

end to the depreciation of their paper? The process was sim-

plicity itself : The bank merely presented the notes of the

state banks for payment when they fell into its hands. As

Biddle succinctly and clearly expressed it: "A branch bank

is near a local bank — the branch notes are more valuable

than the local notes — the local notes are exchanged for

branch notes at the branch bank, which thus becomes the

creditor of the local bank, and makes it pay its debts, and thus

reduce its circulation Almost all State banks stand in

this relation to the bank and its branches." f Or, as Gal-

latin put it even more briefly, the process consisted "in

receiving the notes of all those which are solvent and requir-

ing payment from time to time, without suffering the bal-

ance due by any to become too large." The importance of

this measure Gallatin emphasized by adding: "We think

that we may say that on this operation, which requires par-

ticular attention and vigilance and must be carried on with

great firmness and due forbearance, depends almost exclu-

sively the stability of the currency of the country." \* Accord-

ing to these explanations the bank became the creditor of

the state banks and then forced them to pay. Two ques-

tions immediately arise: Was the bank actually always a

creditor bank? and, How could it become so and remain so?

The bank undoubtedly was the creditor of the state banks

at almost every moment of its existence, as is clearly proved

by its returns, which show that it habitually held large bal-

ances against them. 4 These enormous balances resulted be-

cause it received more state-bank paper in payment of its

i Biddle pointed this oat to Gallatin July 23, 1830.— P. L. £., Vol. IH, p. 299.

>H. R. 460, 22d Cong., 1st Sesa., p. 303.

\* Adams, Gallatin\* $ Writing VoL m, p. 336. \* See Appendix V.

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debts than the state banks received of its paper, so that after

an exchange of notes the state banks would still remain in-

debted and be compelled to discharge the balance in specie.

What amount of state-bank notes the bank took in it is

impossible to say, but in 1832 it received $20,047,815.30 of

such notes in places where it had no office. 1 Whatever the

sum, Niles calculated in 1829 that as a consequence of its

branch system the bank was able to present to the state

banks for redemption their notes to five times the amount

that they could present of the bank's in return. 1 Whether

this calculation was or was not correct, it is certain that

the bank received more of the paper of state banks than

they received of its paper, and was consequently almost

always the creditor. It only remains, therefore, to explain

how it became so, and how it remained so.

The fundamental means of obtaining this result was the

exercise of proper restraint in its own dealings. It follows

as a matter of course that if the bank discounted less and

issued fewer notes than the state banks, it would probably

receive more of their notes in payment of debts due to it

than the state banks would receive of its notes. This result

was made certain by its collecting all the revenues of the

government, much of which came to it in state-bank paper.

Thus it secured an immediate claim upon them for specie,

and a means of keeping down their discounts.' These were

the principal sources of the bank's power, and either of them

alone would have sufficed.

There were other means of exercising control besides that

of presenting the state-bank notes for specie. In all pay-

ments to the government the state banks had to satisfy the

Bank of the United States that their notes were equivalent

to specie, before the government would receive them,\* and if

i 8. D. 82, 22d Cons., 2d Sess., p. 8. \* Nn.E8, Vol. XXXVI, p. 210.

3 Isaao Bronson to J. A. Hamilton, April 4, 1833, Reminiscence\*, p. 254.

4 Rules and Regulation\* for the Government of the Office\*, Art. 24. See Appendix X.

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the government refused them, a source of extensive circula-

tion was immediately closed. 1 Further, the bank would not

only stop the receipt of notes by the government, but it

would not itself receive them, and when neither the govern-

ment nor the bank took the notes of a state bank, they would

not be received by individuals. Hence the Bank of the

United States could keep the state banks on a specie-paying

basis and restrict their business, or destroy the credit of their

notes. 2

The bank, moreover, was able to keep its immediate

demands for specie from the state banks in excess of those of

the state banks upon it, by refusing the receipt of its branch

paper in settlement of balances.' The notes of the state

banks circulated for the most part in the neighborhood of

their issues, while branch notes circulated everywhere in

the United States. It was consequently easy for the bank

to collect and present for redemption the paper of the state

banks; it was sometimes impossible for a state bank to

present the notes of the branch in its vicinage, and seldom

possible to do this for a large amount even when it had a

considerable quantity of branch notes on hand, for there

would probably be but few of the notes of the neighboring

office among them. Moreover, to make certain that the

branches should keep the state banks in debt, it was cus-

tomary to receive from individuals the notes of state banks

i Extensive circulation in the case of most southern and western banks was pos-

sible only because the government took their notes in payment of tariff does, post-

office receipts, land payments, internal revenue, etc.

\* The cashier at Louisville in 1832 writes that " all other notes" are excluded

M from circulation " because the branch refuses to receive the notes " of any bank ex-

cept the Bank of the United States and its branches."— H. B. 121, 22d Cong., 2d Sees.,

p. 146.

The refusal to receive their notes was, however, sometimes desired by state

banks, as it left them absolutely free from all control. "Among the great variety of

measures which we have been obliged to resort to to keep the State Banks up to a

proper standard, it has generally been found that not to take their Notes, is what

is often most desired, since in this way they escape control."— Biddle to Gallatin,

July 23, 1830, P. L. £., Vol. Ill, p. 297.

\* This was not infrequently done.— & D. 24, 23d Cong., 1st 8ess., pp. 2-4, 9-12.

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on deposit and pay the deposit in branch notes. 1 In case the

branch notes were not at once drawn out, no immediate

demand was created upon the office, while, even if they were

at once withdrawn, no equivalent demand would be created,

because in the natural course of trade most of these notes

would be carried to Philadelphia for payment Meanwhile

the state-bank notes became an immediate demand for specie

upon the state banks. At times the bank even furnished its

own notes to a branch with instructions to issue them for

state-bank notes, when the same result would be attained.'

The bank's control was rendered more efficacious, and

its action was immediately and keenly felt, because a call

for specie did not mean simply the retirement of a dollar

of paper for the payment of a dollar in coin. To secure

the specie, the state banks were forced to call upon their

debtors, and these, whenever possible, paid in state-bank

notes instead of in coin. Consequently, Taney calculated

that to collect $1,000,000 in specie the circulation would

have to be diminished four or five millions.\* A balance

against the state bank was therefore an engine of tre-

mendous potency in compelling these banks to restrict

their dealings. So potent, indeed, that one is safe in accept-

ing Biddle's assertion that there were "very few banks

which might not have been destroyed by an exertion of the

power of the bank." \*

On the other hand, the Bank of the United States was

itself constantly restrained by the state banks. This was

the inevitable outcome, for otherwise it would fall into debt

i The president of the Fayetteville branch speaks of the impossibility of con-

tinuing " to receire Local Bank Notes in deposit, repayable in notes of this office." —

To Biddle, July 29, 1826, B. P. See Biddle, H. R. 480, 22d Cong., 1st Sess., p. 363.

2 Biddle to Camming, Feb. 20, 1830, P. L. B., Vol. HI, p. 183. In both cases noted

aboTo the bank would create an immediate demand upon the state bank \*\*\*\*\* a

remote demand upon itself, usually payable at Philadelphia.

> Ex. Doc. 2, 23d Cong., 1st Sess., p. 9.

\*S. D. 50, 22d Cong., 1st Sess., p. 25. Report of March 29, 1830. Sec NUcs\*s

remarks on the position of the bank in 1829, Vol. XXXVI, p. 209.

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to them and lose its commanding position, with the added

risk of creating a pressure so intense as to lead to its own

bankruptcy. Control, therefore, was reciprocal The advan-

tage of the Bank of the United States lay in knowing what

it wanted, in having the means to attain its wishes without

unduly contracting its business, in possessing branches,

and in having a unified policy.

It is evident that the bank could easily secure balances

against the state banks, that it usually held such balances,

and that it had various other means of exerting pressure

upon the state banks. It can be as little doubted that it did

exert pressure upon them. Biddle asserted, the state banks

complained, that it did so. The pressure exerted and the

control attained, however, varied at different periods during

its existence.

During the years 1817-18 the bank failed ignobly to

perform its duty in this respect True, it secured a resump-

tion of specie payments by an agreement with the state

banks, and it established a rule by which they were to

settle for their notes " at least once a week," l But having

done these things it seemed to lose all control, not only of

the state banks, but of itself as well. 1 The failure to hold the

state banks in check was one of the items of censure in the

report of the congressional committee of 1819,' and it was

responsible for many of the embarrassments in which the

bank was then involved.

During the administration of Cheves the bank issued a

very limited quantity of its own notes, using instead the

notes of the state banks when it made discounts. Cheves

thus surrendered the " most efficient means " of supplanting

i Rule\* and Regulations for the Government of the Qfflcet, Art. 25. See Appen-

dix X.

\*The balances doe from the state banks at no other period averaged so high.

8ee Appendix V.

«F M VoLm.p.a07.

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the issues of the state banks and of furnishing a sound and

uniform currency, 1 and gave state-bank notes a wider cur-

rency by issuing them instead of demanding their immediate

redemption. On the other hand, the failure to issue its own

notes increased the corporation's power over the state banks

to an extraordinary degree, since it received their notes in

large quantities, while its own notes could not be secured

by them as an offset to the demand upon them. As a con-

sequence the insistence upon the payment of balances

remaining in the possession of the Bank of the United

States, even after its issuing of large quantities of state-bank

notes, was almost intolerable to the state banks. Out of this

situation arose the disputes with the Savannah banks. In

1821 they were " severely crippled by the measures of the

Bank of the United States " which threatened them with

" absolute ruin." a All this, too, when the Bank of the United

States was permitting them to hold a permanent credit in its

funds of $100,000 and demanding payment only of the

excess of that sum once a week.

When Biddle became president he at once adopted a

plan to repress the issues of the state banks and put an end

to the depreciation of their notes, with the object of expand-

ing the business of the Bank of the United States while at

the same time giving a sound and uniform currency to the

country. To adopt a rule to collect balances was nothing

new, to keep it was. Biddle put the rule into effect once

more ; and for the most part he kept it. The results were

notable. In 1824 the Virginia banks were forced to reduce.\*

i In this way, said Biddle, the bank " surrendered its most efficient means of

control orer the currency."— Triennial Report of 1828, N11.R8, Vol. XXXV, p. 74; Tri-

ennial Report of 1831, ibid., Vol. XLI, p. 111. Gouge asserts that Cheres's policy

helped to delay the renewal of specie payments in South Carolina until 1823. — Gouqk

(Cobbett's edition), p. 104.

2 The president of the Planters' Bank to Crawford, July 21, 1821, JP M Vol. IT.

pp. 1068, 1069.

3 C. J. Nicholas to Biddle, Richmond, Aug. 10, 1824, B. P.

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In 1825 the constant settlement of balances was general 1

In 1826 the bank undertook to correct the currency of Ala-

bama, avowing that purpose when establishing a branch at

Mobile 1 and instructing it to adopt " frequent and regular

settlements with the State Bank of Alabama," and to insist

upon the immediate payment of the balances in specie or

paper equivalent to specie,' with the result that the state

bank was compelled to yield and Alabama notes ceased to be

depreciated. 4 In 1825 the state banks of North Carolina,

old and hardened offenders, which had refused specie pay-

ments at pleasure since 1822/ were taken in hand, but after

ten months 9 struggle the attempt was given up because it was

impossible to continue it "without a further supply" of branch

notes.\* It was only in 1827 that this deficiency was made

good by the invention of branch drafts, which at last gave

the bank the means of securing control by the process of

exchanging branch notes for state-bank notes. As a conse-

quence the North Carolina state banks yielded in 1828,

making an agreement with the Bank of the United States

to pay specie and settle their balances regularly. 7 This

marks the moment when through the use of branch drafts

»8ee pp. 97,96.

\* " But if any bank should so mismanage its affairs as to be unable to meet its

engagements, the continued issue of its notes would be injurious to the community,

.... In such an event, the directors of the Bank of the United States would deem

themselves faithless to their great duty to the country, the preservation of a sound

currency, if they did not control an institution thus insolvent and mischievous. And

this duty they would endeavor to perform with great gentleness and great forbear-

ance, but with great decision."— Biddle to Governor Murphy of Alabama, Oct. 6,

1826, Nilks, Vol. XXXII, p. 125.

s Besolution of the Bank of the United States, July 24, 1829, B. P.

\* Biddle to Joseph Hemphill, Feb. 8, 1880, P. L. B. % Vol. m, p. 174, declares that

the bank has corrected the evils of the issues of the state bank, and that its notes

are now at par.

» Niles, Vol. XXIII, p. 809, for beginning of failure. North Carolina notes were

all depreciated in 1828.— J«d., Vol. XXXIII, p. SSI, and Vol. XXXIV, pp. 153, 154.

\* John Huske, president of the Fayetteville branch, to Biddle, July 29, 1826, B. P.

\* Biddle to John Huske, April 17, 1828, says the plans are being worked out.—

P. L. B., Vol. II, p. 374. A little later Cowperthwaite was sent to make the arrange-

ment with the North Carolina banks, and did so to the effect stated in the text.

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Biddle at last brought to a successful conclusion his plan of

keeping state banks in debt, compelling payment of bal-

ances, reducing their business, diminishing their issues, and

making their notes as good as specie.

Biddle himself claimed in this very year that the plan had

been everywhere perfectly successful, 1 and his assertion was

corroborated by others. Thus in 1830 McDuffie expressed

the belief that North Carolina notes were the only ones

at a discount, and these were depreciated only 1 or 2 per

cent., 1 while a year earlier they had been at 5 to 8 and 12

to 14 per cent.' Even Gouge admits that the Bank of the

United States had succeeded in North Carolina 4 In Mis-

souri it was asserted that the depreciated currencies of the

state had been completely driven out of existence by the

establishment of the branch at Si Louis in 1829,\* while

Congressman Hardin declared that the bank had done this

for the entire West.\* The truth of the assertion as to Mis-

souri is not open to question, for Benton urged it as a subject

of complaint. 7 In the Southern Review in 1831 President

Cooper, though unfriendly to the bank, makes the same

admissions relative to the southern states, asserting that the

banks of the South had "been rigidly kept to cash payments

by the Bank of the United States," and he saw u nothing

unfair in this, although the cash of the district" was "almost

monopolized by the branches. We should be wanting in

i " By a gradual and judicious execution of this plan the effect followed, that

without private or general suffering— without causing the failure of any bank, or of

any individual ; and without inconvenience to the bank of the United States, the

banking operations of the country have been brought under an efficient control ; and

a large amount of the notes of the bank of the United States have been gradually

substituted for the depreciated or doubtful currency, which was so injurious to the

southern and western states."— Triennial Report of 1828, Niles, Vol. XXXV, p. 74.

2 H. R. % 358, 21st Cong., 1st Sess., p. 18, April 13, 1830. ' Nn.ES, Vol. XXXTV, p. 154.

\* Gouge (Cobbett's edition ) , p. 162. & C. />., Vol. X, Part II, p, 2782.

\* " The Bank of the United States has cleared the whole country of that kind of

paper, and substituted, in its stead, its own paper, which is preferable to gold and

silver on account of its portable quality."— Ibid., Part III, p. 3408, April 3, 1834.

TIbid., Vol. VIII, Part I, p. 127, Jan. 20, 1832.

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honest candor," he continues, "not to acknowledge that

the paper currency of this country has been wonderfully

amended by its operations, and is, in consequence of them,

in a state, not perfect indeed, but not reasonably to be com-

plained of." 1 One thing is open to no dispute. In some

way the state-bank currencies were vastly improved between

1823 and 1830. It may be that the Bank of the United

States was not wholly responsible for this result, but certainly

Biddle and countless others, friends and foes, believed it to

be so; and as the bank had been diligently toiling to attain

this end, and actually used a multitude of means to attain

it, the most reasonable conclusion is that the corporation was

responsible.

How great the actual improvement was is evident from a

review of the status of bank paper before 1830. In 1823

the Illinois and Kentucky state-bank currencies were worth

less than half their face value. 1 In 1824 Tennessee bank

paper was at 30 per cent/ and Alabama paper at from 26 to

28 per cent below par. 4 For the years 1824-25 Gouge

summed up the situation as follows: "In Kentucky, society

was in a state bordering on anarchy. In Alabama and Ten-

nessee, the paper of the local banks was much below par.

Ohio, Indiana, Illinois, and Missouri, had not recovered from

the effects of the relief system. The currencies of Georgia

and North Carolina were very vacillating."\* In 1825 in parts

of Kentucky specie was at 60 and 100 per cent, premium, 6

while Bank of the Commonwealth paper was worth only fifty

cents on the dollar. 7 In August, 1826, it was announced

that u all the banks in Nashville" were "about to resume

specie payments ;" ' and it is significant that in this year the

i Southern Review, Vol. VIII, p. 24.

J Nilbs, Vol. XXIII, p. 96 ; Vol. XXIV, p. 542. s Gouob (Cobbott's edition), p. 97.

« Nilbs. Vol. XXVI, p. 200. \* Gouob (Cobbott's edition), p. 145.

• Nilbs, Vol. XXVm, p. 804, July 9, 1825, quoting the Versailles Commonwealth.

\* JWd,, Vol. XXIX, p. 4, Sept. 8, 1825. •JWd,, VoL XXX, p. 418, An\* 12, 1826.

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bank established a branch at Nash villa In 1827 there were

no local banks in Kentucky, Indiana, Illinois, or Missouri,

while there was but one in each of the states of Tennessee,

Mississippi, and Alabama. 1 In 1830, as already noticed,

McDuffie asserted that only North Carolina notes were

depreciated. From 1823 to 1830, therefore, the notes of

the state banks everywhere, with an exception in the case of

North Carolina, had been either driven out of circulation or

made redeemable in specie on demand.

Not only was there an improvement in the character of

the currency, but its amount had been diminished in 8

marked degree. Gallatin states that from 1816 to 1820 the

total circulation of all the state banks had fallen from $66,-

000,000 to less than $44,000,000.\* From that time to 1829,

"with a treble capital they" had "added little more than

eight millions to their issues," while the Bank of the United

States had added about $11,000,000 from November, 1819, to

November, 1829. "The whole amount of the paper cur-

rency" had in that time been increased about 45 per cent,

of which increase the state banks issued less than one-half — a

wonderful improvement, which Gallatin attributes wholly to

the bank.' During its existence the state banks never issued

as much paper as they issued in 1816, though population

had almost doubled and commercial dealings had increased

incalculably. 4

Admitting that the bank restricted the state banks, did it

do this to as great an extent as should have been done? Did

it bring the currency into as good a condition as was pos-

sible? Was it as strict as circumstances demanded? The

fact that the state banks always had such large credits at the

i Gouge (Cobbett's edition), p. 97.

2 Adams, Gallatin's Writings, Vol. Ill, p. 834. « Ibid.

\* The amount of money (mostly paper) in circulation per capita in 1816 was $U;

in 1819, $7.75 ; in 1829, $6; and from 1829 to 1834, $6.35.— Woodbury's tables, S. D. U,

23d Cons., 2d Sess., p. 64.

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national bank would be prima facie evidence that this was

not the case. " It is obvious," said Gallatin, "that it is only

by keeping its discounts at a lower rate than those of the

state banks that these can be its debtors ; and that it is only

by enforcing the payment of the balances that it can keep

them within bounds and thus regulate the currency." 1 Now

the bank, even when attempting to restrict the state banks,

did not enforce the payment of balances as strictly as it

should have done. This failure existed, not only under the

administration of Jones and Cheves, but also under that

of Nicholas Biddle. In 1825 he writes the cashier at Balti-

more that he held it "good policy" for the time being "not

to be too rigid in our drafts" on the state banks. 2 In 1826

he instructs the president of the New York branch not to

call for specie, unless first called on for specie, 3 and in 1832

he laid particular emphasis upon the virtue of forbearance

in demanding specie from the state banks. 4

Insufficient exercise of its power is also apparent in the

continued worthlessness of some of the state-bank paper.

In June, 1829, the New York Herald asserted that there

were "a great many bills in circulation" in that city which

were " worth literally nothing at all," and Niles adds that

the same state of affairs exists in Philadelphia, Boston, and

Baltimore. 5 Moreover, in many of the states notes of a

denomination as low as $1 circulated, and specie was paid

i " Suggestions on the Banks and Currency," Adams, Qctiiatin'a Writing\*, Vol.

HI, p. 306. See also 8, D. IS, 23d Cong., 2d Seas., pp. 29, 30, for Woodbury's opinion.

\* Biddle to John White, April 19, 1825, P. L. £., Vol. II, p. 15.

» Biddle to Lawrence, Feb. 8, 1825, ibid., p. 127. The same instructions were

repeated in March.— Cope to Lawrence for the board, March 23, 1826, ibid., p. 142.

\* M Approaching, as we are, the 1st of October when we will inevitably become

largely in debt to the State Banks we ought to forbear from pressing them now in

order to deserve and to ensure a reciprocal forbearance when our relative situations

change, and our whole effort should be to keep the State Banks at their ease, so that

if we are compelled to curtail they may supply our place — and in the meantime

devote all our surplus means to the purchase of exchange and the redemption of the

S per cents."— Biddle to Cadwalader, Washington, July 1, 1832, B. P.

ft Nilm, Vol. XXXVI, p. 251, quoting the New York Herald.

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only for sums lees than one dollar, while in the two Carolines

" and some other parts of the Union, notes for twenty-five

cents, for twelve and one-half cents, and even six and one-

quarter cents " were "current" l Now, while the bank might

have checked this by putting pressure upon the banks issuing

sums for less than $5, it apparently did not choose to do so, 1

because it did not care to suffer the certain unpopularity

which would have followed drastic measures. Hence it per-

mitted an immense circulation of notes of less value than

$5 — calculated, indeed, at almost one-fourth of the amount

of currency issued by the state banks.'

Yet it would be grossly unjust to censure the manage-

ment of the bank without first considering the enormous

obstacles in its way. The restraints placed upon the state

banks were bitterly resented, and the difficulty of keeping

this up in the face of a Democratic opposition which sup-

ported the local banks must be too obvious to need comment

The struggle of the bank with the banks of Georgia and with

the state of Georgia, with the banks of Ohio and with the state

of Ohio ; the opposition of the southern and western states

all through the presidency of Cheves, will not be forgotten.

Similarly, during Biddle's administration, the opposition of

Alabama to the establishment of a bank was equally strenuous.

Again, in September, 1831, the Bank of Maryland protested

against the action of the bank in attempting to force payment

for its notes. 4 The bank was forced to yield, for such oppo-

sition at that moment might be fatal to the chances for

re-charter. Perhaps the best illustration of its difficulties,

1 Gouge, An Inquiry into the Principles of the American Banking System\* p. 2L

3 It was even argued that, since the Bank of the United States did not take bills

under $5, and since these " constitute nearly a quarter of the circulation of the state

banks," the bank could not control the state banks.— Remarks upon the Bank of the

United States by a Merchant, p. 30. If, however, the state banks issued bills of JS,

which were received by the Bank of the United States, they might be controlled

quite as effectively no matter how much fractional currency was issued.

» Ibid., loc. cit. « Biddle to B. Oliver, Sept. 10, 1831, B. P.

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however, is found in its strife with the Bank of the State of

South Carolina in 1832. Up to December of that year the

Charleston branch of the Bank of the United States had

been accustomed to take the notes of any of the branches

from this bank in payment of debts. 1 This was certainly a

favor to the Bank of the State, and one which prevented

any stringent restraint of its business. In December,

1832, however, the office began to refuse the receipt of the

notes of other branches and also declined to take the notes

of other state banks from the Bank of the State of South

Carolina.\* Great excitement resulted: Hayne, McDuffie,

and Hamilton protested, while the latter assured Bfddle

that South Carolina would nullify the bank charter as well

as the tariff of 1832 if redress was not accorded.' Governor

Hayne actually risked his popularity by his exertions to stay

hostile action by the legislature. 4 Biddle at once instructed

the president at Charleston to put an end to the causes of

complaint 5 Such events aid in measuring the significance

of Biddle' s assertion that, while the state banks were care-

fully kept " within proper limits/ 9 they were " never forced

to pay specie, if it " could " be avoided," and that the bal-

ances were " suffered to lie occasionally until " the debtor

bank " could turn round." \* On the whole, the bank is deserv-

ing of high praise for the control actually exercised in such

circumstances. .

There was, however, another extremely serious aspect of

the situation. The mere demand for specie was very unpopu-

lar. "If you call for specie," wrote Lenox, "it fixes an

i J. Hamilton, Jr., to Biddle, Deo. 20, 1832, ibid,

\* Biddle to President Johnson of the Charleston office, Dee. 25, 1832, & D. 17,

28d Cong., 2d Sess., p. 310.

» J. Hamilton, Jr., to Biddle, Deo. 20, 1832, B. P.

« Hayne to Biddle, Dee. IS, 1832, ibid.

ft Biddle to Johnson, Deo. 25, 1832, 8, D. 17, 23d Cong., 2d Sees., p. 310.

• Report of the Senate committee, March 29, 1830, & D. 50, 22d Cong., 1st Seas., p. 25.

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odium upon us," 1 and no doubt Biddle enunciated a trite

truth when he asserted that the state banks were "never

forced to pay specie, if it can be avoided." Equally true was

it that the Bank of the United States never paid specie if it

could be avoided. Biddle in 1828 instructed Lenox that no

coin was to be paid out for exportation if possible to evade it, 1

and in 1823 he wrote: " Whenever there is a draft from an

individual for specie to any amount the State Banks are made

to pay it if the Balances allow it.'" In 1829 the branch at

Baltimore in selling a draft upon the parent office stipulated

"that it was not to be used as a specie demand upon the

Bank." 4 The habit of avoiding specie demands was, in

fact, universal in the United States. "It is quite amusing,"

wrote an Englishman who had resided in America, "to observe

the care which merchants in America take to prevent runs on

banks, and keep hard money out of use." 5 The result was

twofold: specie was kept out of circulation, and it was so

scarce that the business of the country was necessarily sub-

ject to those vibrations which Biddle constantly mentioned 6

and Gouge emphasized. Perhaps, too, such shocks were

necessarily incident to the industrial conditions of a new

country, and the American temperament was partly respon-

sible: "Our active and energetic countrymen," wrote Biddle,

"want no stimulant to over exertion. They always carry so

much sail, that the man at the wheel, must try to keep his hand

strong and his head cool." 7 Moreover, the amount of specie

in the country was very small, and for the most part lay in

i Lenox to Biddle, Feb. 28, 1828, B. P. » Biddle to Lenox, Feb. 27, 1828, ibid,

3 To C. P. White, of New York, Feb. 8, 1823, P. L. £., Vol. I, p. 6.

\* John White to Biddle, Baltimore, March 4, 1829, B. P.

6 Edward Clibborn, An Outline of the American Debit or Banking Sjpfem,

p. 31, note 1.

• " In the active commercial business of this country, there are constant vibra-

tions."- Biddle, H. R. 460, 22d Cong., 1st Sess., p. 333. Also in his article of April 10

in the National Gazette,

7 Biddle to Senator Smith, Not. 14, 1830, P. L. £., Vol. HI, p. 382.

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the banks along the Atlantic seaboard. 1 The cause of this

slender stock lay not only in the pernicious habit of evading

specie calls, and in the public disfavor meted out to those who

demanded specie, but also in the unusual facilities given by

the state laws for the emission of small notes.

Under these circumstances, the problem of neutralizing

Biddle's " constant vibrations" and of checking an incipient

panic became a very difficult one. Biddle declared to Gal-

latin that the Bank of the United States was essential to the

country in this respect, that it alone possessed the power of

warding off constant shocks to commerce, and that it did this

by buying and selling foreign exchange and thus prevent-

ing the exportation of specie. \* No doubt the bank's services

in this respect were sometimes Important, but it would be

difficult for it to draw bills unless it had accumulated funds

abroad. As Biddle pertinently put it during the pressure

of 1828: "How this drawing is to be performed without hav-

ing accumulated any fund to draw upon, is not clearly indi-

cated." \* In case this method failed, as it was sure to do

during a commercial crisis, there remained several other

means of checking the panic. Stock might have been sold

abroad, and thus a store of specie secured, or the time of

discounts might have been shortened, and the English meth-

od of a rise in the rate of discount might have been adopted.

Unfortunately, the bank could not raise its rate, because

it was bound by its charter to loan at 6 per cent. Even had

it been able to vary its rate, the idea of doing this would

hardly have occurred at that time. The other methods were

employed, therefore. Thus in 1825 United States stocks were

i " Now the basis of oar circulation medium, from its being chiefly in the vaults

of Banks at the seaports, is liable to sudden and extensive redaction, often compel-

ling the banks to extensive and equally sadden redactions in their discounts and cir-

culation."— OuMnc o/ a Plan for a National Bank, p. 13.

\*8ee pp.111, 112.

•Article in the National Gazette, April 10, 1828. See for extracts Qooqu (Cob-

bait's edition), pp. 150-W.

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sold, specie secured, and the bank continued to loan. 1 But

the national debt was discharged in 1834, and indeed this

method of meeting an emergency ceased early in 1832, so far

as the bank was concerned. Even in 1828 it could not sell

stocks for cash. In such circumstances it was compelled

after seasons of brisk trading to shorten its term of discounts

and try to collect from its debtors.\* These measures would

be effective in saving the bank, but they would only intensify

the panic and carry commercial ruin farther. Still, in a

season of great stringency one could hardly expect the bank

to dispense loans without regard for the consequences. Had

there been an understanding with the state banks and con-

certed action, loans could have been made, and the panic

thus checked. But when each bank jealously watched the

others and tried to avoid its own ruin, the Bank of the

United States cannot be severely censured for its policy.

It is surprising, on the whole, that the corporation had

to adopt such drastic methods as seldom as it did. After

the administration of Jones such occasions came only twice:

once in 1828 and once in 1831-32. In both cases the bank

got through without injury to itself, and the business of the

country was not seriously checked.

The correction of the evil would have involved, there-

fore, the training of the public to make demands for specie

and the passage of laws prohibiting the issue of small notes.

Biddle frequently gave it as his opinion that the "metallic

basis" of the currency should be widened, and he suggested, as

did Gallatin and Webster, the abolition of the use of small notes

and the laying of heavy penalties for a refusal to pay specia\*

He believed that if the banks were compelled to withdraw all

their notes below the denomination of $5 the currency would

be vastly improved.\* Undoubtedly the view was correct.

i See p. 107. \* See Biddle in the National OomcUc

\*H. R. 460, 22d Cong., 1st Seas., p. 367.

« Biddle to Gallatin, Sept. 9, 1890, P. L. B.„ Vol. Ill, pp. 940, 94L

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The bank's control varied greatly with the location of

the state bank, with the business habits of the community,

with the state of public opinion, and with its own circula-

tion. In New England it would have little control, for it

did a very restricted business. In the large cities banking

methods were much better understood and the community

would support it in its attempts to restrain bad banking;

but in the country districts, and in the far South and West,

the task was almost insuperably difficult.

What the Bank actually did brought down upon its

head the violent enmity of the state banks. This was so

because the bank, in reducing the business of the state banks,

not only hindered them from engaging in unjustifiable opera-

tions, but actually diminished their legitimate business by

attracting this to its own offices. So powerful was the con-

sequent opposition that in 1832, when the new charter was

before Congress, the friends of the bank were forced to

accept an amendment which would have gone far to deprive

the bank of its control over the currency, for it allowed the

state banks to present any of the notes of the bank to any

of the branches in payment of debts. 1

Gallatin was of the opinion that the bank lost its power

to regulate the currency as early as 1832-33, because in

those years its discounts and issues were excessive. 1 The

fact that the state banks were indebted to the national bank

all through these years shows that this was an error. The

bank lost its power only in 1835, in which year the balances

ran against it for much of the time and ranged from $62,000

to $3,987,000. The removal of the deposits had been the

first blow, but this was by no means immediately effective,

as is shown by the history of the years 1833-84, when the

i See the fourth section of the bill to renew the charter. Appendix IV. See also

Dallas's speech in introducing the bill, May 23, 1832, C. />., Vol. VIII, Part I, p. M8.

'"Suggestions on the Banks and Currency," Adams, QaUaUn'\* Writing Vol.

m,p.3M.

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bank was a heavy creditor of the state banks. The second

blow was the prohibition of the receipt of branch drafts in

payment of government dues, which took effect in January,

1835 ; yet even these two measures would not have robbed

the bank of its mastery had it chosen to exercise it But by

this time it was beginning to settle its affairs, its system was

broken up, and the state banks were allowed to run their

own course.

CHAPTER XIX

THE BANK AS A GOVERNMENT AGENCY

The charter of the bank defined its duties to the govern-

ment and the privileges accorded it for their performance.

It was bound to transfer public funds from one part of the

Union to another, without making any charge for exchange

or for transportation; on the same terms it was to act as

commissioner of loans when required by Congress, and to pay

the public creditors. 1 It paid to the government a bonus of

$1,500,000, and was bound at the demand of the treasury to

transfer to the United States any stocks subscribed to its

capital at the price of the stock when subscribed.\*

In return, certain valuable privileges were bestowed upon

the corporation. Its notes were to be legal tender in all

payments to the United States;' it might sell government

stocks to the amount of $2,000,000 annually, provided that

the secretary of the treasury was first given the option of

purchasing; 4 the public funds had to be deposited in its

vaults in every state in which it established an office, 5 and

the United States contracted not to create any other national

bank during its existence. 6

The financial embarrassments which almost overwhelmed

the government just prior to the erection of the bank were

rapidly overcome after it began operations. The notes of

the bank at once supplied the government with a common

medium of exchange in which it paid its debts and received

its dues. In January, 1817, the bank loaned the government

i Charter, see. 15. See Appendix I. In relation to the bank's duties as com-

missioner of loans, see Statute\* at Large\* Vol. Ill, p. 300.

s Charter, sees. 5 and 6. Including the $7,000,000 stock subscription of the govern-

ment.

\* Ibid., sec. li. «JWd M sec. 5. \*Ibia\, sec 16. • /Wd., sec 21.

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$500,000 as a fund out of which to pay its most argent lia-

bilities, 1 and began immediately afterward to discount notes

of merchants having duty bonds to pay.\* Finally, by enter-

ing into the agreement of the 1st of February with the state

banks, by which they contracted to pay specie for their

notes, it virtually established the resumption of specie pay-

ments. The treasury thenceforth could accept either notes

of the Bank of the United States or those of the large state

banks without loss or annoyance to itself.

But while relief was given, its extent varied in different

parts of the Union. In the West and South, for instance, the

currency was much depreciated, yet in these sections the

secretary of the treasury believed it expedient, indeed neces-

sary, that the United States should accept large quantities of

state-bank paper in payments on government account This

necessity existed because in many parts of the interior notes

of the Bank of the United States could not be supplied, and

consequently so long as large amounts were paid in, on

account of direct taxes, internal revenue, and the sale of

public lands, the paper of state banks had to be received'

Yet even so, most of the difficulties of the government in

the West and South also disappeared for the time, because the

Bank of the United States received almost all state-bank

notes, and credited them to the treasury as cash.\*

But while the receipt of state-bank paper terminated the

major part of the embarrassments of the treasury, it initiated

those of the bank. The discovery was early made that the

paper received was not equivalent to gold and silver. Con-

i Smith to Crawford, Jan. 4, 1817, F., Vol. IV, p. 764.

2 Resolution of the board, Jan. 9, 1817, ibid., p. 766.

3 Crawford to Jones, May 6, 1817, ibid., p. 524.

\* " The notes of all such banks, in the western States, were received by the land

officers and deposited as specie in the offices of the Bank of the United States and in

the State banks, employed as offices of deposit."— Crawford, report to a committee

of the House of Representatives, Feb. 24, 1828, ibid., p. 262.

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sequently the bank was soon forced to abrogate the custom

of receiving the notes of most of the state banks of the inte-

rior. 1 Since Secretary Crawford still thought that the

treasury could not collect the taxes without accepting these

notes, the bank's action threw the public funds into some

confusion, which was much increased in the fall of 1818,

when the bank, out of regard for its own safety, refused to

receive as specie the issues of all the western state banks,

though it accepted them as special deposits. 1 This measure

was supplemented in October, 1819, by an order prohibit-

ing the western branches from making any further note

issues.' As a result the usefulness of the bank to the

treasury was much impaired, the government being com-

pelled to receive larger quantities than ever of the paper

of state banks in payment of government dues in the West

and South. 4

In 1820 another arrangement was made, by which the

bank was to receive the notes of certain specified state banks

in payment of government dues. The notes of the western

banks in the immediate neighborhood of the branches

receiving the public moneys were among the number, but

were taken only on condition that if not redeemable on

presentation the government should be responsible for their

i " With those facta in view, we should be extremely culpable to Involve the

credit and responsibility of this institution with the obligations of banks in remote

parts of the country, of whose capacity, credit, and good disposition we have no cer-

tain knowledge. The public interest may impose upon the Government the necessity

of facilitating the collection of the revenue by receiving the paper of such banks,

.... but until it shall be converted into lawful money, or funds of equal value, the

Bank of the United States cannot assume it as cash."— Jones to Crawford, May 29,

1818, ibid., p. 846.

a " This state of collision and irritation continued increasing until the autumn

of 1818, when the bank notified the Department that it could no longer execute its

arrangement without sacrificing the essential interests of the institution; at the

same time it declared its determination to receive from the land offices nothing but

its own notes and the current coin of the Union, except as special deposit."— Craw-

ford to a committee of the House, Feb. 24, 1825, ibid., p. 262.

3 Resolutions of Sept. 25, 1819, sec. 14, ibid., p. 906.

\* Crawford to a committee of the House, Feb. 24, 1823, ibid., pp. 262,

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payment. 1 This arrangement existed until the removal of

the deposits.\* The receivers deposited the notes in the

Bank of the United States, and these were credited by the

bank to the government as cash, making them immediately

available for government use.\*

The bank had also materially assisted the government in

the collection of what were known as "special deposits."

These were deposits of state-bank notes which were not

immediately convertible into specie, because the bank iraning

them either had ceased to pay specie, or was so distant from

the place at which the notes had been received that they

could not be conveniently presented for redemption. Such

notes could not be used as cash, though their eventual pay-

ment was expected. When the bank began operations, a

large quantity of " special deposits" was credited to the gov-

ernment at the various state banks throughout the Union, and

the directors made arrangements with the United States to

collect these and convert them into cash for the government

by presenting them to the institutions which had issued

them. 4 The task was a difficult and thankless one. Every

insecure little bank attempted to pass off its notes as cash,

while banks which held government funds which had been

entered as cash to the credit of the government years before,

i " I am instructed to say that the bank agrees to your proposition concerning

the receipt of 4 western notes/ on condition, however, that if not paid on present-

ment, they shall be charged to the Treasury."— Cheves to Crawford, July 28, 183k.

F., Vol. IV, p. 939. Crawford accepted this condition.— July 31, ibid., p. 671.

3 Thus Secretary Rush in 1826 and in 1827 issued instructions to the receivers' at

the land offices designating the state-bank paper which might be received in pay-

ments to government.— Circular of Feb. 22, 1826, 8. D. 193, 20th Cong., 1st Sess., pp. 57-9.

This lasted until Jan. 1, 1828, when it was changed by prohibiting the receipt of "the

notes of any local or State bank not established or existing in the State or Territory

where the Land Office is situated."— Supplementary instruction of Aug. 22, 1827, by

Secretary Bush, ibid., pp. 59, 60.

\*"It receives the paper of the State banks paid on public account in the

interior, as well as elsewhere, and by placing it to the credit of the United States

as cash, renders it available wherever the public service may require."— Rush's

report, Dec. 9, 1828, S. D. 7, 20th Cong., 2d Sess., p. 10.

\* See the arrangement finally made.— Jones to Crawford, Feb. 28, 1817, J'\*., Vol.

IV, p. 778.

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now tried to have them taken off their hands as "special

deposits." ! In the face of these obstacles, the bank man-

aged to collect between April 11, 1817, and December 4, 1818,

the sum of $3,278,710.98.\* It then abandoned the task'

because of the trouble and annoyance caused by the attempt

to collect and the bitter feeling aroused among the state banks. 4

The bank lost a considerable sum as a result of its labors. 6

The receipt of state-bank paper on government account

was only one part of a general plan to simplify the opera-

tions of the treasury through the instrumentality of the

Bank of the United States. This plan included, in addi-

tion, a close relation with a number of state banks selected

by the bank to act as agents of the government in keeping

the public deposits and performing the duties of commis-

sioners of loans and pension agents in those states where

the bank had no branches. By October 31, 1817, thirty-

four state banks had been selected for this purpose. 6 The

accounts of the public money in these were kept with the

bank instead of with the treasury, as had been the custom

previously, 7 thus materially simplifying the accounts of the

1 " Eren the acknowledged cash deposit at the Bank of Chambersburg is now

attempted to be passed as a special deposit."— Jones to Crawford, March 12, 1817,

ibid., p. 770.

« The amounts of the \*\* special deposits" to the credit of the treasury of the

United States were as follows: in Jan., 1817, $3,031,459.36; by July 1, $3,072,652.89;

Jan. 1, 1818, $1,991318.88; Jan. 1, 1819, $666,959.24; on July 1, $803,976.59; Jan. 1, 1820,

the amount was $679,778.04 ; on Jan. 1, 1821, $548,663.23 ; Jan. 1, 1822, $564,962.92 ; and on

Jan. 1, 1X23, it was $333,504.66.— Ibid.\* pp. 303-21 and pp. 353, 354. As a result of accept-

ing the notes of southern and western banks in payments to government the " spe-

cial deposit " account was increased after 1817 by $635,304.60.— Ibid., p. 352.

\* " I hare instructed the Treasurer to transfer by drafts to the Bank of Columbia

the amount of special deposit returned by the Bank of the United States to his credit

on the 23d ultimo, being $468,588,37."— Crawford to Smith, Dec. 4, 1818, ibid., p. 600.

4 See evidence of difficulties, ibid., pp. 855-7.

8 "The loss sustained by the bank I cannot estimate. I should willingly com-

promise for a loss of only $200,000."— Biddle to Senate Finance Committee, 8. D. 50,

22d Cong., 1st Sess., p. 25.

• Jones to Crawford, Oct. 25, 1817, F., Vol. IV, p. 820; and same to same, Oct. 31,

1817, ibid., p. 821.

J " Pursuant to arrangements made with the Bank of the United States, the

weekly returns of the money deposited in the several offices and State banks

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department and saving it much expense. 1 The bank trans-

mitted weekly statements to the secretary and to the treas-

urer of the sums received by it, as did also its branches

and the state banks which acted as its agents, specifying

the sources from which the payments came. 1 In this way

the treasury officials knew precisely what dues were paid, on

what account they were paid, at what places they were paid,

and at what places they were available. They were also fur-

nished with a means of checking the accounts of the collectors

and receivers, for these officers in turn were obliged to forward

to the treasury accounts of the moneys they had paid in,

which had to agree with the returns made by the bank.\* Under

this system there was little opportunity for fraud on the part

of individuals, and after the funds had passed into the pos-

session of the bank, it was liable for their safety to the

extent of its entire capital

employed for that purpose to the credit of the Treasurer ot the United States, which.

have heretofore been made to this Department, are to be made hereafter to the Cashier

of that bank."— Crawford's circular to the deposit banks, April 29, 1817, & Z>. 50, 23d

Cong., 1st Sess., p. 521.

i See the plan suggested by Jones.— Jones to Crawford, April 17, 1818, totd., p, n

Accepted with modifications by Crawford, April 22, 1817.— Ibid.\* p. 519.

3 " Weekly returns to this office and to the Treasurer of the United States will,

therefore, be required from the Bank of the United States, and from the branch

banks, of the amount of the public money paid to them, respectively, by the Col-

lectors, showing the aggregate amount at the time of each successive statement.

.... The payments made to the bank should be distinguished under three heads,

vis : customs, internal revenue, and direct tax."— Crawford to Jones, Jan. 16, 1817,

ibid., pp. 496, 497.

" Every receipt given for public money must show the branch of revenue from

which it has accrued, .... The weekly statement made to the Bank of the United

States must strictly correspond with those receipts."— Crawford's circular to the

deposit banks, April 29, 1817, ibid., pp. 521, 522.

> "According to the existing regulations, the Collectors of Customs are required

to make weekly statements of the amount of revenue received by them and paid into

the banks ; weekly returns to this office and to the Treasurer of the United States

will, therefore, be required from the Bank of the United States, and from the branch

banks, of the amount of the public money paid to them, respectively, by the Col-

lectors, showing the aggregate amount at the time of each successive statement.

These statements are necessary as checks upon the returns of the Collectors, and to

enable the officer charged with keeping the accounts of the Secretary of the Treasury

to correct any errors which may result from irregularities in the returns of the Col-

lectors."— Crawford to Jones, Jan. 16, 1817, ibid., pp. 496, 497.

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In accordance with this plan the numerous transactions of

the treasury were conducted through the cashier of the Bank

of the United States. The revenue came in from customs,

direct taxes, land sales, the post-offices, the marshals of the

United States courts, and a number of miscellaneous sources.

These funds, paid in at ten thousand different places through-

out the country, were all deposited by the officials receiving

them in some branch or state bank to the order of the cash-

ier, who gave credit for them to the treasurer of the United

States, who then drew upon the bank for whatever sums he

wanted and at whatever points he wanted them. The

advantage of such an arrangement is apparent The gov-

ernment got complete control of all its funds at once, and it

could command their services immediately wherever needed.

The treasurer simply drew drafts upon the cashier of the

bank, designating the office or state bank at which payment

was required, and sent the drafts to the offices where the

money was to be paid, abstracts of these drafts being for-

warded every week to the bank, which then placed the sum

on its books to the debit of the United States. 1

It was very soon discovered, however, that the agent state

banks abused their privileges as government depositories to

l u 1st. The transactions of the Treasury shall be conducted through the Cashier

of the Bank of the United States.

" 2d. All public money deposited in any of the offices or banks employed in lien

of offices shall be entered to the credit of the Bank of the United States for the use

of the Treasurer of the United States.

" 8d. Corresponding credits shall be given to the Treasurer upon the books of

the Bank of the United States, according to the weekly statement of every such

office or bank rendered to the said bank

41 4th. All drafts of the Treasurer shall be drawn upon the Cashier of the Bank

of the United States, designating the office or bank at which payment shall be

required. The drafts, however, will not be sent to the Cashier of the United States

Bank, but weekly abstracts of all warrants drawn by the Treasurer upon the several

offices and State banks will be transmitted to the Cashier of the Bank of the United

States. And all drafts paid by the offices and State banks shall be returned, through

the mother bank, to the Treasury."— Crawford to Jones, April 22, 1817, ibid., pp. 519, 520.

" The Bonds as they are collected, go immediately to the Collector, who about

once a week, in the large cities, after receiving the money for debentures, transfers

his funds to the credit of the Treasurer of the United States,"— Biddle to N. Silsbee,

Dec. 28, 1833, P. L. £., VoL V, p. 62.

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secure profits at the expense of the Bank of the United

States. 1 While doing this they never ceased complaining of

the alleged unjust acts and oppressions of the national bank. 9

Consequently, there were endless irritation and constant

collisions between them and the Bank of the United States,

and the irritation was heightened by the necessity the bank

was under of transforming into specie the western and south-

ern state-bank notes received on public account\* Finally,

the directors were astounded by discovering that Secretary

Crawford considered the institution legally responsible for

the safety of the government deposits in the agent state

banks. 4 The bank could not, with any regard to its own

safety, continue to incur such responsibility. It therefore

relinquished all control over state banks holding deposits

and demanded that a new arrangement should be made. 1

Accordingly, on the 30th of June, 1818, this part of the

plan of simplifying the operations of the treasury came to

an end. The state banks holding government funds were

made directly responsible to the secretary, and the moneys

l Jones to Crawford, March 12, 1817, F„ Vol. IV, p. 776.

\* Crawford speaks of " the complaints of the State banks employed as offices of

deposit that the Bank of the United States acted oppressively and capriciously

towards them, by subjecting them to all the inconveniences incident to the relation

they held, and depriving them of most of the advantages which they had a right to

expect from that relation."— Ibid., p. 262.

\* Crawford says : "As the transfers of the public money are made by the Bank

of the United States, the excitement produced by the demand for specie, or funds

that can be remitted, consequent upon such transfers, has been directed against

that institution. All the evils which the community, in particular parte of the

country, has suffered from the sudden decrease of the currency, as well as from its

depreciation, have been ascribed to the Bank of the United States, which, in trans-

ferring the public funds, has been a passive agent in the hands of the Government."

—Report to the House, Feb. 12, 1820, ibid., Vol. Ill, p. 506.

\* " The banks have been selected by the Bank of the United States, and the corre-

spondence between that institution and this Department shows that the bank con-

siders itself responsible for the money deposited in the State banks selected for that

purpose."— Crawford to Jones, June S, 1818, ibid., Vol. IV, p. 584; same to same, June

30, 1818, tfrtd., p. 587.

^ The bank "hereby expressly relinquishing all control over the State banks

employed as banks of deposit and the public money which may be deposited in

them hereafter."— Jones to Crawford, June 23, 1818, ibid., p. 853.

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held by them were made subject to the drafts of the treas-

urer, and not to those of the cashier of the Bank of the

United States. 1 The government kept up this connection

with the state banks all through the existence of the bank,

but it was excessively annoying, and the Treasury Department

would have been glad to discontinue it. Secretary Rush,

in 1826, complained of the inability of the state banks to

perform satisfactorily the duties assumed by them, and de-

sired that all the government deposits should be intrusted

to the keeping of the Bank of the United States. 3 At this

time the number of state banks employed as depositaries was

small, and Rush thought that if the bank would establish

branches in Maine, Alabama, Michigan, and Missouri, all the

public treasure could be placed in its charge. 1 Later the bank

did establish branches at Portland, Mobile, Natchez, Buffalo,

and Si Louis, largely for the convenience of the treasury,

and at that department's solicitation. But the needs of the

treasury constantly increased, and the necessity of using

local banks in states where the Bank of the United States

had no branch was always present Consequently, when the

l "The arrangement by which the public money deposited in the State banks as

offices of deposit was subject to the drafts of the Cashier of the Bank of the United

States, by agreement, expired on the 80th ultimo. All sums deposited in such banks

subsequent to that time may be entered, as heretofore, to the credit of the Bank of

the United States, for the use of the United States, and shall be drawn, from time

to time, by the Treasury drafts."— Crawford to selected state banks, July 1, 1819,

<Wd„ p. 588.

\* " From the want of punctuality that has been manifested by somo of the State

banks, in regard to their engagements with the Treasury, and from the risks to which

they have been found to be generally subject, it seems as if it would be ultimately

necessary to dispense altogether with the agency of those institutions ; indeed the

chief difficulty that presents itself to the immediate adoption of this course, would

be removed, if there were offices of the Bank of the United States at those points

at which the public depositee in different quarters might, without too great incon-

venience, be concentrated.' 1 — Secretary Bush to Biddle, Jan. 26, 1826, 8. D, 17, 23d

Cong., 2d Bess., p. 254.

\*\*'It is believed that the establishment of these three offices [at Detroit,

Mobile, and St. Louis] and one in Maine, which the bank is understood to have long

had in view, would remove the necessity of employing any other than the Bank of

the United States and its offices as depositaries of the publio moneys throughout the

United States. "-/Md., p. 255.

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deposits were removed in October, 1833, there were still

thirteen state banks which held funds and made payments

for the government. 1

The arrangement entered into in 1817 for making trans-

fers of government funds soon became embarrassing to the

bank, because the treasury was accustomed to call for the

funds whenever it wished them, regardless of the places ux

which they were. Transfers having to be made over vast

distances, across a country where the means of transporta-

tion were so wretched that it took six weeks to travel from

Philadelphia to New Orleans, it was absolutely impossible

for the bank to meet the demand of the treasury without

being allowed time to make the transfers. Cashier Smith

complained that the government drew for large sums with-

out giving previous notice to the institution, and that it was

beyond the bank's power to meet these demands. 8 Crawford

replied that the treasury kept its accounts, not with the

branches or the agent banks, but with the Bank of the United

States alone, which therefore must be ready to pay the

public funds at the points designated by the treasurer, no

matter where the funds were collected and deposited.\* The

i Report of Secretary Woodbury, Deo. 12, 1834, 8. D. 13, 23d Cong., 2d Sees., p, 45.

The annoyance caused the government by this arrangement was considerable, for it

resulted not only in poorer service, but also in actual loss. From 1817-34, inclusive,

$1,764,235.06 became unavailable by the failure of deposit state banks, and in ISM

$920,200.16 were still due.— I&uf ., p. 50.

2 " There is not a sum sufficient to the credit of the Treasurer in this bank to

meet his draft this day received for eleven millions of dollars. It was expected that

when the interests of the public required an accumulated sum at any one point

drafts would have been drawn in favor of the Bank of the United States on the

Cashier, payable at such offices, or banks employed in lieu of offices, from whence

the money was intended to be drawn, which would have enabled this bank to have

placed the money at the point desired."— Smith to Treasurer Tucker, Aug. 13, 1817,

F.i Vol. IV, pp. 813, 814.

\* u The Treasurer keeps no account with the offices and State banks employed

in that character by the United States Bank The drafts of the Treasurer,

since the first embarrassments by which the United States Bank was enveloped have

passed away, are made payable wherever the public interest requires, without refer\*

ence to the existence of public funds at such place, as the bank is by charter bound

to transmit the public funds whenever the Government requires them."— Crawford

to Smith, Sept. 25, 1817, ibid., p. 550.

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drafte of the government became still more embarrassing

during the panic of 1818-19.

In October, 1819, therefore, Cheves transmitted to Craw-

ford the draft of a new arrangement to date from November

1 of that year. The time to be allowed for transferring funds

was as follows: from and to New Orleans, no matter what the

other office, four months ; from the West to the Atlantic cities,

and vice versa y four months; from offices south of Wash-

ington to those north, and vice versa, sixty days; and from

offices south of Washington to offices south of that city, or

from offices north of it to offices north, thirty days. 1 Nor

was the treasury to draw on an office unless it had funds

deposited there. A change was also made at this time in the

mode of keeping the accounts of the treasury with the bank.

Henceforth the department was to keep separate accounts

with the individual offices, instead of a single account with the

parent office.' These modifications were accepted by Craw-

i " 1. That .... the bank shall pay, at the places of receipt, without reference

to the notes received, (whether of the offloes receiving, or others,) except in relation

to debentures.

44 2. That the Treasury, when it desires to use its funds otherwise than where

they may be deposited, shall direct the bank to transfer to the specific offices where

it shall want its funds, from the specific office where they may be deposited, and

that the bank shall be bound to effect these transfers within periods to be agreed

upon, .... that for the present, .... the following periods be established :

"1. From the western offices to the Atlantic offices, respectively, and vice

versa, four months.

44 2. From and to New Orleans, in all cases, four months.

44 8. From the offioes south to the offioes north of Washington, and wee versa,

sixty days.

• 44 4. From offioes north of Washington to offices north of Washington, thirty

days.

44 5. From offioes south of Washington to offices south of Washington, thirty

days.

44 3. That the Government (unless in eircumstanoes which shall be the subject of

special arrangement) shall only draw on offices to the amount of its funds in those

offices, respectively, exoept the offioe at Washington, where it shall draw at pleasure,

as heretofore.

44 5. When, under special understanding, the Government shall draw on the

bank or an office not having funds to meet the draft, it shall simultaneously grant a

draft in favor of the bank or the office on the bank or suoh office where it shall have

funds as the bank shall designate, to cover such drafts."— Resolutions of Sept. 25,

1819, sec. 16, ibid., p. 900.

i 44 At present there is no account between the Treasury and the offices, except

the office at Washington. The bank at Philadelphia has credit with the offioes for

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ford. 1 The treasury thereafter gave notice of the transfers

that would be needed by transmitting to the bank a weekly

list of the drafts drawn, and from June 26, 1829, a daily

list of the warrants issued, 8 stating the sums which would be

needed by the government, the places at which they would be

needed, and the times when they were to be paid. The

bank was thus always prepared to make payments when they

were called for, and thenceforth the monetary affaire of the

government were managed without inconvenience either to

the bank or to the treasury.

f The specific acts which the bank had to perform as a

treasury agent were the following: (1) it received and kept

the funds of the government, from whatever source derived;

(2) it transferred the money of the nation from any part of

the nation to any other part; (3) it made disbursements

from the government funds to the holders of the public

debt; and similarly (4) it paid almost all the pensioners of

the government. All this it did without compensation.

^1 The first inquiry which naturally arises is whether or not

the bank was a perfectly safe depositary. To this inquiry

only one answer was ever given, and that an affirmative ona

Secretary Woodbury, a bitter opponent of the bank, in his

report of February 11, 1841, admitted that the government

had not lost a single dollar through the agency of the Bank

of the United States, while losses from state banks, counting

principal and interest, were $15,492,000.\* The explanation

of the bank's safety as a public depositary is simple. It was

responsible for the government funds to the extent of its

the rise of the Treasury, and is debtor to the Treasury for the aggregate amount ;

this mode of keeping the account is rather a fiction than a reality. The offices are

really debtor, and have the means of paying, and with them, respectively, the

accounts ought to bo kept. 1 '— Ibid.

i Crawford to Choves, Oct. 8, 1818, F., Vol. IV, p. 644.

2Jaudon to Campbell, Nov. 5, 1833, H. JR. 313, 23d Cong., 1st Sesa., p. 24; and

Nov. 15, 1833, ibid. % p. 27.

\*S. D. 180, 26th Cong., 2d Sess., p. 4.

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entire capital, and it could be reached easily by legal process

through the courts of the United States if the need arose.

Moreover, the bank was under the strict supervision of

the Treasury Department, its affairs being placed before the

secretary every week and every month, and that officer being

empowered to make a special examination whenever he

saw fit. Besides all this, either house of Congress could

order an investigation at any time. This state of affairs

reveals at once the difference in the degree of responsibility

between the Bank of the United States and the state banks.

Over the latter the government had no control ; they were

amenable to state laws, and the strictness of these laws varied

with the state ; there was seldom rigid supervision, and fre-

quently no supervision whatever. Hence the government j

incurred great risks in employing state banks, no risk what- /

ever in employing the national bank

Then, as now, most of the revenue was received through |

the customs-housea The entire amount collected from cus-

toms during the bank's custody of the public funds was over

$358,000,000, while the sum of all the government moneys

which the bank ever held was about $410,000,000. The

sums received from the sale of public lands were next in

amount, being $35,700,000 for the whole time that the bank

held the public deposits, while the receipts from internal

revenue, direct taxes, and miscellaneous sources were meager,

being from 1817-33, inclusive, only $11,900,000. 1

Adherents of the bank were wont to magnify its services

in making transfers for the government' Its opponents, on '

the other hand, belittled the claims, and asserted positively

that it possessed no special virtues in this particular. Polk,

in his minority report of March, 1833, asserted that the

i See the Report of the Secretary of the Treasury, 1888, pp. cxxii, cxxiii, for the

gorernment receipts during 1817-36.

3 Adams, QaUatirCt Writing\* Vol m, pp. 828,829,845,346; Coltoh, Work\* of

Clay, Vol. V, p. 615; Webeter'B Work\*, VoL III, pp. 401, 402; VoL IV, p. IOL

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bank rendered no special service in transferring government

funds. 1 Secretary Woodbury, in 1834, argued that the

transfers were profitable to the bank, 2 and Gouge, in a pam-

phlet issued in 1837, made an elaborate argument again\*

the bank as a necessary, or even a convenient, treasury

agent He held that its services in this capacity had beet

grossly overrated; that at those points where the transfer\*

incurred risk or expense the government was compelled to be

its own carrier; and that a private merchant occupying t

position similar to that of the bank would have made an

immense fortune.\*

In making these criticisms the whole truth was some-

times either not told or else obscured. For instance, Wood-

bury, while arguing that the bank made few transfers far

the government, revealed in a passing sentence that this had

been the case only within a few years, and that earlier the

advantages to the government had been considerable. 4 Both

his opinions and those of Polk were based entirely upon the

figures for 1834, which seemed to show that collections and

disbursements were principally made at the same points, and

hence that few transfers were necessary. Even most of this

was mere seeming. Gouge fell into error by accepting these

figures and the accompanying argument in Woodbury's

report, without noting his admission of the bank's previous

usefulness. A list of transfers for 1832 proves that Wood-

bury's "few years" were not over two, for in that year they

were numerous and large. 5

1 H. R. 121, 22d Cong., 2d Sess., p. 42. 2& D. IS, 23d Cong., 2d Sees., pp. 10-12, St-tt.

> Gouge, An Inquiry into the Expediency of Dispensing with Bank iipmuy ....

in the Fiscal Concerns of the Country, etc., pp. 24, 38.

\* " The benefits, supposed to have been derived by this department from the

United States' Bank, from performing that operation, were, at one time, w" ^

able." This had ceased to be so "for some years past." — Secretary Woodbarjft

report, Dec. 12, 1834, 8. D. 13, 23d Cong., 2d Sess., p. 12.

& The whole sum was $16,100,000.-5. D. 17, 23d Cong., 2d Sess., p. 181. "Tfce aiw\*

age from 1815 to 1827 is 28 millions." The average now is from twenty to

five millions.— Biddle to Gallatin, Sept. 9, 1830, P. L. £.,Vol. Ill, p. 844.

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Yet, even admitting that Woodbury and the others were

absolutely accurate in their statements, and that the bank

made a profit on the transfers, still the conclusion that the I

transfer of the funds was not a great convenience and saving I

to the government, would not follow. It was not correct

to argue that, because the bank could make the transfers

and realize a profit in making them, this could be done by

any other institution, or that the government could itself

1 transfer the funds without expense. Neither of these things

was so. It will be readily admitted that if the government

wished to move its funds without depositing them in some

bank, it would have to pay for the transfers, and there

would be no compensating advantage. As to the state

banks, the national bank possessed at least three very definite

advantages over them. Its notes, checks, drafts, and bills

of exchange were willingly received everywhere from Mon-

treal to the City of Mexico. A credit so extensive made

possible a system of domestic exchange by means of which

the funds of the government were transported from place to

place, always at a very low rate, and frequently with a profit

to the bank. 1 In the third place, all this was made easier

and the system of exchange rendered of the highest eflP

ciency by the organization of the bank, with its twenty-five

branches scattered through the Union. Not one of these

advantages was possessed by a state bank, and yet the result-

ing efficiency and the consequent profit on the exchanges

could be attained by no other means.

The sum saved to the government on transfers may be t

calculated with some approximation to the truth. The bank \

charged on an average J of 1 per cent for making transfers

i •\* The transfer of the money of the United States by the Treasury, from one part

to another, would be attended with great risk and some expense The bank is

bound to draw the money of the United States from any one part of the Union to

any other, without any allowance for loss of exchange. This, it is presumed, is a

considerable saving to the United States in the exchange, and a security against the

risk of transport and fraudulent agents. .... The exchange almost always is in.

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for private individuals. The transfers for the treasury from

1815 to 1827, inclusive, averaged $28,000,000 a year, and

at J of 1 per cent, the sum saved yearly would be $60,186.56. 1

For the seventeen years that the bank was the public deposi-

tary this would give a saving of $1,023,161.52, and this

amount is probably not excessive.

When the disbursements are examined they are found to

fall under several heads: There were payments made on ac-

count of the public debt, principal and interest; of pensions;

of the army and navy ; and of the civil list The bank incurred

no great expense in making any of the disbursements, ex-

cept those in connection with the public debt and pensions.'

An inquisition into the disbursements on account of all

other subjects is, therefore, unnecessary. In respect to the

public debt and pensions, the bank not only acted as dis-

burser for the government, but, in accordance with the

terms of the charter, had imposed upon it the duties of com-

missioners of loans and pension agents.\*

During the period of the bank's possession of the gov-

ernment deposits the sum paid in discharge of pensions

was $34,4^4,000. Not all of this was disbursed by the

tank, since in states where it had neither a branch nor an

agency the payments were made through private agents.

These exceptions were unimportant, 4 however, and the COn-

favor of New Orleans : The difference of exchange is believed to be from 2 to 4, and

sometimes 5 per cent, which is a saving to the United States ; not a positive loss to

the bank, because it may, and probably does save itself by the purchase of bills of

exchange on Europe, which it can sell in the Atlantic States, without loss ; an opera\*

tion which would be very difficult and expensive (and perhaps dangerous, from bad

agents) for the Treasury to perform."— Report of the Finance Committee of the

Senate, May 13, 1828, 8. D. 195, 20th Cong., 1st Sess., p. 3.

i Biddle to Gallatin, Sept. 9, 1830, P. L. £., Vol. m, p. 344,

« Thus from 1817 to 1835, inclusive, out of a total expenditure of $481,983,000, the

amount devoted to the payment of the public debt and pensions was $243,744^)00, or

more than one-half.

\* Statute\* at Large, Vol. Ill, pp. 300, 381, chap, xxxviii.

4 Thus in 1826 the amount expended on pensions was $1,556,000, out of which the

bank disbursed $1,003,514.50; in 1827 the whole amount was $976,000, out of which the

bank disbursed $926,343.70. See Report of the Secretary of the Treasury for expend!-

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jecture that the bank disbursed $30,000,000 out of the total

will not be far astray. The sum saved to the government

may be calculated on the basis of 2 per cent, that being

the commission allowed to individual pension agents. 1 The

whole amount saved would be, therefore, $600,000.'

The sums paid on account of the public debt were large,

aggregating $212,202,000 from 1817 to 1835, inclusive.

The expenses of disbursing at least $200,000,000 of this total

fell upon the bank. These expenses to the government before

the establishment of the bank had ranged from $26,000 to

$31,000 a year, while after its establishment they were reduced

to a trifle over $2,000.\* It may be concluded, therefore, that

the bank saved the government from $500,000 to $600,000 on

this item. 4 Adding this to the saving on the pension pay-

ments and that on the transfers, the total is at least $2,120,000.

Not only did the bank save the nation large sums by act-

ing as paymaster of pensions and the public debt, but it

assumed the risks which the government would otherwise

have been compelled to incur. It occasionally suffered losses

as a result. Thus the president at Portsmouth defrauded

the government of $20,000, taking the sum from the pension

funds, and the bank was obliged to replace it.\* In 1828 the

tares of the government, 1898, pp. cxxvi, cxxvii; for bank's disbursements, Ap-

pendix B, report of the Senate Finance Committee, May 13, 1828, 8. D. 196, 20th

Cong., 1st Sess., p. 7.

i " The rate of commissions allowed for paring pensions, where any are allowed

to agent9 or institutions other than the Bank of the United States and its branches,

is 2 per cent."— Ibid.

'"At this rate [\*. e.,2 per cent.] the annual amount of commissions would be

as follows: 1825, $21,143^0; 1888, $20,070.29| 1827, $18,528.87. "—Ibid. The sums paid in

pensions during these years were less than the annual average.

« 1814, $26,578.01; 1815, $81,584.51; 1816, $81,345.21; 1817, $30,675.80; 1818, $2,042,30.—

Appendix C, ibid., p. 8. See the Report of the Secretary of the Treasury, 1863, pp. cxxvi,

cxxvii, for the expenditures of the government from 1817 to 1837.

\* In February, 1829, President Biddle declared that the sum saved the govern-

ment by the bank was $50,000 annually on payment of pensions and public debt. This

would make the total saving about $900,000.— A D. 92, 20th Cong., 2d Seas., p. 6.

\* " The office at Portsmouth had originally the misfortune to have at its head a

Mr. Cutts, who ended by defrauding the United States of upwards of $20,000 of the

pension fund, which the bank was obliged to replace."— Biddle to Ingham, July 18,

1829. H.B. 460, 22d Cong., 1st Set\*\* p. 442.

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institution lost $3,000 by a fraud committed on it in pay-

ment of part of the funded debt; in 1829 it was being sued

for $5,000 which had been lost through the failure of its

agents. 1 Biddle mentions a case in which the bank suffered

by paying out pension moneys without having complied with

all the formalities of the Treasury Department,' and after the

expiration of the charter the bank was sued for $24,907,

which had been retained by presidents at the branches.\*

The duties of commissioners of loans were evidently hazard-

ous, and that they were onerous is known from the objec-

tions made by the state banks to performing them/

When the charter was framed there was a general expec-

tation that the bank would enhance the credit of the state ,

by absorbing into its capital much of the public stock. The

government, moreover, was given the further advantage of

redeeming this stock at any time at its valuation when sub-

scribed, no matter what the market quotations. The expec-

tations were realized. Almost three-fifths of the bank's

capital subscribed by individuals was in stock, to which was

added the government's subscription of $7,000,000 at 5 per

cent Thus $22,386,000 out of a total of $35,000,000 con-

sisted of government securities, and almost one-fifth of the

entire public debt was absorbed into the bank's capital.\*

l "The bank lost $3,000 by a fraud committed on it the last year, in paying the

debt, or interest thereon, and are prosecuted for another to the amount of ISgOOOi

The parties who had fraudulently received the money, hare failed, and the loss is

to the bank, which would have been to the Government, if the Commissioners of

Loans, (as formerly) had transacted that service."— & D, 92, 20th Cong., 2d Sees., p\*

6, Feb. 20, 1829.

a Biddle to Cass, Jan. 23, 1834, & D. 71, 23d Cong., 1st Sess., p. 15,

•$24,907.25 had been retained by the presidents of the branches at New York,

Richmond/and Cincinnati, to reimburse them for duties performed as pension agents.

Both the bank and these officers were sued.— Report of Secretary Swing, June 14,

1841, 8. D. 72 % 27th Cong., 1st Sess., pp. 2, 3.

\* President Fleming, Mechanics' Bank, New York city, to War Department,

Jan. 27, 1834, 8. D. 71, 23d Cong., 1st Sess., pp. 37, 38; and President Schott, Qirard

Bank, Philadelphia, Jan. 22, 1834, ibid., p. 39.

5 The whole nominal debt on Jan. 1,1816, was $127,334,933, and on Jan. 1, 1817.

$123,491,965. The bank held $22,386,964.93. For the figures in regard to the feank'e

subscriptions see F. t Vol. Ill, p. 269.

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This stock rapidly appreciated, and hereupon the government

took advantage of its right to purchase the stock at the sub-

scription price, and in 1817 redeemed almost all held by the

bank, excepting its own stock paid for bank shares. 1 The

gain to the government cannot be calculated, but it was con-

siderable. 2

The government enjoyed the further advantage of being

able through the bank to procure loans at the best possible

terms. A loan of $2,000,000 at 6 per cent, was made in

1820; ' another of $4,000,000 at 5 per cent in 1821 ; ' a third

of $5,000,000 at 4£ per cent, in 1824 ; ft and a fourth of

$5,000,000 at ^ per cent in 1825. 6 The bank's greatest

usefulness in this direction was never proved, since its exist-

ence was passed entirely in time of peace. A war would have

thoroughly tested its efficiency, and it is probably one of

the misfortunes of this country that no Bank of the United

States existed at the outbreak of the Civil War.

In addition to securing long loans, the government was,

alwayB certain of being accommodated temporarily by the bant

The first corporate act of the Bank of the United States was a

loan of $500,000 to the government to pay running expenses. 7

In the first quarter of 1831 the treasury account was over-

drawn $1,044,539, and in the fourth quarter of 1824, $518,.

910. e In 1832 President Biddle loaned the secretary of war

$39,000 without charging interest. These were matters of

i Crawford to Jones, May 8, 1817, F M Vol. IV, pp. 525, 586. The government

redeemed $20,886,000 of the public debt in 1817. Of this amount oyer $13,000,000 were

purchased from the Bank of the United States.— /bid., VoL HI, p. 228.

i Biddle gare as an Instance the 3 per cents. Of these there were subscribed to

the bank's capital $1,556456.04 at 65 on the 100, worth at par $2,934,086^3. The govern-

ment got this at 65, though it paid dollar for dollar on the rest of the 8 per cents.

Profit, $1,397,930.19.-To L. Williams, Feb. 12, 1833, P. L. £., Vol. V, pp. 320, 831.

»Nilbs, Vol. XVIII, p. 314; Crawford to Chores, June 22, 1830, \*\*., Vol. IV, p. 60S.

« Cashier Wilson to Crawford, April 11, 1821, ibid., p. 952.

» JWd., Vol. V, p. 180. •H. /?. 460, 22d Cong., 1st Sets., p. 885.

T Smith to Crawford, Jan. 4, 1817, \*\*., VoL IV, p. 764.

• Report of the treasurer, Jan. 12, 189, & D. 44, 20th Cong 1 ., 2d 8ess., p. 2.

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no great moment, but they show how convenient the bank

was to the government.

The country as a whole derived direct pecuniary advan-

tages from the bank. It is well known that under the present

system large payments on account of the public debt are apt

to embarrass commerce by throwing on the community

immense sums of money for which there is no demand, while

at other times the treasury has locked up in its vaults enor-

mous sums which ought to be in circulation. Inevitable and

severe disturbances in trade result. During the existence of

the Bank of the United States these disturbances were, for

the most part, avoided. The government never had its sur-

plus funds locked up, because the bank employed them in

making loans. The bank also avoided the embarrassments

occasioned by throwing on the market at a single instant huge

quantities of money in payment of the public debt, by mak-

ing the payments gradually. In the same way it avoided the

pressure consequent upon a sudden large demand upon the

money market for funds to be used in paying the debt It

was the frequent boast of President Biddle that these evils

always were averted by the bank's good management, and the

secretaries of the treasury at that day admitted that this was

so. 1 The bank early received notification of the debt to be

i See the subject treated at length in Secretary Rush's report, Dec 9, 1828, 8. D.

7, 20th Cong., 2d Sess., pp. 10, 11.

" To prepare for this payment by accumulating funds, would require that the

Bank should curtail its discounts, which would oblige the State Banks to do the

same thing, so that a scarcity of money would be produced, perhaps an extreme

pressure, until the first day of July, when an immense amount of money would be

thrown into the market to seek investment, causing as sudden a rise in the funds as

there had been a previous depression. To avoid these fluctuations the Bank has

said to the fund holders instead of waiting for the last moment, when there will be a

great press for investment, look about you and wherever you find an object of invest-

ment, bring your stock to the Bank; and although the Bank cannot purchase the

stock, it will lend the amount on your note payable on the 1st of July, secured collat-

erally by a pledge of the certificate, and it will lend it to you at 5 percent., as it only

in fact cashing the drafts of the Government on the Bank.

44 This is a great facility to the fund holders, and they availed themselves of it

to a considerable extent, so that on the 1st of July, the several Branches were dis-

counting on the stock, which was thus melting away, till on the day of payment, the

I

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discharged, and at once began discounting on the stocks to

be paid off, holding them until the time of redemption came.

In this way the holders got a bank discount for their stock,

one loan replacing another. Hence, when the government

ordered the payment to be made, the bank had already pro-

cured most of the stock There was then merely a change

of credits on the books of the bank, the government getting

the stock, and the bank getting ownership of a part of the

public deposits which before were in its possession. It is

true, however, that these gradual payments were not always

possible.

The objection is sometimes urged that if the government

funds were intrusted to banks, difficulty might be found in

securing them promptly when they were wanted. This objec-

tion is valid, and necessarily most be where banks are permit-

ted to use the funds of the government with no stipulation in

favor of holding certain sums subject to order. The diffi-

culty would almost certainly occur in times of crises, and

it did occur in the case of the Bank of the United States.

Thus, as a consequence of the panic of 1819, the bank was

forced to ask the government to postpone the payment of the

Louisiana stock to the amount of $2,000,000, the bank pay-

ing the interest on the sum. 1 The case of the 3 per cents, in

1832 was of a similar character. It may be concluded, then,

that there was inconvenience to the government occasionally

under the Bank of the United States, but such inconveni-

Bank was relieved from the heaviest pressure, and was enabled to continue its accom-

modations to the community undiminished up to the very day of payment. This is

one of the most beautiful of our operations, enabling the Bank to go over a pay day

of six or seven millions of dollars without the slightest change in its daily business

or the least shock to the business of the country."— Biddle to F. Hopkinson, Nov. 2\*

1830, P. L. B„ Vol. Ill, pp. 378, 379.

" It has thus become part of the settled policy of the bank, at the approach of

any large payment, to begin its preparations for a long period in advanos, so as to

collect its means gradually, and to distribute its disbursements over as wide a space

as possible."— Report of the Committee of Exchange, H. R. 121, 22d Cong., 2d Seas.,

p. 161.

i Crawford to Gallatin, April 28, 1819, Adams, QaUattn\*\* Writing Vol II, p. 96.

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ences were as near a minimum as could justly be expected.

There is no system which will completely meet the case.

The direct profit which accrued to the United States

through the connection with the bank consisted of the bonus

of $1,500,000, then of the excess of dividends from the bank's

profits over the interest paid on the government's stock note,

and, thirdly, of the advance in the price of this stock when the

bank settled with the government. The total of these sums

was $6,093,167.07. 1 To this must be added at least $2,100,-

000 more, being the amount saved by the bank's perform-

ance of the duties of commissioner of loans and pension

agent and its transfers of public funds. The whole profit,

therefore, was something like $8,193,000. This is a definite

and calculable sum. In the nature of things, the greater

benefit was of an intangible kind, but none the less reaL

An appreciation in the public securities had a money value,

even though it could not be measured, and so had the

insurance of the public funds which the bank's custody

furnished.

The value today of a bank performing the same duties

for the government would be far in excess of the value of

the old bank. The charges for the large government trans-

fers, the expenses of the independent treasury, of the gov-

ernment agency of the national banking system, of the

1 CBEDIT

Bonus $ 1,500,000.00

Dividends paid by bank 7,118,416^9

Proceeds of stock sold and other moneys paid by

the bank to the United States .... 9,424,750.78

Total $18,043467.0?

DEBIT

Five per cent, stock $ 7,000,OOOuOO

Interest paid on this stock 4,950,000.00

Total $11,950,000.00

Profit of government $6,093,167.0?

— Report of Comptroller Knox, 1876, p. ziii. See also his History of Banking in

the United States, p. 79.

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greenback issues, of treasury notes, the losses by fire, by

theft, by the bad faith of public servants — would all vanish.

To the business community and the community at large

such a bank would be more valuable stilL

The advantages were not all on one side. The Bank of

the United States certainly enjoyed an equivalent But

that equivalent cost the country nothing, and the advantages

bestowing it could not have been made profitable except as

granted to some individual or corporation. What the govern-

ment received from the bank was pure gain, what it gave to

the bank was no loss. The great benefit of the connection

// to the bank consisted in its right to use the public deposits.

The amount of these, as already stated, must have been

somewhere near $410,000,000 for the whole time that the

bank held them. The bank's profits on this sum can be

calculated only by finding a monthly or quarterly average of

the amounts in its vaults. Such an average was worked out

by Secretary Taney for every month in the year from 1819

to 1833, inclusive, and was given as $6,717,253.' It is cer-

tainly fair to compute the bank's profits on this sum as 6

per cent, for the whole time that it was the government's

depositary. Employing this computation, it is seen that the

bank was the gainer to the extent of $403,035.18 each year

from 1818 to 1834— a total of $6,448,562.28. From this

calculation are omitted the years 1817 and 1834-35. For

1817 accurate figures are not obtainable; for 1834—35 the

monthly average of United States funds held was $1,570,000,

which sum for two years at 6 per cent, would yield $188,400.

The bank's entire profits, therefore, from this item alone can

be set down at not less than $6,636,962.28.

w ' As in the case of the government, so in that of the bank,

there were enormous advantages which could not be meas-

ured in terms of money. The monopoly of national banking

i 8, D. 16, 23d Cong., 1st 8ms., pp. i, 5. •

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was the principal of these; the partial legal-tender quality

of its notes was another; the advantage over the state banks

secured by the possession of the government deposits was a

third.

U p to the perio d of the Bank War, the connection be-

tween the bank and the\_government was an immense benefit

to both, but particularly to the government. But having

stated this conclusion, there is a corollary which is just as

inevitable. With the growth of the Union, with the increase

of national wealth and of population, the bank would have

been\_progre6sively useful. Fronrthia-p ohitof au ' w, it b x> bo m.es

obvious tha^ Jackson and hi- siiji]x.irtcrs ' o mmitt&d an offense

against the nation when they destroyed the bank. The

ma gnitud e «Tirt nijnmiTty nf that nffnn.ftg\_ CPJ? pn'y be faintly

realized, but one is certainly justified in saying that few

g reater enormities p™ i-hn.-gpaV.1a | n pnjjtjjjn n p than the

destruction of the Brink of the United States. It was the

overthrow of a machine capable of incalculable service to

this country — a service which can be rendered by no bank

not similarly organized. Would it not be better for the

nation if it could comrnfincl fTiat service today ? Why should

it be almost unanimously admitted that a bank of this type

is of paramount importance to the finances and commerce of

England, France, Germany, Austria, Russia, and yet denied

that a similar hank would be of equal value to the United

States? No answer to this question can be found in our

political organization, none in the nature of American insti.

tutions, none in the history of our country, nono in the

nature of men as citizens of a republic, none in such a bank's

political power ; for the bank possessed no political power.

In truth, there is no answer.

If, finally, it iB necessary to acknowledge, in the words of

Daniel Webster, that this form of a bank for the United

States is a,n "obsolete idea," it ought, at least, to be so much

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the easier to understand and to admit the services which

such an institution once performed at so great a profit to

the people; it ought to be easy to give the due meed of

praise, and no more than the due measure of blame. When

this is done, it will have to be acknowledged that the old

bank, in its services to the government, was far superior to

any other banking syatem knoTO in this country.

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APPENDICES

APPENDIX I

Am Act to incorporateJhe subscribers to the Bank of the United

States. y^y^

Be it enacted, <fcc, That a bank of the United States of America

shall be established, with a capital of thirty- five millions of dollars,

divided into three hundred and fifty thousand shares, of one hundred

dollars each share. Seventy thousand shares, amounting to the sum of

seven millions of dollars, part of the capital of the said bank, shall be

subscribed and paid for by the United States, in the manner herein-

after specified; and two hundred and eighty thousand shares, amount-

ing to the sum of twenty-eight millions of dollars, shall be subscribed

and paid for by individuals, companies, or corporations, in the manner

hereinafter specified.

[Sec. 2 specifies the times, places, and mode of receiving subscrip-

tions to the capital stock.]

Sec. 3. And be it further enacted, That it shall be lawful for any

individual, company, corporation, or State, .... to subscribe for any

number of shares of the capital of the said bank, not exceeding three

thousand shares, and the sums so subscribed shall be payable, and

paid, in the manner following: that is to say, seven millions of dol-

lars thereof in gold or silver coin of the United States, or in gold coin

of Spain, or the dominions of Spain, .... or in other foreign gold or

silver coin .... and twenty-one millions of dollars thereof in like gold

or silver coin, or in the funded debt of the United States contracted at

the time of the subscriptions respectively. [The section then specifies

what stocks may be subscribed, and at what rates.] And the payments

of the said subscriptions shall be made and completed by the subscrib-

ers, respectively, at the times and in the manner following: that is to

say, at the time of subscribing there shall be paid five dollars on each

share, in gold or silver coin as aforesaid, and twenty-five dollars more in

coin as aforesaid, or in funded debt as aforesaid; at the expiration of six

calendar months after the time of subscribing, there shall be paid the

further sum of ten dollars on each share, in gold or silver coin as afore-

said, and twenty-five dollars more in coin as aforesaid, or in funded debt

as aforesaid; at the expiration of twelve calendar months from the time

of subscribing, there shall be paid the further sum of ten dollars, on

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each share, in gold or silver coin as aforesaid, and twenty-five dollars

more in coin as aforesaid, or in funded debt as aforesaid.

[Sec. 4 regulates the manner in which the subscriptions shall be

transferred to the " President directors and company of the Bank of

the United States," and provides that reasonable compensation shall be

paid the "commissioners appointed to superintend the subscriptions."]

Sec. 5. And be it further enacted, That it shall be lawful for the

United States to pay and redeem the funded debt subscribed to the

capital of the said bank, at the rates aforesaid, 1 in such sums and at

such times, as shall be deemed expedient, anything in any act or acts of

Congress to the contrary thereof notwithstanding. And it shall also be

lawful for the president, directors, and company, of the said bank, to

sell and transfer for gold and silver coin, or bullion, the funded debt

subscribed to the capital of the said bank as aforesaid: Provided

always. That they shall not sell more thereof than the sum of two mil-

lions of dollars in any one year; nor sell any part thereof at any time

within the United States, without previously giving notice of their

intention to the Secretary of the Treasury, and offering the same to the

United States for the period of fifteen days, at least, at the current

price, not exceeding the rates aforesaid.

Sec. 6. And be it further enacted, That, at the opening of subscrip-

tion to the capital stock of the said bank, the Secretary of the Treasury

shall subscribe, or cause to be subscribed, on behalf of the United

States, the said number of seventy thousand shares, amounting to

seven millions of dollars as aforesaid, to be paid in gold or silver coin,

or in stock of the United States, bearing interest at the rate of five per

centum per annum; .... and the principal of the said stock shall be

redeemable in any sums, and at any periods, which the Government

shall deem fit which said stock it shall be lawful for the said

president, directors, and company, to sell and transfer for gold and

silver coin or bullion at their discretion; Provided, They shall not sell

more than two millions of dollars thereof in any one year.

Sec. 7. And be it further enacted, That the subscribers to the

said Bank of the United States of America, their successors and

assigns, shall be, and are hereby, created a corporation and body poli-

tic, by the name and style of " The president, directors, and company,

of the Bank of the United States," and shall so continue until the third

day of March, in the year one thousand eight hundred and thirty -six,

and by that name shall be, and are hereby, made able and capable, in

law, to have, purchase, receive, possess, enjoy, and retain, to them and

their successors, lands, rents, tenements, hereditaments, goods, chattels,

and effects, of whatsoever kind, nature, and quality, to an amount not

exceeding, in the whole, fifty-five millions of dollars, including the

i The rates at which the stock was subscribed.

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amount of the capital stock aforesaid; and the same to sell, grant,

demise, alien or dispose of; to sue and be sued, plead and be impleaded,

answer and be answered, defend and be defended, in all State courts

having competent jurisdiction, and in any circuit court of the United

States: and also to make, have, and use, a common seal, and the same

to break, alter, and renew, at their pleasure: and also to ordain, estab-

lish, and put in execution, such by-laws, and ordinances, and regula-

tions, as they shall deem necessary and convenient for the government

of the said corporation, not being contrary to the constitution thereof,

or to the laws of the United States; and generally to do and execute all

and singular the acts, matters, and things, which to them it shall or

may appertain to do; subject, nevertheless, to the rules, regulations,

restrictions, limitations, and provisions, hereinafter prescribed and

declared.

Sec. 8. And be it further enacted, That, for the management of the

affaire of the said corporation, there shall be twenty-five directors, five

of whom, being stockholders, shall be annually appointed by the Presi-

dent of the United States, by and with the advice and consent of the

Senate, not more than three of whom shall be residents of any one

State; and twenty of whom shall be annually elected at the banking-

house in the city of Philadelphia, on the first Monday of January, in

each year, by the qualified stockholders of the capital of the said bank

other than the United States, and by a plurality of votes then and there

actually given, according to the scale of voting hereinafter to be pre-

scribed: Provided altvays, That no person, being a director in the

Bank of the United States, or any of its branches, shall be a director of

any other bank; and should any such director act as a director in any

other bank, it shall forthwith vacate his appointment in the direction

of the Bank of the United States. And the directors, so duly appointed

and elected, shall be capable of serving, by virtue of such appointment

and choice, from the first Monday in the month of January of each

year, until the end and expiration of the first Monday in the month of

January of the next year ensuing the time of each annual election to be

held by the stockholders as aforesaid. And the board of directors,

annually, at the first meeting after their election in each and every

year, shall proceed to elect one of the directors to be president of the

corporation, who shall hold the said office during the same period for

which the directors are appointed and elected as aforesaid: [The sec-

tion then provides for the election of the first president and directors;

and that the corporation shall not be dissolved if an appointment for

president or an election for directors does not take] effect on any day

when, in pursuance of this act, they ought to take effect, .... but it

■hall be lawful at any other time to make such appointments, and to

hold such elections, (as the case may be,) and the manner of holding

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the elections shall be regulated by the by-laws and ordinances of the

said corporation: and until such appointments or elections be made,

the directors and president of the said bank, for the time being, shall

continue in office: [that in case of a vacancy in the presidency, the

directors shall "elect another president," and in case of vacancies in the

directorate, other directors shall be appointed either by the President

of the United States in case of government directors or by the stock-

holders in case of private directors].

Sec. 9. And be it further enacted. That as soon as the sum of eight

millions four hundred thousand dollars in gold and silver coin, and in

the public debt, shall have been actually received on account of the

subscriptions to the capital of the said bank (exclusively of the sub-

scription aforesaid, on the part of the United States) [the first directors

shall be elected, and the president of the bank appointed by them].

Sec. 10. And be it further enacted. That the directors, for the time

being, shall have power to appoint such officers, clerks, and servants,

under them, as shall be necessary for executing the business of the said

corporation, and to allow them such compensation for their services,

respectively, as shall be reasonable ; and shall be capable of exercising

such other powers and authorities for the well governing and ordering

of the officers of the said corporation as shall be prescribed, fixed, and

determined, by the laws, regulations, and ordinances, of the same.

Sec. 11. And be it further enacted, That the following rules,

restrictions, limitations, and provisions, shall form and be fundamental

articles of the constitution of the said corporation, to wit :

1. The number of votes to which the stockholders shall be entitled,

in voting for directors, shall be according to the number of shares he,

she, or they, respectively, shall hold, in the proportions following, that

is to say, for one share and not more than two shares, one vote ; for

every two shares above two, and not exceeding ten, one vote ; for every

four shares above ten, and not exceeding thirty, one vote ; for every six

shares above thirty, and not exceeding sixty, one vote ; for every eight

shares above sixty, and not exceeding one hundred, one vote ; and for

every ten shares above one hundred, one vote ; but no person, copartner-

ship, or body politic, shall be entitled to a greater number than thirty

votes ; and after the first election, no share or shares shall confer a

right of voting, which shall not have been holden three calendar

months previous to the day of election. And stockholders actually

resident within the United States, and none other, may vote in elections

by proxy.

2. Not more than three-fourths of the directors elected by the stock-

holders, and not more than four-fifths of the directors appointed by the

President of the United States, who shall be in office at the time of an

annual election, shall be elected or appointed for the next succeeding

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year ; and no director shall hold his office more than three years out of

four in succession ; but the director who shall be the president at the

time of an election may always be reappointed or re-elected, as the case

may be.

3. None but a stockholder, resident citizen of the United States,

shall be a director ; nor shall a director be entitled to any emolument ;

but the directors may make such compensation to the president, for

his extraordinary attendance at the bank, as shall appear to them

reasonable.

4. Not less than seven directors shall constitute a board for the

transaction of business, of whom the president shall always be one,

except in case of sickness or necessary absence ; in which case his place

may be supplied by any other director whom he, by writing, under his

hand, shall depute for that purpose. And the director so deputed may

do and transact all the necessary business, belonging to the office of the

president of the said corporation, during the continuance of the sick-

ness or necessary absence of the president.

5. A number of stockholders, not less than sixty, who, together,

shall be proprietors of one thousand shares or upwards, shall have

power at any time to call a general meeting of the stockholders, for pur-

poses relative to the institution, giving at least ten weeks' notice in two

public newspapers of the place where the bank is seated, and specify-

ing in such notice the object or objects of such meeting.

6. Each cashier or treasurer, before he enters upon the duties of

his office, shall be required to give bond, with two or more sureties, to

the satisfaction of the directors, in a sum not less than fifty thousand

dollars, with a condition for his good behavior, and the faithful per-

formance of his duties to the corporation.

7. The lands, tenements, and hereditaments, which it shall be lawful

for the said corporation to hold, shall be only such as shall be requisite

for its immediate accommodation in relation to the convenient transact-

ing 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-

viously contracted in the course of its dealings, or purchased at sales,

upon judgments which shall have been obtained for such debts.

8. The total amount of debts which the said corporation shall at any

time owe, whether by bond, bill, note, or other contract, over and above

the debt or debts due for money deposited in the bank, shall not exceed

the sum of thirty-five millions of dollars, unless the contracting of any

greater debt shall have been previously authorized by law of the

United States. In case of excess, the directors under whose adminis-

tration it shall happen, shall be liable for the same in their natural

and private capacities ; and an action of debt may in such case be

brought against them, or any of them, their or any of their heirs, execu-

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tors or administrators, in any court of record of the United States, or

either of them, by any creditor or creditors of the said corporation, and

may be prosecuted to judgment and execution, any condition, covenant,

or agreement to the contrary notwithstanding. But this provision

shall not be construed to exempt the said corporation or the lands,

tenements, goods, or chattels of the same from being also liable for,

and chargeable with, the said excess. Such of the said directors, who

may have been absent when the said excess was contracted or created,

or who may have dissented from the resolution or act whereby the same

was so contracted or created, may respectively exonerate themselves

from being so liable, by forthwith giving notice of the fact, and of their

absence or dissent, to the President of the United States, and to the

stockholders, at a general meeting, which they shall have power to call

for that purpose.

9. The said corporation shall not, directly or indirectly, deal or

trade in anything except bills of exchange, gold or silver bullion, or in

the sale of goods really or truly pledged for money lent and not

redeemed in due time, or goods which shall be the proceeds of its

lands. It shall not be at liberty to purchase any public debt whatso-

ever, nor shall it take more than at the rate of six per centum per

annum for or upon its loans or discounts.

10. No loan shall be made by the said corporation, for the use or on

account of the Government of the United States, to an amount exceed-

ing five hundred thousand dollars, or of any particular State to an

amount exceeding fifty thousand dollars, or of any foreign Prince or

State, unless previously authorized by a law of the United States.

11. The stock of the said corporation shall be assignable and trans-

ferable, according to such rules as shall be instituted in that behalf,

by the laws and ordinances of the same.

12. The bills, obligatory and of credit, under the seal of the said

corporation, which shall be made to any person or persons, shall be

assignable by endorsement thereupon, under the hand or hands of such

person or persons, and his, her, or their executors or administrators,

and his, her or their assignee or assignees, and so as absolutely to

transfer and vest the property thereof in each and every assignee or

assignees successively, and to enable such assignee or assignees, and

his, her or their executors or administrators, to maintain an action

thereupon in his, her or their own name or names : Provided, That

said corporation shall not make any bill obligatory, or of credit, or

other obligation under its seal for the payment of a sum less than five

thousand dollars. And the bills or notes which may be issued by order

of the said corporation, signed by the president, and countersigned by

the principal cashier or treasurer thereof, promising the payment of

money to any person or persons, his, her or their order, or to bearer,

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although not under the seal of the said corporation, shall be binding

and obligatory upon the same, in like manner, and with like force and

effect, as upon any private person or persons, if issued by him, her or

them, in his, her or their private or natural capacity or capacities, and

shall be assignable and negotiable in like manner as if they were so

issued by such private person or persons ; that is to say, those which

shall be payable to any person or persons, his, her or their order, shall

be assignable by endorsement, in like manner, and with the like effect

as foreign bills of exchange now are ; and those which are payable to

bearer shall be assignable and negotiable by delivery only : Provided,

That all bills or notes, so to be issued by said corporation, shall be

made payable on demand, other than bills or notes for the payment of

a sum not less than one hundred dollars each, and payable to the order

of some person or persons, which bills or notes it shall be lawful for said

corporation to make payable at any time not exceeding sixty days from

the date thereof.

13. Half-yearly dividends shall be made of so much of the profits of

the bank as shall appear to the directors advisable; and once in every

three years the directors shall lay before the stockholders, at a general

meeting, for their information, an exact and particular statement of the

debts which shall have remained unpaid after the expiration of the

original credit, for a period of treble the term of that credit, and of the

surplus of the profits, if any, after deducting losses and dividends. If

there shall be a failure in the payment of any part of any sum sub-

scribed to the capital of the said bank, by any person, copartnership or

body politic, the party failing shall lose the benefit of any dividend

which may have accrued prior to the time for making such payment,

and during the delay of the same.

14. The directors of the said corporation shall establish a competent

office of discount and deposit in the District of Columbia, whenever any

law of the United States shall require such an establishment; also one

such office of discount and deposite in any State in which two thousand

shares shall have been subscribed or may be held, whenever, upon

application of the Legislature of such State, Congress may, by law,

require the same: Provided, the directors aforesaid shall not be bound

to establish such office before the whole of the capital of the bank shall

have been paid up. And it shall be lawful for the directors of the said

corporation to establish offices of discount and deposite, wheresoever

they shall think fit, within the United States or the Territories thereof,

and to commit the management of the said offices, and the business

thereof, respectively, to such persons, and under such regulations, as

they shall deem proper, not being contrary to law or the constitution of

the bank. Or, instead of establishing such offices, it shall be lawful for ^

the directors of the said corporation from time to time, to employ any

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other bank or banks, to be first approved by the Secretary of the Treas-

ury, at any place or places that they may deem safe and proper, to man-

age and transact the business proposed as aforesaid, other than for the

purposes of discount, to be managed and transacted by such offices, under

such agreements, and subject to such regulations, as they shall deem

just and proper. Not more than thirteen, nor less than seven managers

or directors, of every office established as aforesaid, shall be annually

appointed by the directors of the bank, to serve one year; they shall

choose a president from their own number; each of them shall be a

citizen of the United States, and a resident of the State, Territory, or

district, wherein such office is established; and not more than three-

fourths of the said managers or directors, in office at the time of an

annual appointment, shall be reappointed for the next succeeding year;

and no director shall hold his office more than three years out of four,

in succession; but the president may be always reappointed.

15. The officer at the head of the Treasury Department of the

United States shall be furnished, from time to time, as often as he may

require, not exceeding once a week, with statements of the amount of

the capital stock of the said corporation and of the debts due to the

same; of the moneys deposited therein; of the notes in circulation, and

of the specie in hand; and shall have a right to inspect such general

accounts in the books of the bank as shall relate to the said statement:

Provided, That this shall not be construed to imply a right of inspect-

ing the account of any private individual or individuals with the bank.

16. No stockholder, unless he be a citizen of the United States, shall

vote in the choice of directors.

17. No note shall be issued of less amount than five dollars.

Sec. 12. And be it further enacted, That if the said corporation, or

any person or persons, for or to the use of the same, shall deal or trade

in buying or selling goods, wares, merchandise, or commodities whatso-

ever, contrary to the provisions of this act, [a penalty of treble the

amount so dealt in shall be imposed upon the persons responsible].

[Sec. 13 enacts that in case of loans to the United States, in ex-

cess of $500,000, or to any state in excess of $50,000, or to u any foreign

Prince, or State," without previous authorization by law, a penalty of

treble value shall be imposed upon the persons responsible.]

Sec. 14. And be it further enacted, That the bills or notes of the

said corporation originally made payable, or which shall have become

payable on demand, shall be receivable in all payments to the United

States, unless otherwise directed by act of Congress.

Sec. 15. And be it further enacted, That during the continuance of

this act, and whenever required by the Secretary of the Treasury, the

said corporation shall give the necessary facilities for transferring the

public funds from place to place, within the United States, or the Ter-

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ritories thereof, and for distributing the same in payment of the public

creditors, without charging commissions or claiming allowance on

account of difference in exchange, and shall also do and perform the

several and respective duties of the Commissioners of Loans for the

several States, or of any one or more of them, whenever required bylaw.

Sec 16. And be it further enacted. That the depositee of the money

of the United States, in places in which the said bank and branches

thereof may be established, shall be made in said bank or branches

thereof, unless the Secretary of the Treasury shall at any time other-

wise order and direct; in which case the Secretary of the Treasury shall

immediately lay before Congress, if in session, and if not, immediately

after the commencement of the next session, the reasons of such order

or direction.

Sec. 17. And be it further enacted, That the said corporation shall

not at any time suspend or refuse payment in gold or silver, of any of

its notes, bills, or obligations; nor of any moneys received upon depos-

ite in said bank, or in any of its offices of discount and deposite. [In

case of such suspension or refusal] the holder of any such note, bill, or

obligation, or the person or persons entitled to demand and receive such

moneys as aforesaid, shall respectively be entitled to receive and recover

interest on the said bills, notes, obligations, or moneys, until the same

shall be fully paid and satisfied, at the rate of twelve per centum per

annum from the time of such demand as aforesaid: Provided, That

Congress may [hereafter enact laws for carrying out this clause, vesting

jurisdiction in such cases in any of the courts of the United States, or

of the States].

[Sec. 18 prescribes penalties for counterfeiting " any bill or note

.... or any order or check " on the bank, or any of its cashiers; or for

altering "any bill or note .... order or check\*' upon the bank or

any of its cashiers ; or for passing, or attempting to pass, such counter-

feits or such altered checks or orders; or for selling or dealing in such

counterfeits.]

[Sec. 19 prescribes penalties for engraving plates to be used for

counterfeiting the " notes or bills " of the bank, or for having in pos-

session u paper adapted to the making of bank notes or bills," similar to

the paper used by the bank, with intent to use such paper for counter-

feiting.]

Sec. 20. And be it further enacted, That in consideration of the

exclusive privileges and benefits conferred by this act upon the said

bank, the president, directors, and company thereof, shall pay to the

United States, [$1,500,000].

[Sec. 21 enacts that no other bank, excepting local banks in the

District of Columbia, shall be created by Congress " during the con-

tinuance of the corporation hereby created," and that the bank shall

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have the space of two years after the expiration of its charter in which

to settle its affairs.]

[Sec. 22. If the bank does not begin operations by the first Monday

in April, 1817, Congress may declare the charter " null and void."]

Sec. 23. And be it further enacted, That it shall, at all times, be

lawful for a committee of either House of Congress, appointed for that

purpose, to inspect the books, and to examine into the proceedings of

the corporation hereby created, and to report whether the provisions of

this charter have been, by the same, violated or not; and whenever any

committee, as aforesaid, shall find and report, or the President of the

United States shall have reason to believe that the charter has been

violated, it may be lawful for Congress to direct, or the President to

order a scire facias to be sued out of the circuit court of the district of

Pennsylvania, in the name of the United States, (which shall be

executed upon the president of the corporation for the time being, at

least fifteen days before the commencement of the term of said court,)

calling on the said corporation to show cause wherefore the charter,

hereby granted, shall not be declared forfeited; and it shall be lawful

for the said court, upon the return of the said scire facias, to examine

into the truth of the alleged violation, and if such violation be made to

appear, then to pronounce and adjudge that the said charter is forfeited

and annulled: Provided, however, Every issue of fact which may be

joined between the United States and the corporation aforesaid, shall

be tried by jury. And it shall be lawful for the court aforesaid to

require the production of such of the books of the corporation as it may

deem necessary for the ascertainment of the controverted facts; and

the final judgment of the court aforesaid, shall be examinable in the

Supreme Court of the United States, by writ of error, and may be there

reversed or affirmed, according to the usages of law.

Approved, April 10, 1816.

— Statutes at Large, Vol. Ill, pp. 266 ff., chap, xliv, and A. of C, 14th Cone., 1st

Bess., Vol. I, pp. 1812 ft.

APPENDIX II

Propositions respectfully submitted to the convention of State

banks by the committee on the part of the Bank of the United

States:

1. That the incorporated banks of New York, Philadelphia, Balti-

more, and Richmond, engage, on the 20th instant, to commence, and

thenceforth to continue, specie payments for all demands upon them.

2. That in the liquidation of the balances which may be due by the

receiving banks, the Bank of'the United States will credit those banks,

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respectively, with the amount of their checks upon banks which may

be parties to this agreement.

3. That the whole of the public balances in the receiving Banks in

New York, Philadelphia, Baltimore, and Virginia, be transferred to the

Bank of the United States on the 20th of this month, and retained by

the said bank until the 1st of July next, when the same shall be paid

off, together with the interest thereon.

4. The payment of the balances which may accumulate against the

aforesaid banks subsequently to the transfer of the balances first men-

tioned shall not be demanded by the Bank of the United States until

the said bank and its branches shall have discounted for individuals

(other than those having duties to pay) subsequently to the 19th

instant the following sums, to wit: For those in New York, two

millions; for those in Philadelphia, two millions; for those in Balti-

more, one and a half million; for those in Virginia, five hundred thou-

sand dollars; provided, that if the said bank shall be willing to dis-

count, and shall not have the required amount of good paper offered

within the term of sixty days from the 20th instant at New York, Phila-

delphia, and Baltimore, and within the same term after the operations

of the offices of the said bank in Virginia shall have commenced, the

aforesaid banks shall, at the expiration of that time, at the aforesaid

places, respectively, pay to the Bank of the United States the balance

due by them respectively.

5. That the Bank of the United States will engage to discount the

required amount at the respective places, and within the time men-

tioned in the preceding articles, provided good paper to that amount

■hall be offered.

6. That in the event of the Bank of the United States and its

branches not having a sufficient amount of good paper offered at the

respective places mentioned in the fourth article within the period

therein stipulated, then the Bank of the United States will engage to

discount for the said banks the amount of the deficiency at the

respective places, according to the amount of the capitals of the said

banks respectively.

7. That the aforesaid banks shall exchange with the Bank of the

United States and its branches, from day to day, all such notes of

either as the said banks may receive; and an interest account from the

90th instant to the 1st of July shall be liquidated and settled in the

usual manner.

8. That the Bank of the United States, and the incorporated banks

of New York, Philadelphia, Baltimore, and Virginia, will interchange

pledges of good faith and friendly offices, and upon any emergency

which may menace the credit of the aforesaid banks or the branches of

the United States Bank, will cheerfully contribute their resources to any

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reasonable extent in support thereof — the Bank of the United States

confiding in the justice and discretion of the State banks, respectively,

to circumscribe their affairs within the just limits indicated by their

respective capitals as soon as the interest and convenience of the com-

munity will admit

9. That upon the mutual agreement of the parties to these stipula-

tions, the same shall be submitted to the Secretary of the Treasury for

his decision upon those points which involve the public balances, and

when approved by him shall be obligatory upon all the contracting

parties. \_ Feb 1? mi% F VoL jy, p. m

APPENDIX III

The first rules of the bank were adopted in 1816. In 1832 they

were revised (Biddle to Hugh McElderry, January 24, 1832, P. L

B., Vol. IV, p. 123), and as revised went into effect May 3, 1833

(Biddle to John McKim, May 3, 1833, ibid., p. 478). The rules

here given are the revised rules of 1833. Wherever these differ

from those of 1816, the differences are noted in brackets.

RULES AND REGULATIONS FOR CONDUCTING THE BUSI-

NESS OF THE BANK OF THE UNITED STATES

Rule 1. Days and Hours of business. — The Bank shall be kept open

for the transaction of business, from nine o'clock in the morning until

three o'clock in the afternoon every day in the year, except Sundays,

Christmas day, the First of January, and the Fourth of July.

Rule 2. Deposits. — The Bank shall take charge of the cash of all

such persons as shall choose to place it there, free of expense, and shall

keep it subject to the order of the depositor, payable at sight ; and shall

also receive special deposits of ingots of gold, bars of silver, wrought

plate, and other valuable articles of small bulk, for safe keeping, at the

risk of the depositor.

Rule 3. Day 8 of Discount. — All bills and notes offered for discount,

shall be delivered into Bank on Monday and Thursday in each week,

and laid before the Board of Directors, on the succeeding Tuesday and

Friday, [rules of 1816 add: " at ten o'clock in the morning,"] together

with a statement of the funds and situation of the Bank; on which days

the discounts shall be settled, and such as shall be admitted shall be

passed to the credit of the applicants on the day on which they are dis-

counted, and may be drawn for at any time after twelve [1816, u one "]

o'clock; and the notes or bills not discounted, shall be returned at any

time after twelve [1816, " one "] o'clock of the same day.

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Rule 4. Discounts, and accommodation. — Discounts shall not be

made upon personal security without two responsible names (the firm

of a house being considered as one name only;) but if stock of this Bank,

funded debt of the United States, or such other property as shall be

approved by the Board, be deposited and pledged to an amount suffi-

cient to secure the payment, with all damages, one responsible name

may be taken. [1816 adds: "But no accommodation note (i. e. a note,

the proceeds of which are to be placed to the credit of the drawer) shall

be discounted, unless its payment be secured by a deposit of the stock

of this Bank, or of funded debt of the United States, or such other

property as shall be approved by the Board ; together with an express

authority to the Bank to sell the deposit in case of non-payment at any

time after the note shall become due.'\*]

Rule 5. Mode of decision on application for discounts. — On each

application for discount, every Director who may be present, shall be

held to give his opinion for or against the same. And no discount shall

be made without the consent of three-fourths of the directors present ;

and all notes and bills discounted shall be entered in a book, to be called

the Credit Book, in such manner as to discover to the Board, at one

view, on each discount day, the amount for which any person is indebted

to the Bank, either as payer, discounter, or indorser. [1816 reads: " the

amount which any person is discounter, or is indebted to the Bank,

either as payer or as indorser."]

Rule 6. Overdrafts.— On every discount day, the name of every per-

son who shall have overdrawn the Bank since the last discount day,

shall be reported to the Board ; and no person while he remains an

overdrawer, shall have any note or bill discounted at this Bank. And

in no instance will this Bank give a release or discharge to any debtor

where the debt arises from an overdraft. And every officer who shall

knowingly suffer an overdraft to be made on the Bank, without com-

municating it to the President or [1816, " and "] Cashier, shall be dis-

missed from the service of the Bank.

Rule 7. Protest— It any bill or note belonging to this Corporation,

shall not be paid before the shutting of the Bank on the last day of

grace, such bill or note shall be forthwith protested ; and while such

bill or note remains unpaid, no discount or accommodation shall be

granted to any drawer, acceptor, or indorser of the same. Bills and

notes deposited for collection, at any time before the commencement

of the days of grace, shall be proceeded with, as bills and notes dis-

counted ; unless the person depositing the same shall otherwise direct

in writing ; provided, that in case of non-payment and protest, the per-

son lodging the same shall pay the charges of protest.

Rule 8. Books of Signatures. — Every person who opens an account,

and transacts business with this Bank, shall subscribe his name in a

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book, to be kept for that purpose, to be called The book of signature\*,

and all the persons who compose any house, keeping any [1816, M an \*\*]

account with this Bank, shall subscribe their names, and the signature

of the firm, in this book, if residing in Philadelphia.

Rule 9. The cash account of individuals not to be examined 6f a

Director. — No director, without special authority, shall be permitted to

inspect the cash account of any person with this Bank.

Rule 10. Times for balancing the books, Ac. — The books and

accounts of the Bank shall be regularly balanced on the first day [1816,

" Monday "] in January and July in each year; and [1816, M at which tune\*\*]

the half-yearly dividends shall be declared, on the first Monday in said

months, [1816 omits "on the first Monday in said months,"] and pub-

lished in at least three of the newspapers in the city of Philadelphia :—

and the books of transfer shall be shut for ten [1816, M twenty"] day\*

immediately preceding each of the days appointed for declaring the

half yearly dividends. [1816 reads : " appointed for balancing the books

of the Bank and declaring the half-yearly dividends.\*']

Rule 11. Cashier may receive the dividends on the Bank shares,

and interest of the funded debt of the United States. — In all cases when

required, the Cashier shall accept powers of attorney for receiving any

interest or dividend due, or to become due, on any shares in this Bank,

or on any funded debt of the United States payable in Philadelphia;

which interest or dividend shall be held by the Bank, subject to the

order of the proprietor, free of charge.

Rule 12. How lost certificates are to be renewed. — If any person

claims a certificate of Bank stock to be issued in lieu of one lost or

destroyed, he shall make an affidavit of the fact, and state the circum-

stances of the loss or destruction ; and he shall advertise in one or more

of the public newspapers in the city of Philadelphia, for the space of

six weeks, an account of the loss or destruction, describing the certifi-

cate and its number, calling on all persons to show cause why a new

certificate shall not issue in lieu of that lost ; and he shall transmit to

the Bank his affidavit, and the advertisements before mentioned, and

give to the Bank a bond of indemnity, with one or more sureties if

required, (in the sum of two hundred dollars, for each share to be

renewed) against any damage which may arise from issuing the new

certificate : whereupon the Cashier shall, six months after the notice by

advertisement as aforesaid, issue a new certificate, of the same number

and tenor with that said to be lost or destroyed, and specifiying that it

is in lieu thereof.

Rule 13. Committees. — A Committee on the Offices consisting of five

members, shall be appointed by the President every three months, who

shall have special charge of the situation and concerns of the several

Offices and Agencies, with authority to report such measures in relation

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thereto as they may deem beneficial. The said Committee shall have

like charge of all matters relating to the nomination and election of

Directors for the several Offices.

A Committee on Exchange consisting of three members shall be

appointed at the same time and in like manner, who shall have special

charge of all matters relating to the operations of the Bank and its

Offices, in Foreign and Domestic Exchange and Bullion — and who

shall act as a daily Committee for the purchase of Domestic Exchange

at the Bank.

A Committee on the State of the Bank consisting of five members

shall at the same time be appointed by ballot, who shall have charge of

such matters relative to the local business of the Bank as may from

time to time be referred to them by the Board; they shall at least

once during their time of service examine and count the discounted

notes, and compare the amount thereof with the balance of the amount

of bills discounted in the General Ledger; they shall also count the

cash, and the printed and unprinted paper in the possession of the

Cashier — examine the evidences of the public debt and property of

the Corporation, make an inventory of the same to be compared with

the books in order to ascertain their agreement, and report to the

Board.

[1816 reads: "Two Directors shall, weekly and in rotation, be

appointed as a committee of Directors for the week; whose more espe-

cial duty it shall be, to attend at the Bank during their respective

weeks of service, as often as their convenience will permit ; and when

requested by the President, to afford their aid and advice in all cases

relative to the interest and business of the Bank. And a Committee on

the State of the Bank, shall be appointed by ballot every three months,

to examine and count the discounted notes, and compare the amount

thereof with the balance of the amount of bills discounted in the gen-

eral ledger; they shall also count the cash, and the printed and

unprinted paper in the possession of the President, and examine the

evidences of the public debt and other property of the Corporation, and

make an inventory of the same to be compared with the books in order

to ascertain their agreement, and make a report to the Board/ 1 ]

Rule 14. Election of Directors. —Thirty days\* notice shall be given

by the Cashier in at least two of the daily newspapers of Philadelphia,

of each annual election for Directors of the Bank; and within one week

preceding the same, the Directors for the time being, shall appoint by

ballot five Stockholders, not being Directors, to be Judges of the elec-

tion, who shall conduct and regulate the same, commencing at ten

o'clock, A.M. on the first Monday of January.

But in case an election of Directors shall not begin, or shall not be

completed on the said first Monday, the Judges shall adjourn the same

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from day to day, not exceeding five days until the said election shall be

completed.

The Judges shall on the forenoon on the day after the election

shall have been completed, at the furthest, transmit to the Cashier of

the Bank, an authentic certificate of the persons elected: and the

Cashier shall thereupon forthwith give notice to all of the said Directors

who shall be within convenient distance, to meet at the Bank at six

o'clock in the evening of the same day for the purpose of choosing a

President.

[1816 reads: "On the Friday preceding each annual election for

Directors of this Bank, the Directors for the time being shall appoint

by ballot five stockholders, not being Directors, to be judges of the elec-

tion; who shall conduct and regulate the same, commencing at ten

o'clock A.M."]

Rule 15. Mode of electing officers of the Bank, dtc. — In every elec-

tion to an office (except that of the President) by this Board, there shall

be a previous nomination of the candidate at least one week before the

election : Provided, that such previous nomination may be dispensed

with by an unanimous vote of the Directors present: — [1816, proviso

omitted] and every President, Cashier and Assistant Cashier [1816 omits

"and Assistant Cashier," placing an "and'\* between President and

Cashier] of this Bank, shall take and subscribe, an oath or affirmation,

to the following effect,— -to wit: — I do swear {or affirm) thai

I will to the best of my knowledge and abilities, perform the duties

assigned to, and the trust reposed in me, as of the Bank of

the United States.

Rule 16. Duties of the President. — It shall be the duty of the

President to take into his custody at the Bank, the Seal of the Bank

which he shall cause to be affixed to all instruments and documents

when so ordered by the Board; and to sign all bills and notes issued by

the Corporation.

He shall preside at all meetings of the Board, except in cases of

necessary absence, convene the Directors on special occasions, and serve

as a member of all committees of the Board.

[1816 reads: " It shall be the duty of the President to take into his

custody at the Bank, the plates, paper moulds, and bank paper; to

superintend the printing of all bills or notes ordered by the Directors

to be printed; and to keep a regular account of the Bank paper in his

custody, and the quantity ordered from time to time for impression,

which account shall be checked by quarterly examinations by the com-

mittee on the state of the Bank. He shall also sign all bills and notes

issued by the Corporation; and have in his custody the seal of the

Bank, which he shall cause to be affixed to all such instruments and

documents as the Directors shall order."]

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Rule 11. Duties of the Cashier. — It shall be the duty of the

Cashier to countersign all bills, notes, certificates of stock, and bills of

exchange to be signed by the President, or by order of the Board: He

shall take into his custody at the Bank, the plates, paper-moulds, bank

note paper, unprinted and printed until issued, blank certificates of

stock, and bills of exchange, superintend the printing of whatever sup-

plies of these may from time to time be considered necessary for the use

of the Bank and Offices; keep a regular account of all the articles in his

custody, which account shall be checked by quarterly examinations by

the Committee on the State of the Bank; he shall attend all meetings

of the Board, keep a fair and regular record of its proceedings, furnish

official extracts therefrom, and give all such information as may be

required by the Board or any Committees.

He shall correspond with the Officers of the several Offices, as the

organ of the Board or Committees of the Board, in directing the general

operations of the Bank, in stock and bullion, and in foreign and domes-

tic exchange; he shall also correspond with the Agents of the Bank in

Europe, and with all other persons doing business with the Bank on

subjects connected with his department; he shall carefully observe the

conduct of all persons employed under him, and report to the Board

such instances of neglect, incapacity or bad conduct as he may discover

in any of them, and generally shall perform all such other services as

may be required of him by the Board.

[1816 reads: " It shall be the duty of the Cashier, to countersign, at

the Bank, all bills or notes to be signed by the President, or by order of

the Board: carefully to observe the conduct of all persons employed

under him, and report to the Board such instances of neglect, inca-

pacity, or bad conduct as he may discover in any of them:— daily to

examine the settlement of the cash accounts of the Bank: — to take

charge of the cash, and whenever the actual amount disagrees with the

balance of the cash account, report the same to the President and

Directors without delay: — to attend all meetings of the Board; keep a

fair and regular record of its proceedings; give such information to the

Board as may be required; consult with committees when requested,

on subjects referred by the Board; and also to perform such other ser-

vices as may be required of him by the Board."]

Rule 18. Duty of the first Assistant Cashier. — It shall be the duty

of the First Assistant Cashier to take charge of the local operations of

the Bank in Philadelphia in the same manner and with the same

duties, as the Cashiers of the offices do of the concerns of their respect-

ive Offices, except when otherwise provided by the by-laws or directed

by the Board; carefully to observe the conduct of all persons employed

under him, and report to the President and Cashier such instances of

neglect, incapacity or bad conduct as shall come to his knowledge, daily

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to examine the settlement of the cash accounts of the Bank, to take

charge of the cash, and whenever the actual amount, disagrees with the

balance of the cash account report the same to the President and

Cashier without delay, and generally to perform such services as shall

be required of him by the Board, the President, or the Cashier.

Rule 19. Duty of Second Assistant Cashier. — It shall be the duty

of the Second Assistant Cashier to take charge of the general state-

ments and accounts of the Bank; the accounts between the several

Offices, the accounts with the Government of the United States, the

foreign exchange accounts, and the returns of all foreign or domestic

bills purchased at the Offices. On all these subjects he shall corre-

spond with the Offices and the parties concerned, under the special

superintendence of the President and Cashier; and generally perform

such other services as may be required by the Board or by the Presi-

dent or Cashier.

Rule 20. Duties of the third Assistant Cashier. — It shall be the

duty of the third Assistant Cashier to take charge of the Suspended

Debt and the Real Estate of the Bank and the several Offices, and cor-

respond thereon with the Officers and Agents of the Bank and the

Offices, and with other parties concerned under the special superin-

tendence of the President and Cashier, and generally perform such

other services as may be required by the Board, or by the President or

the Cashier.

[1816 has rule 18 for 18, 19, 20, as follows: "It shall be the duty of

the Assistant Cashier to perform the duties of the Cashier, in case of

his sickness or absence; to superintend the opening and keeping of the

stock ledgers, and all other books of the Bank; to observe the conduct

of all those employed under him, and report to the Cashier such

instances of neglect, incapacity or bad conduct as shall come to his

knowledge; and generally to perform such services as shall be required

of him by the Board, the President, or the Cashier."]

Rule 21 [1816, 19]. How the Cashier and Assistant Cashiers [1816,

" cashier "] are to be elected. — In the election of Cashier, or Assistant

Cashiers, [1816, " Cashier "] the ballots shall be first taken for all the

candidates, and if no one shall have a majority of the votes of all the

Directors present, [1816, " present " omitted] then the three candidates

having the highest number shall be voted for again; and if no one shall

be elected, the ballots shall be then taken on the two highest.

Rule 22 [1816, 20]. Security to be given by the Cashier and other offi-

cers, <Stc. — The Cashier before he enters upon the duties of his office [1816

omits "before .... his office "] shall give bond to the President, Direct-

ors and Company, with two or more approved sureties, in the sum of

seventy thousand dollars, with a condition for his good behaviour, and

the faithful performance of his duties to the Corporation. The First

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Assistant Cashier, [1816 omits M First"] and the Cashier at each Office,

shall give bond, in like manner, in the sum of fifty thousand dollars,

with the same condition. The Second and Third Assistant Cashiers

shall give bond in like manner in the sum of twenty-five thousand dol -

lars with the same condition. [1816, this sentence omitted.] The pay-

ing and the receiving Tellers, in the sum of twenty thousand dollars

each: The Book-keepers, Discount Clerks, Note Clerks, and other

Clerks, in the sum of five thousand dollars each; and the Porters in

the sum of two thousand dollars each, with the same condition.

Rule 23 [1816, 21]. Clerks, <Stc. prohibited from having an account

with the Bank.— No Clerk or Porter in this institution shall be permitted

to have an account with the Bank, but shall receive his salary quar-

terly, or monthly. [1816 adds: "from the Cashier, or his Assistant: "]

And every Clerk and servant of the Bank shall take, and subscribe, an

oath or affirmation to the following effect, to wit:—/ do swear

or (affirm) that I will to the beat of my knowledge and abilities, per-

form the duties assigned to, [1816 omits to] and the trust reposed in me

as of the Bank of the United States, and keep secret the business

thereof.

Rule 24 [1816, 22]. How the present rules, <Stc. may be altered or

repealed. — None of the foregoing rules or regulations shall be repealed

or altered, unless a majority of all the Directors vote for the repeal or

alteration, nor unless upon a motion offered for that purpose at a

previous meeting of the Board.

Rule 25 [1816, 23]. How the proceedings of the Board of Directors

are to be governed. — The proceedings of the Board of Directors, when

conducting their business as a deliberative body, shall be governed by

the following articles.

1. When the President takes the chair, the members shall take

their seats.

2. The Discounts shall be settled, and [1816 omits these words] the

minutes of the preceding meeting shall then [1816 omits "then"] be

read before the Board proceeds to any other business; and no debate

shall be admitted, nor question taken, at such reading, except as to

errors and inaccuracies. [1816 adds: "The state of the Bank shall

then be read, and the discounts settled."]

3. The President shall be the judge of order, and his decisions

shall be immediately submitted to, unless two members require an

appeal to the Board. He shall name all Committees, unless herein

otherwise provided, or unless the Board shall otherwise determine; and

he shall call special meetings of the Board, whenever in his opinion the

business may require it, or on the request of three members of the

Board.

L Every member presenting a paper to the chair, shall first state

498 The Second Bank op the United States

its general purport; and every member who shall make a motion, or

offer a resolution, or speak on any subject under discussion, shall rise

and address the President.

. 5. No debate shall be entered into on any motion, or resolution,

until it shall be stated from the chair; and all motions shall, if

requested by the President or by two members, be reduced to writ-

ing; and no member shall speak more than twice upon any one ques-

tion without leave from the Board.

6. While a resolution is under consideration, no motion shall be

made, except to amend, divide, commit or postpone it: But it shall be

in order, at any time, on the call of three members, to take the preview

question, which shall be " Will the Board at this time act on this sub-

ject?" and if it shall be decided in the affirmative, the debate may be

continued. A motion to adjourn, shall always be in order, but shall be

decided without debate.

7. A member may call for the division of a question or resolution

where the sense will admit of it; but no amendment which tends to

destroy the general sense of the clause of a resolution shall be

admitted.

8. If business of different kinds shall be called for, at the same

time, by different members, the Board will judge and give preference

accordingly.

9. The yeas and nays shall be taken on any question, if called for

by two members previous to the decision on such question; but no

motion for reconsideration shall be permitted, unless made and seconded

by members who were in the majority on the original question.

10. At the request of any two of the Board, the names of the mem-

bers who make and second a motion shall be entered on the minutes.

Date and place of publication unknown. Pamphlet secured

from the Massachusetts State Library.

APPENDIX IV

An Aot to modify and continue the Act entitled "An Act to incor-

porate the subscribers to the Bank of the United States"

[Sec. 1 continues the original charter for fifteen years with M the

modifications and changes hereinafter expressed."]

Sec. 2. And be it further enacted, That the directors of the said

corporation shall have power to appoint two or more officers, with

authority to sign and countersign any or all the notes thereof, the de-

nomination of each of which shall be less than one hundred dollars;

which notes, when signed and countersigned by the said officers, respect-

Appendices 499

ively, shall, to all intents and purposes, be binding and obligatory upon

the said corporation as if the same had been signed by the President,

and countersigned by the principal Cashier or Treasurer thereof; and it

shall be the duty of the directors of the said corporation to make known,

in writing, and as soon as may be, to the Secretary of the Treasury, the

names of the officers who shall be appointed by virtue of the provision:

Provided, That from and after the third day of March, one thousand

eight hundred and thirty-six, no branch bank draft, or other bank paper

not payable at the place where issued, shall be put in circulation, as

currency, by the bank, or any of its offices, except notes of the denomi-

nation of fifty dollars, or of some greater sum.

Sec. 3. And be it further enacted, That it shall not be lawful for

the said corporation to issue, pay out, or put in circulation, any note or

notes of a denomination less than fifty dollars, which shall not, upon the

faces thereof, respectively, be payable at the bank or office of discount

and deposite whence they shall be issued, paid out, or put in circulation.

Sec. 4. And be it further enacted, That the notes or bills of the

said corporation, although the same be, upon the faces thereof, respect-

ively, made payable at one place only, shall, nevertheless, be received

by the said corporation at the bank, or at any of the offices of discount

and deposite thereof, if tendered in liquidation or payment of any bal-

ance or balances due to said corporation, or to such office of discount

and deposite, from any other incorporated bank.

Sec. 5. And be it further enacted, That it shall not be lawful, after

the said third day of March, in the year one thousand eight hundred

and thirty-six, for the said corporation to hold, keep, and retain, for a

period exceeding five years after the date of acquiring the same, any

right, title, or interest, except by way of mortgage or judgment lien in

security of debts, to any lands, tenements, and hereditaments, other than

those requisite for its accommodation in relation to the convenient

transacting of its business; and it shall be the duty of said corporation,

within the aforesaid period of five years, to sell, dispose of, or otherwise

bona fide divest itself of all right, title, and interest to any lands, tene-

ments, and hereditaments, conveyed to it in satisfaction of debts pre-

viously contracted in the course of its dealings, or purchased at sales

upon judgments which shall have been obtained for such debts; and for

any and every violation of this provision, the said corporation shall be

subject to a penalty of ten thousand dollars, to be recovered in the name

of the United States of America, by a qui-tam action of debt instituted

in any court of the United States having jurisdiction of the same ; one-

half of which shall enure to the benefit of the informer, and the other

half to the use of the United States.

Sec. 6. And be it further enacted, That from and after the said

tenth day of April, in the year one thousand eight hundred and thirty-

500 The Second Bank op the United States

six, it shall not be lawful for the directors of the said corporation to

have, establish, or retain, more than two offices of discount and deposite

in any State: Provided, That nothing herein contained shall prevent

the said corporation from retaining any of the branches which are now

established.

Sec. 7. And be it further enacted, That, in consideration of the ex-

clusive benefits and privileges continued by this act to the said corpo-

ration for fifteen years as aforesaid, the said corporation shall pay to the

United States the annuity or yearly sum of two hundred thousand dol-

lars ; which said sum shall be paid on the fourth day of March in each

and every year, during the said term of fifteen years.

Sec. 8. And be it further enacted, That it shall be lawful for Congress

to provide, by law, that the said bank shall be restrained, at any time

after the third day of March, in the year one thousand eight hundred

and thirty-six, from making, issuing, or keeping in circulation, any notes

or bills of said bank, or any of its offices, of a less sum or denomination

than twenty dollars.

Sec. 9. And be it further enacted, That the Cashier of the bank

shall, annually, report to the Secretary of the Treasury the names of all

stockholders who are not resident citizens of the United States ; and,

on application of the Treasurer of any State, shall make out and trans-

mit to such Treasurer a list of stockholders residing in, or citizens of,

such State, with the amount of stock owned by each.

[Sec. 10. All acts supplementary to the original charter and M not in-

consistent with this act " to continue in force during the term of the

present act]

[Sec. 11. The president and directors of the bank must "signify to

the President of the United States their acceptance " of this act by the

"first day of the next session of Congress."]

A. Stevenson,

Speaker of the House of Representative\*.

J. C. Calhoun,

Vice President of the United States and President of the Senate.

(Endorsed.)

I, certify, that this act did originate in the Senate.

Walteb Lowbie,

Secretary.

—Senate Journal, 22d Con\*., 1st Sess,, p. 45L

Appendices

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APPENDIX V

r thx Bahk of thb Uxited States, 1817-36

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Discounts ON

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1817, February ....

387,000

25.770,01 m

29,609,000

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27.1192,000

22,T<;2,000

20.980,000

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2U,342,U<I.J

22,334,000

22,r>97.UJ0

24.S21.000

24.324.000

23,844,000

23,17O,U0O

26,606,000

27,104,000

26,945,000

24,330.000

25,7-19.000

2ti.452,0u0

29281.000

29354,000

31,790,000

30,654,000

32327,000

40.559.1\*\*!

48352,000

48,3)7,000

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37.032,000

33,703,000

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32,132,000

22,273.( «»)

20448,000

182.000

327,666

548,000

330,000

236,000

1.887,000

737,000

2,104,000

124,000

l&JXQ

61,000

60,000

74,000

75,000

76,000

258,000

148,000

69,000

780000

326,000

575,000

280,000

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298,000

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653,000

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3,686.000

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4.829,000

1818, March

11,244.000

10,591,1x0

8383,000

7,949,000

7,035,000

6.996,000

6,693,000

6,503,000

6,066,000

0.120,000

6,149,000

6,884,000

0,7(J8,000

5,876,000

5,655,000

2,798,000

3,131,000

3JJ19,000

2.933.000

2,428,000

1,928,000

1,951,000

1,17-.JX»J

1,359,000

1,002,000

918.000

685,000

866,000

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518,000

687,000

827,000

912,000

1.031.000

1,006,000

1360,000

3^60,000

8,475,000

9,430,000

7,391,000

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7,192j000

9,158.000

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11,018,1X0

10.876,000

10.874.OO

15,872,000

18,422.(00

20.738,000

18,303,000

17.764,000

17.764,000

17.704,000

17.624.UO

17,352,000

16,099,000

14,932,000

11,610,000

10.674,000

8,674,000

3,674.000

2,000

1321, January

1822, January

1823, January

1S21. .l.inuary

1825, January

1826, January

1829, January

1832, January

July..

'July...

March 3

502 The Second Bank of the United States

Baaklntr

Balances'

Balances'

Da tea

Domestic

Real

Bwhaoge

Estate

Expenses

European

Stale

1817, Feb....

8,848.000

July . . .

2,424.01)

1818, March..

175,000

— 324,000

1,203,000

July . . .

423,(1X1

— 672.000

2.463J1X)

1819, Jan ....

133400

- 812,000

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July

712,0X1

- 3,000

2,906,00

1820, Jan

1,487,000

1,296,000

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2,727.0:i:i

July

1,712,000

1,345,000

-1,027,000

727,000

1821, Jan

1,508,000

1,886,000

-1.989,000

- 702,000

1,178,000

July

1,745,000

429,000

1,880,000

— 291,000

1822, Jan

1,573,000

563,000

1355,000

- 932,000

1,717\*00

July

3,273,000

595,000

1,999,000

-1,258,000

1,055,000

1823, Jan

1,940,000

626,000

1,951 UN X)

-L268,0OJ

1,407 .000

July

3,023,000

738,000

1.SU3.000

- 759,000

12205.000

1824, Jan

2,323,000

12302,000

1,871,000

111,000

1,287.000

July

2,896,000

1,418,000

1,880,000

527,000

296j000

1825, Jan

2,727,000

],-195,OX)

l,852.(.liXi

-2,383,000

2J3O.G00

July

3,91 7,000

1,569,000

1,831,000

517,000

241,000

182(3, Jun

3,118,000

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1,792.1 XX)

170,000

717,"".'

July

4,275,000

Li '.20,0x1

1,809,000

173,000

1^33.000

1827, Jan

3,347,000

2.i«i,i"X>

l,07rt.OX)

180,000

1,883\*00

Julj

5,437,00)

2.1i»,(.Ui

1.025,0\*)

969,000

1,S34,00D

1828, Jan

5.022,0\*)

2.295,0x1

1,6.34,000

-1,111,000

- 1 ,697.000

July

6.45 1,000

2,:r>4,txNi

l.iXMUXX.)

- 352.00:1

- 1,737,000

1829, Jan

7,689,000

2,310,001

1.557,000

482,000

1.T23J.x.n:i

July

8,821,000

•J.C-XS.i.lK)

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1,447,000

1,960.000

1830, Jan

8.691,000

2,s8»>.oo>

1,144,0X1

1.530,000

1,199,000

July

10,361,000

2,S02,tO.)

1,384,000

3.756,000

uasan

1831, Jan

10,456.000

J.(!Jt),l.X«l

1,3-14.000

2,3S3,t.N»p

- 734\*00

July

15,113,000

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l,29S,OXI

144,000

— 60,000

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16,691,000

2.130.«xi

1,150,0X1

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1,993,100

July

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1,829,000

1,174,000

630,000

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1833, Jan

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1,181,000

3,106,000

12596,000

July

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1,187,0 x>

1,911,000

485,000

ISM, Jan

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1,711,000

1,189,000

1,801,001

1.536,000

July

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1,7-11,0x1

1 ,222.011

3.827.0X1

■11 (S.I...

1835, Jan

17,183,000

1.760,00 1

1,21 S.OX)

1.922,000

1,490,000

July

24,070.0<)i.i

1,758,000

L21S.ix.xj

2.;'.7s,t«xi

-2.065.OXi

1836, Jan

19.250.OX.I

l.iso.oxi

907,000

73,000

1,427.000

March 3

17,750,000

2,570,000

474,000

- 370,000

2,653,000

1 A minne sign prefixed indicates that the balances were against the bank.

Appendices

Genual Statxmbht of the Batik op it

i \,,ili'iiinii

! United States, 1817-38—

Date\*

Circulation

Public

Other

Deposits

\*-.

1817, February ....

1,911,000

4,759^00

8,339,000

9,045,000

6563,000

5,213,000

3,589,000

4,006,000

4567,000

5,551,000

5,578,000

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4361,000

4,029.000

4,647,000

6,383,000

6,068,000

9,540,000

9,474,000

10.210,0(X")

8549,000

10,198,000

i),s.V,.(i\*i

10,890,000

11,901.000

13,001,000

12,921.000

15346,000

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ii).mr,,ixj(.i

21,355,1x10

20520,000

i7.5is.ono

19,366,000

19,208,000

16,041,000

17,339,000

■Avmuoo

23,075,000

21,109,000

10,180,000

24.74U.UXJ

7370,000

7,967,000

2,850,000

3,870,000

3,560,000

2,925,000

2,928,000

2,944.000

2,15 NJ.000

3,388,000

4,275,000

7,733,000

io.isi.ooo

8,159,000

6.702,000

7,992,000

5,789,000

9,783,000

8.982,000

9,449,000

8354,000

11554,000

10,097,000

11,657,000

9,654,000

10,437,000

9,131,000

7,655,000

12,589,000

1 1.872.1)00

12,752,000

6.512,000

4,030,000

2,675,000

2,(321.000

1,086.000

627,00)

324,000

1,052,000

3.023,000

4,909,000

4.786,000

2,936,000

2,643,000

3,008,000

3,963,000

4,990,001)

4302,000

5,457,1X10

3,839,000

3,347,000

3,08\*,(XX>

3,520,000

6.04:1,000

5330,000

5,966.000

5,444,000

5,030,000

5337.000

6,257,000

6,142,000

6,402,000

6364,000

7.122,000

6,391,000

7,928.000

8,165,000

9.1U3,lM>

8,107,000

8,115,000

7518,000

9,803.000

6,734,000

0,735,000

7344,000

9.55S.O00

4309.UX)

3300,000

1,724,000

1818, March

2.515,000

2,668,000

2,954,000

3392,000

7,843,000

6,876,000

4,761,000

3350,000

4,424,000

4,910,000

5313,000

1822, January

1824, January

1825, January

6,746,000

:i.;MK).ui)

6,194,000

6,457,000

6,381,000

6,170,000

6.621, 000

6,098,000

6,641,000

7,60B,COU

10,252.000

10,808,000

7,038,000

7,519,000

8,951,000

1833, January

1834, January

10,031,000

12,823.000

15,708.000

13,429,000

8,417.000

5505.000

1B36, January

March 3

504 The Second Bank op the United States

Profits op the Bank

Data

Exchange

Total Net Profits

Cent, of

DiTideodj

1817, July

325359.70

873.21

1,021,87140

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1818, January...

1,152,329.79

51,044.18

1,382,216.84

4

July

1,210,106.61

101,039.77

1,266.186.99

3H

1819, January...

988,218.85

142,186.93

899,01058

\*H

July

863,239.22

153,820.18

983,479.08 1

Carried

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jeutfund

1820, January...

691,611.72

106,805.70

784,843.45 1

July . .

673,302.14

65,327.05

718590.60 f

1821, January...

620,478.01

44,882.71

733367.91)

July

566,466.61

49,092.34

750,438.82

IX

1822, January...

512,174.82

32^23.77

719,006.79

2

July

557,568.14

62,716.48

1,009,727.84

\*X

1823, January.. .

573,725.55

49,802.83

884,105.81

!X

July

652,828.51

97303.46

932,488.32

2«

1824, January.. .

678,506.03

67,353.42

929,083.02

»3

July . ..

636.893,39

90,395.98

976,932.46

!X

1825, January. . .

558,630.82

78,766.11

1,031,255.76

«5

July

663,80836

142,887.31

l,154,a39.88

%

1826, January...

711,068.14

107,354.50

1,162,485.63

July

722,868.76

169,598.23

1,218,141.46

3

1827, January. . .

721,(KitJ.42

101,386.53

1447,562.10

3

July

724,627.58

227,388.08

1,273,501.15

3

1828, January.. .

697,961.34

100,75004

1.202,595.38

3

July

779,671.03

2«>,453.]:t

1,349352.24

3«

1829, January. .

823,240.35

274,045.86

1,325,274.01

34

July

882,689.48

359,283.79

1,381,199.87

3W

1830, January..

876.599.40

372,961.60

1,392,4-12.15

3W

July

889,149.07

452,418.65

1,414,351.96

3K

1831, January.. .

889,911.31

401,485.58

1,344.779.08

3\*

July

1,049,710.53

556,283.01

1,590,241.51

3\*

1832, January...

1,254,319.23

584^31.51

1,716,292.05

3M

July

1,298.051.43

741.752.IKl

1,861,218.69

3\*

1833, January..

1,234,520.03

676,125.99

1,594,115.75

3«

July

1,121,443.34

751.287 75

1,601,950.56

1

3\*

1834,January...

1,074,112.54

605,356.28

1,430,320.32

July

939,341.35

759,993.32

1,493,434.87

-S. D. 17, 23d Con«., 2d Subs., p. 194.

Appendices

APPENDIX VI

1820...

•19,342.000

t 5,526,300

1823..

\* 74,889,000

$21,396,800

1821 . . .

2U.242.0U)

5,782,330

1820 . .

1(12.012,000

29,146,200

IKS .

29,008,000

8,288,000

1830..

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1823 . . .

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1831 ..

173,304,000

49.532,500

31,102,000

BjMMOO

l-v-y .

Bvoaooo

67,916,500

1825...

rjiMVi%ooo

11,323,700

1833..

mjmflQD

67,913,400

1826...

43,310,000

12.374,2m

isa ..

]S0,25.),Ou»

53,215,700

1827...

56,487,000

16,139,100

1835..

259,653.000

74^16,000

APPENDIX VII

Rates of Exchange, 1829-32

At which Draughts are sold, and Domestic Bills purchased or collected,

by the Bank of the United States and its Offices of Discount and

Deposit.

Bass: United States

BO.™

Providbncb

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l\*rnn. -1.1-

Sold

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fts. This they do not do because the report\* in [or each

re drawn for two, three, tour, and six months. Consequently

the un transactions must appear repeated!\* In the different reports. All thin\*,

considered, 105 days, or three and a half months, would probably be the average

period for which bills were bought. Therefore, dividing by three and a half, the

yearly agKTiwatos will probably Rive the yearly amounts of exchange dealt in by the

bank. The flrst column here siren shows the sum of the monthly noons for each

year as givon in the bank reports. The second column Is the lint divided bj three

and a half. This method of computation Is fairly aoourate, as is evident where a com-

parison with the figures of others is possible.

The Second Bank of the United States

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Appendices

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APPENDIX VIII

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The Second Bane of the United States

Exchange Transactions at New Orlbaks

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Proportion of

the Whole

Proportion of

Western and

South western

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1831

1832

.158

.195

.221

.209

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1833....

1834...

1836....

.191

.195

.334

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.451

APPENDIX IX

Distribution of the Bank's Stock

Oct. 2 April 2

Jan. 1 July 7 Sept. 2

N.H

Vermont.

New York .

New Jersey.

Delaware .

Maryland .

Dist. ol Col

N. Carolina

8. Carolina.

Georgia . . .

Kentucky .

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Illinois ....

Arkansas . .

U.S. A -Navy

■Foreign

Unknown .

Bank U. S.

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17,397

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2,109

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8,791

2,461

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7,846

796

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252

705

-^1,881

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1,531

34.235

11,617

2,725

2^91

40,242

1,861

42

79459

84X155

70.000

Total amount of stock, 350,000 shares.

1 Mostly pledged, and owned by United States citJEens.

— For 1B20, 1821, 1822, Nii.eb, Vol. XXI, p. 355; lS2Tt. ibid.. Vol. XXV, p. sa, and

F..V0I. IV, p. 389; 1828, Nn.ES, Vol. XXXV, p. 73 (Sept. 21, 1828); 1831, ibid,, VoL IU,

p. 112; 1832, S. 2>. 31, aid Cong., 1st Sesa.

Appendices 509

APPENDIX X

RULES AND REGULATIONS FOR THE GOVERNMENT OP

THE OFFICES OF DISCOUNT AND DEPOSIT

It has not been possible to procure a copy of the Rules and

Regulations for the Offices. The following have been collected

from various sources:

Art. 4. The directors of the Bank of the United States shall

appoint the cashiers of the offices of discount and deposit.

Art. 5. It shall be the duty of the cashier carefully to observe the

conduct of all persons employed under him, and report to the board

such instances of neglect, incapacity, or bad conduct as he may discover

in any of them ; daily to examine the settlement of the cash account of

the office ; take charge of the cash, and whenever the actual amount

disagrees with the balance of the cash account, report the same to the

president and directors without delay ; to attend all meetings of the

board ; keep a fair and regular account of its proceedings ; give such

information to the board as may be required ; consult with committees

when requested, on subjects referred by the board ; and also to per-

form such other services as may be required of him by the board.

Art. 12. There shall be at least one discount day in each week,

when the directors shall be assembled; a majority of the members

shall be required to form a quorum, except for the purpose of settling

discounts, for which five shall constitute a quorum, and no bill or note

shall be discounted the unexpired term of which exceeds sixty days.

Art. 14. All bills and notes offered for discount shall be laid before

the board of directors by the cashier on the days assigned for discount,

together with a statement of the funds and situation of the office, for

their information.

Art. 15. Discounts shall not be made on personal security without

two responsible names (the firm of a house being considered as one

name only) ; but if the stock of the Bank of the United States, funded

debt of the United States, or such other property as shall be approved

by the board, be deposited and pledged to an amount sufficient to

secure the payment, with all damages, one responsible name may be

taken. But no accommodation note (i. e. a note, the proceeds of which

are to be placed to the credit of the drawer) shall be discounted, unless

its payment be secured by a deposit of the stock of this bank, or of

funded debt of the United States, or such other property as shall be

approved by the board ; together with an express authority to the bank

to sell the deposit in case of non-payment at any time after the note

shall become due.

510 The Second Bank op the United States

Abt. 16. On each application for discount, every director who may

be present, shall be held to give his opinion for or against the same.

And no discount shall be made without the consent of three-fourths of

the directors present; and all notes and bills discounted shall be

entered in a book, to be called the Credit Book, in such manner as to

discover to the board, at one view, on each discount day, the amount of

which any person is discounter, or is indebted to the office, either as

payer or as endorser.

Art. 17. On every discount day, the name of every person who shall

have overdrawn the office since the last discount day shall be reported

to the board ; and no person while he remains an over-drawer, shall

have any note or bill discounted by the offices. And in no instance will

this bank give a release or discharge to any debtor when the debt

arises from an overdraft. And every officer who shall knowingly suffer

an overdraft to be made on the office, without communicating it to the

president and cashier, shall be dismissed from the service of the office.

Art. 21. A committee on the state of the office, shall be appointed

by ballot every three months, to examine and count the discounted

notes, and compare the amount thereof with the balance of the amount

of bills discounted in the general ledger, they shall also count the cash,

and examine the evidences of the other property of the bank, and make

an inventory of the same to be compared with the books in order to

ascertain their agreement, and make report to the board.

Art. 22. The Presidents and Cashiers of offices, shall take, and sub-

scribe an oath, or affirmation to the following effect, to wit : I

do swear (or affirm) that I will, to the best of my knowledge and abilities,

perform the duties assigned to, and the trust reposed in me as

of the office of discount and deposit of the Bank of the United States.

Art. 24. The offices of discount and deposite shall receive in pay-

ment of the revenue of the United States the notes of such State banks

as redeemed [?] their engagements with specie, and provided they are

the notes of banks located in the city or place where the office receiving

them is established. And also the notes of such other banks, as a

special deposite on behalf of the Government, as the Secretary of the

Treasury may require.

Art. 25. The offices of discount and deposite shall, at least once

every week, settle with the State banks for their notes received in pay-

ment of the revenue, or for the engagements of individuals to the bank,

so as to prevent the balance due to the office from swelling to an incon-

venient amount.

Art. 27. The respective offices shall, once in every week, make out

and transmit to the directors of the Bank of the United States, a distinct

abstract of the state of their funds ; which abstract shall ascertain the

amounts of the debts and credits of the office, amount of notes issued

APPENDICE8

511

by the office, and then in circulation, the amount of cash on hand ; and

shall likewise distinguish in the account of cash on hand, how much

thereof is in specie, and how much in the several kinds of bank notes, desig-

nating the notes of the parent bank, and those of each office particularly.

Abt. 31. The directors of the offices shall be empowered to form

and establish all other rules and regulations for the interior manage-

ment of the offices ; provided, the same be not repugnant to law, or to

the rules and regulations of the Bank of the United States, or the reso-

lutions of the directors thereof.

APPENDIX XI

Pricks of United States Bank

1818

September 7 1

October 5 1

November 2 1

December 7 1

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d.

d.

1819

January-February 1 d.

March- April %d.

May %U> %&.

June %d.

July-December J$d.

1820

January-December %&.

Boston Branch

September-October 4 d.

November-December 2 d.

Middletown Branch

September-December 2 d.

1821

January-December J$d.

Branch Notes at Philadelphia 1

1821

Boston and New Hampshire

Branches

January-December 2 d.

1822

January-December J^d.

Boston and New Hampshire

Branches

January-May 2 d.

June-December J^cL

1823

January-February J^d.

March-May )£d.

June-December J^d.

1824

January-June )£d.

July-September ' par

Oct-Nov., small, par; large, >^cL

December par

i S. D. 457, 25th Con\*., 2d Sea\*., pp. 10-29.

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APPENDIX XII

YSABLS Avkbagk CIRCULATION

1B17....

...♦3,658,000

1821...

...» 5,791,000

1831...

. . .\*19,O35,000

1818....

... 8,461,000

1825...

... 8,825,000

1832...

... 19,969,000

1819. . . .

... 4,809,000

1826...

. . . 9,635,000

1833...

... 18i636#D

1820....

... 4.491,000

1827...

... 9,780.000

1834....

... 16,790#00

1821....

... 5,654,000

... 11,067,000

1835...

... a£3KUX»

1822....

. . . 5,306,000

1829...

... 13,102,000

1836. . . .

... 30,958^00

1623

4.487,000

1830

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The aieceea for 1817 ia or little mine u an average, for the bank began opera-

tions in this Tear, and aa a couseqaenoe its dealings were too m«a|tr until late ia

the year to make a real average.

In 1836 only two months, Jannarjr arid February, are averaged. After thane

months the bank waa a Kate innti ration.

APPENDIX XH1

Yearly Average Dkpobttb

1817...

... $13,413,000

1824...

. . .$12,779,000

1831...

. . .907,220000

1818...

... 11,173,000

1825...

... 12,736,000

1832...

... 19,583,000

1819...

... 5,800,000

1826...

... 13,385,000

1833...

... 16,730,000

1820...

. . . 6,693,000

1827...

... 14^42,000

1834...

. . . ff,496\000

1821 . . .

... 6,917,000

1828...

... 15,427,000

1835...

. . . 9,494#»

. , . 7,491,000

1829...

... 15,516,000

1836...

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1823

11,075,000

1830

16,059,000

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