CONSIDERATIONS

ON THE

CURRENCY AND BANKING SYSTEM

OF THE

UNITED STATES:

BY ALBERT GALLATIN.

Philadelphia:

CAREY & LEA.—CHESTNUT STREET.

1831.

ADVERTISEMENT.

ERRATA.

PAGE.	LINE.	FROM				
7	8	bottom	READ	*their*	instead of	*the*
18	17	"	"	*underrated*	"	*overrated*
38	13	top	"	*many*	"	*may*
46	4	"	"	*was*	"	*were*
53	17	bottom	ERASE	in No. IV.		
59	16	top	READ	15.85	"	15.25
90	7	"	"	*relied on*	"	*trusted*
95	9–10	bottom	"	*to receive*	"	*of receiving*
95	10	"	"	*discount*	"	*discounting*
98	second column		ERASE	*Middle District Bank*		
105	6	top	READ	2.307.431	instead of	4.307.431

annexed, which could not be inserted in a Review.

New-York, January 1st, 1831.

CONTENTS.

Introduction	Page 5
Precious metals	6
Paper money	19
not convertible into specie	20
convertible at will	28
Banking system of the United States	39
Remedies—enlargement of metallic currency	55
suppression of small notes	56
proper valuation of gold coins	57
miscellaneous provisions	65
Constitutional powers of Congress	71
Stamp duties	75
Bank of the United States	76
Objections answered	84
NOTES. A. Ratio of gold to silver	93
B. Banks of Scotland	ib.
C. Restrictions on private banking	95
STATEMENTS. I. Banks in operation, 1st January 1830	97
II. Situation of banks (ascertained) January 1st 1830	101
III. Capital of other Banks " " "	103
IV. Banks which have failed	ib.
V. Depreciation of bank notes during the suspension of specie payments	106
VI. Situation of the United States Bank, 1819 to 1829	ib.
VII. Distribution of the nett circulation of the United States Bank, September 1830	ib.

CONSIDERATIONS, &c.

THE framers of the Constitution of the United States were deeply impressed with the still fresh recollection of the baneful effects of a paper money currency, on the property and on the moral feeling of the community. It was accordingly provided by our National Charter, that no state should coin money, emit bills of credit, make any thing but *gold and silver coin* a tender in payment of debts, or pass any law impairing the obligation of contracts; and the power to coin money and to regulate the value thereof, and of foreign coin, was, by the same instrument, vested exclusively in Congress. As this body has no authority to make any thing whatever a tender in payment of private debts, it necessarily follows, that nothing but gold and silver coin can be made a legal tender for that purpose, and that Congress cannot authorize the payment, in any species of paper currency, of any other debts but those due to the United States, or such debts of the United States as may, by special contract, be made payable in such paper. All the engagements previously contracted at home, by the United States, were expressed in Spanish dollars; all the moneys of account of the several states, were estimated and payable in that coin; there might be some uncertainty as to the precise weight of pure silver which it contained; and the assays made at the time, may not, for want of proper means, have had all the accuracy of which that process is susceptible. But they were made in good faith; and the Act of Congress of the year 1791, which declared that the dollar of the United States should contain $371\frac{1}{4}$ grains of pure silver, has irrevocably fixed that quantity as the equivalent of a dollar of account, and as the permanent standard of value, according to which all contracts must be performed. The relative legal value of gold and foreign coins to that standard, may from time to time be varied, provided that neither shall be so overrated, as to authorize the payment of a debt with an amount in such coin of a less actual value, than that of the silver to which it may be made to correspond.

The provisions of the Constitution were universally considered as affording a complete security against the danger of paper money. The introduction of the banking system, met with a strenuous opposition on various grounds; but it was not apprehended that bank notes, convertible at will into specie, and which no person could be legally compelled to take in payment, would degenerate into pure paper money, no longer paid at sight in specie. At a later date, although occasional bankruptcies had taken place, and might again be anticipated, there was no apprehension of a general failure of the banks in three-fourths of the states. Still less was it expected, and it was the catastrophe of the year 1814 which first disclosed not only the insecurity of the American banking system, as then existing, but also, that when a paper currency, driving away, and superseding the use of gold and silver, has insinuated itself through every channel of circulation, and become the only medium of exchange, every individual finds himself, in fact, compelled to receive such currency, even when depreciated more than twenty per cent., in the same manner as if it had been made a legal tender. The establishment of the Bank of the United States was recommended by the Treasury, and that Institution was incorporated by Congress, for the express and avowed purpose of removing an evil, which the difference in the rate of depreciation, between the paper currencies of the several states, and even those of different places in the same state, had rendered altogether intolerable. The object in view has been obtained. The resumption of specie payments, which the state banks had been unwilling or unable to effect, took place immediately after that of the United States had commenced its operations. And it has, for a number of years, supplied the country with a currency safer, and, it must at least be allowed, more uniform, than that which the state banks could furnish. The question, whether the charter, which expires in a few years, should be renewed, has been brought by the President before Congress, with a suggestion that a national bank, founded upon the credit and revenues of the government, might be advantageously substituted, to that now in existence. Reports favorable to the continuance of the present bank, have been made by committees of both houses of Congress. Another report, on the relative value of gold and silver, and intimately connected with the subject of currency, has also been made by the Secretary of the Treasury to the Senate. Availing ourselves of the information afforded by those documents, and particularly of the arguments adduced in Mr. M'Duffie's able report, we intend to examine this important question, principally in reference to the currency of the country, considered as the common standard, by which the value of all the other commodities is estimated, and every contract is performed.

Whatever commodity or species of paper may, by law or general consent, be universally received in any country, in exchange of every other commodity, and in payment of all debts, is the circulating medium or currency of such country, or in other words, its common standard of the value of all commodities whatever, and that which regulates the performance of all contracts not specially excepted. It is therefore of primary importance, that the commodity or substitute, which may be selected for that purpose, should be of a value as permanent as practicable, and the same in every part of the same country; and it is also highly desirable, that the same circulating medium should be common to all countries connected by commerce. Gold and silver are the only substances, which have been, and continue to be, the universal currency of civilized nations. It is not necessary to enumerate the well-known properties which rendered them best fitted for a general medium of exchange. They were used, not only as ornaments and objects of luxury, but also for that particular purpose, from the earliest times. We learn from the most ancient and authentic of records, that Abraham was rich in cattle, in silver, and in gold; that he purchased a field *for as much money as it is worth,* and in payment weighed four hundred shekels of silver, *current* (money) *with the merchant.* And when we see that nations, differing in language, religion, habits, and on almost every subject susceptible of doubt, have, during a period of near four thousand years, agreed in one respect; and that gold and silver have, uninterruptedly to this day, continued to be the universal currency of the commercial and civilized world, it may safely be inferred, that they have also been found superior to any other substance in that permanency of value, which is the most necessary attribute of a circulating medium, in its character of the standard, that regulates the payment of debts, and the performance of contracts.

There is not, however, in nature, any perfect or altogether permanent standard of value. There is not a single commodity, the relative value of which, as compared to that of all other commodities, is not subject to great and permanent changes as well as to temporary fluctuations. But it will be found, that the nature of the demand for precious metals, the comparative regularity of the supply, and especially their much greater durability and intrinsic value, than those of any other substance otherwise fitted for a circulating medium, restrain the fluctuations to which the relative value is liable, within far narrower limits, than is the case with any other commodity which might have been selected for a currency.

It is well known that the discovery of America was followed by a great and permanent change in the price of the precious metals, which reduced it to one-fourth of their previous relative value as compared to all other commodities. This great revolution was due to a simultaneous vast increase of the supply and corresponding reduction in the cost of production of the metals. The American mines of silver do not lie nearer the surface of the earth than those of other countries; the ore rarely yields more silver than one-fourth per cent. of its weight; nor was there at the time any improvement adopted that tended materially to lessen the expense of extracting the silver from the ore.* The superiority of the silver mines of America, appears to consist, principally, in the magnitude of the beds, and the much greater quantity of ore which can accordingly be dug out with the same labor. The annual labor of one miner at the mine of Valenciana, the most fertile of Mexico, was sufficient, in 1803, to extract from the bowels of the earth, four hundred quintals of ore, which produced one quintal of silver; and the annual produce of the mine exceeded three millions of dollars in value, (about 220,000 lbs. troy weight): whilst, at the richest mine of Saxony, the annual labor of eleven miners was necessary to extract the ore sufficient to produce a quintal of silver; and the annual produce was less than ninety thousand dollars, (about 6,200 lbs. troy weight). Although the money price of mining labor appears to be five times greater in Mexico than Saxony, and notwithstanding the want of fuel and other circumstances which increase the current expenses, the cost of production was still much less at the Mexican than at the Saxon mine, and left a considerable rent to the owner. The Saxon mine, though probably as rich as any that was in operation in Europe prior to the discovery of America, could not, on account of the difference in the rate of wages, be worked if situated in Mexico. It follows, that all the American silver mines are superior to it in fertility, though in that respect differing from each other, and gradually decreasing from that of Valenciana, down to the poorest, which probably affords no rent to the owner.

The American mines, or washings of gold, are in the same manner more fertile, or, with the same labor, produce much greater quantities of pure metal than those of Europe. But the difference must have been less with respect to gold than to silver mines. The relative value of gold to silver was, before the discovery of America, at the ratio of 11 or 12, and is now at that of 15 or 16 to 1. If the depreciation in the value of silver has been at the rate of 4 to 1, that of gold has been only at the rate of about 3 to 1; and this may afford some reason to think, that, of the two metals, gold is probably the most permanent standard of value. It must be observed, that, though wanted for similar purposes, the relative value of gold to silver does not depend on any supposed similarity or connexion between the two metals, but is the result of their respective prime cost, which determines the value of each in relation to that of all other commodities.

* Humboldt's New Spain.

As the total importation of precious metals from America to Europe had not, prior to the year 1596, exceeded a quantity equal to that contained in eight hundred millions of dollars, and the depreciation was then already at the rate of about $3\frac{1}{2}$ to 1, it is probable that the total amount of gold and silver existing in Europe prior to the discovery of America, though worth then four times as much, did not in quantity exceed that contained in three hundred millions of dollars, money of the present times.

The total amount of gold and silver produced by the mines of America, to the year 1803, inclusively, and remaining there or exported to Europe, has been estimated by Humboldt at about five thousand six hundred millions of dollars; and the product of the years 1804—1830, may be estimated at seven hundred and fifty millions. If to this we add one hundred millions, the nearly ascertained product to this time of the mines of Siberia, about four hundred and fifty millions for the African gold dust, and for the product of the mines of Europe, (which yielded about three millions a year in the beginning of this century,) from the discovery of America to this day, and three hundred millions for the amount existing in Europe prior to the discovery of America, we find a total not widely differing from the fact, of seven thousand two hundred millions of dollars. It is much more difficult to ascertain the amount which now remains in Europe and America together. The loss by friction and accidents might be estimated, and researches made respecting the total amount which has been exported to countries beyond the Cape of Good Hope; but that which has been actually consumed in gilding, plated ware, and other manufactures of the same character, cannot be correctly ascertained. From the imperfect data within our reach, it may, we think, be affirmed, that the amount still existing in Europe and America certainly exceeds four thousand, and most probably falls short of five thousand millions of dollars. Of the medium, or four thousand five hundred millions, which we have assumed, it appears that from $\frac{1}{3}$ to $\frac{2}{5}$ is used as currency, and that the residue consists of plate, jewels, and other manufactured articles. It is known, that of the gross amount of seven thousand two hundred millions of dollars, about 1800 millions or $\frac{1}{4}$th of the whole in value, and $\frac{1}{48}$th in weight, consisted of gold. Of the four thousand five hundred millions, the presumed remaining amount in gold and silver, the proportion of gold is probably greater, on account of the exportation to India and China having been exclusively in silver, and of the greater care in preventing every possible waste in an article so valuable as gold.

In order, therefore, to produce a revolution in the price of gold and silver, such as was caused by that event, mines must be discovered, which, in thirty or forty years, should produce, in addition to the supply required by the increasing demand, thirteen or fourteen thousand millions of dollars, or three times the quantity now existing; and this increased supply must be accompanied with a corresponding reduction in the cost of production. It is obvious, that the discovery of one hundred new mines, even superior in magnitude, and equal in other respects to that of Valenciana, would only cause mines of inferior fertility to be abandoned, and could produce no greater effect on the price of silver, than reducing it to the actual cost of production at the mine of Valenciana. The expense of extracting the silver from ore of a given quality, once brought to the surface of the earth, bears too small a proportion to the whole expense of working a mine, to render it possible that any improvement in that process should cause any great reduction in the price of the metal It does not appear that such reduction can be effected, otherwise than, either by the discovery of numerous and large beds of ore, much richer in silver than any yet worked, or by a great reduction in the money price of labor in America. Judging from analogy, the first event, at least to a sufficient extent, is altogether improbable; and the last contingency cannot take place but slowly and gradually. On the other hand, the diminution in the annual supply for the last twenty years, having been exclusively caused by the convulsions attending the revolutions of the new American states, is but temporary; and the successive numerous discoveries of new mines, during the seventeenth and eighteenth centuries, render it highly probable, that, after order and security shall have been restored in those states, a similar progress will take place, and continue, as heretofore, to produce an increasing annual supply, corresponding with the increasing demand. This demand, also, being always proportionate to the wealth and prosperity of the civilized world, can increase but gradually. It is, therefore, highly improbable, that any new revolution should again occur, producing effects in any degree similar to those which followed the discovery of America, or that there should be any other permanent alteration in the price of the precious metals, but such slow and gradual changes as cannot substantially affect the due performance of the great mass of ordinary contracts. Before we examine the temporary fluctuations in price, to which both gold and silver are liable, it is necessary to inquire into the nature of the demand for those metals.

Mines being, like tillable land, private property, and of different fertility, the rent of either, as well as the intrinsic value of their respective produce, are regulated by analogous laws. But there is an essential difference between the demand for corn and that for the precious metals. That for corn, or the ordinary article of food, is for an amount in quantity, without much regard to value. That for gold and silver is for an amount in value and not in quantity. More food is consumed and may be wasted in plentiful years, than in those of scarcity. But there is always a certain quantity of corn, or other usual article of food, determined by population, and which must necessarily be supplied at any price, without any other limits than actual deficiency in the supply, or absolute inability to pay the market price; and in either case a portion of the suffering population must perish. In a country requiring annually at least fifty millions bushels, or any other quantity of corn, for the *necessary* subsistence of its inhabitants, there is a most imperative demand for that amount, or a substitute for it; and this must be satisfied, if the amount can be procured at all, and at any price, provided the country can by any means pay for it. The demand for corn is therefore for a certain quantity regulated by the population, and not for a certain value proportionate to the income, capital, or wealth of the country.

But the demand for gold and silver is, either for plate, jewels, and other manufactured articles, such as plated ware, gilding, &c.; in which those metals are used, or for currency. It is evident, that all, or nearly all those objects of demand being, with the exception of currency, articles of luxury, the effective demand for them, including both the wish to possess and the means to pay, must be proportionate to wealth, and therefore for a certain amount in value and not in quantity. No individual can lay out more than a certain portion of his income or capital in plate and jewels. If the price of the precious metals is reduced to one fourth of what it previously was, as happened during the latter end of the sixteenth century, he will be able, with the same income, to obtain four times the quantity of plate and gold ornaments which he formerly possessed, because their value remains the same. But the increased cheapness will in a very inconsiderable degree, if at all, have a tendency to increase the amount in value of gold and silver articles which will be used. An individual may be induced by such great reduction in the price of silver, to substitute silver spoons or forks to those made of inferior metal; but so long as silver spoons or forks are dearer than those of any other metal, he cannot, his income remaining the same, indulge his wish without retrenching his expenses in some other respects, and without depriving himself of some other comforts. What is true of every individual in every country, is equally so of the aggregate of individuals, or of every country. The demand for an increased value of plate, jewels, and other articles manufactured, in whole or in part, of gold or silver, with the exception perhaps of a few articles in general use amongst all classes, will everywhere be nearly in proportion to the wealth of each country respectively. And what is nearly correct, as regards the demand for manufactures of gold and silver, is strictly true as applied to the demand for those metals for currency.

As a silver dollar, or dollar bank note, passing from hand to hand, effects in a given time, a year for instance, a great number of payments, the amount of currency wanted in any country is always much less than the gross amount of payments made in currency within the same time. The amount thus wanted is that which is necessary and sufficient, for the payment of all such purchases of land, labor and product of labor (embracing every species of commodities and capital) as are paid with currency. Its *value* must always, therefore, bear a certain proportion to the aggregate *value* of the land, labor, and all objects whatever, thus paid for with currency. That proportion, as well as that which the value of the annual purchases effected with currency may bear to the value of the whole amount of annual exchanges and purchases of the country, whether effected with currency or by any other means, must vary, and cannot be precisely ascertained. But, whatever either of these two ratios may be, the average value of the various objects purchased, which are paid for in currency within a given time, a year for instance, will always require a certain proportionate value of currency. The average value of the objects, thus annually paid for, determines the total average amount in value of currency which is requisite, and in the case before us, the average value of precious metals which is wanted for currency, and for which there is an actual demand for that purpose.

Let it be supposed that the amount of currency wanted in a country, is one-tenth part of the whole amount of the annual payments made there in currency; and that the currency consisting exclusively of silver, there are annually in that country one million of bushels of wheat sold and paid for in currency. It is clear, that if the relative value of silver to wheat be such in such country, that one ounce of silver is the equivalent and common price of a bushel of wheat, one hundred thousand ounces of silver will be necessary and sufficient to effect the payment of all the wheat annually sold and paid for in currency. If on account of a reduction in the cost of its production, or from any other cause, the value of silver, as compared to that of all other commodities, should be reduced to one-half of what it previously was, the value of wheat, as compared with that of all other commodities, silver excepted, remaining the same as before, two hundred thousand ounces of silver would be necessary to effect the payment of the one million of bushels of wheat sold for currency during the year. But although the quantity of silver (or nominal amount of currency) wanted, was twice as great as before, the value would remain precisely the same, two hundred thousand having become worth no more than one hundred thousand ounces had previously been. If, instead of this, the value of silver had undergone no change, and either the quantity of wheat, annually sold and paid for in currency, had increased to two millions of bushels, its price remaining the same, or, the quantity thus sold remaining the same, the value of wheat as compared to all other commodities had doubled, as the two hundred thousand ounces of silver, wanted to effect the payments of the sales of wheat, would actually be worth twice as much as the one hundred thousand ounces had been, the *value* of currency wanted would be twice as great as theretofore.

What is true of the proportionate value of the currency, wanted to effect the payment of the quantity of wheat annually paid for in currency, to the value of that wheat, is equally true of the proportionate value of the currency, wanted to effect the payment of the whole amount of land, labor, and products of labor, annually paid for in currency, to the aggregate value of all those objects. Although the proportion may vary, according to the rapidity of the circulation, and to the means used in order to economize the currency, it is always that aggregate value, which determines the value of the currency wanted in any country. Whilst that aggregate value remains the same, any great variation in the amount in quantity of the currency must be due to a change, or cause a change, in its value, as compared with that of all other commodities. Where gold and silver are the only currency, any great and permanent increase in the quantity of those metals used as currency, (the aggregate value of the objects annually paid for in currency remaining the same,) must be due to a corresponding reduction in the cost of production of gold and silver; which cost, leaving to the owners of mines a greater or less rent according to their fertility, determines the value of those metals as compared with that of all other commodities. Where a paper has been substituted to a metallic currency, any similar considerable increase in its amount must cause a corresponding depreciation in its value, if the aggregate value of the objects, annually paid for in currency, remains the same.

The amount in value of the currency wanted to effect the necessary payments, though but a comparatively small portion, is one of the most important, productive, and necessary portions of the capital of a nation. Its use is substituted to an inconvenient barter or exchange of one commodity for another; it enables every individual to dispose at all times, and with facility, of the whole surplus of the products of his industry, and to purchase with the proceeds any of the products of the industry of others which he may want; it promotes the division of labor, and vivifies the industry of the whole country. But whenever the precious metals used as currency exceed in any country the value wanted to effect the necessary payments, the surplus becomes a dead and unproductive stock; and it will, accordingly, be either converted into manufactured articles of those metals, or be exported to other countries. If on the contrary the currency should consist of an irredeemable paper, having only an artificial and local value, and none whatever, either in other countries or for any other purpose; it is evident that any excess in the nominal value of such currency, beyond the actual value sufficient to make the necessary payments, must cause a corresponding depreciation in that nominal value. If fifty-five millions of ounces of pure silver, at its present value as compared with all other commodities, are sufficient on an average to effect all the payments made in the United States in currency, the whole quantity of a paper currency substituted to silver, cannot, on an average, whatever its nominal amount may be, exceed in value fifty-five millions of ounces of pure silver, or about seventy-one millions of dollars in our present coin. Whether such currency amounted nominally to seventy-one, one hundred, or one hundred and forty millions of dollars, its value would not, on an average, exceed that of the seventy-one millions of silver dollars wanted to effect the necessary payments; and the paper money would generally depreciate at least in proportion to the excess of its nominal amount beyond seventy-one millions of silver dollars. Having recurred to numbers by way of illustration, it is proper to observe, that we do not mean to assert that the total value of currency wanted in any country is a fixed sum. Even when no alteration has taken place in the industry and commerce of a country, the amount of currency may occasionally, to a certain extent, exceed that which is actually wanted, without affecting its price. An approximation of the average amount, which always fluctuates within certain limits, is all we pretend to give.

It is obvious that the aggregate value of the annual payments made in currency, which regulates the value of the currency wanted, must itself principally depend on the aggregate value of the land, labor, products of labor, and in short of all the objects which are or may be annually sold or exchanged. The amount of the value of currency wanted, or the demand for currency in every country, depends therefore principally on its wealth, but is modified in some degree by the state of society. The wages of labor, and the rent of land, are, in most countries. no inconsiderable portion of the objects which must be paid for in money. Countries where slave is generally used instead of free labor, or where, as in the United States, the greater part of the land is occupied and tilled by the owners, or, when rented, let generally on shares, will, therefore, with equal wealth, require a less proportionate amount of currency in value. Less is also wanted in purely agricultural countries, and everywhere by those engaged in agriculture, than in any other profession. As a far greater part of the income of almost every individual is expended on articles of food, than on the product of any other one branch of industry, farmers consume a much greater part of the products of their own industry, and they therefore have a less proportionate amount of those products to exchange for the products of the industry of others, than any other profession. Barter continues also to be a principal mode of exchange in the country, at least in a great portion of the United States, where the planter and farmer obtain from time to time their supplies from the merchant, and pay him annually with their crop. It may be said, generally, that, with respect to the state of society, the want and demand for currency increase in proportion to the density of the population, the consequent multiplication and growth of towns, and the division of labor. And these being almost exclusively the result of the increasing growth, prosperity, and wealth of a country, it may be correctly asserted, that the demand for currency in any country is generally proportionate to its wealth.

That demand increases in proportion to that of population, only in as far as population is a principal element of wealth; and both will increase together, nearly in the same proportion, in a country which in other respects is nearly stationary. But the ratio of the population to the actual amount of currency, which always corresponds nearly with the demand for it, will be found to differ materially in various countries, according to the productiveness of labor, to the accumulated amount of products of labor or capital, and generally to the wealth of each respectively. The perpetual melting of coins, makes, indeed, the amount of coinage alone, and without many subsidiary investigations, a very imperfect criterion of the amount of gold and silver coins existing in any country. A much more correct estimate may be made, where paper or debased coin, neither of which can be advantageously exported or used for any other purpose, constitute the whole or greatest part of the currency. And resorting to both means, an approximation sufficient for the purpose may be obtained.

We learn from Storch, that the paper money of Russia, amounted, in 1812—1814, to five hundred and seventy-seven millions of rubles, and the copper currency to about twenty-five millions. Both being depreciated to one-fourth part of their nominal value, were equivalent to one hundred and fifty millions of silver rubles; to which adding the estimated amount of twenty-five millions of silver rubles still in circulation, gives a total of one hundred and seventy-five millions, equal to less than one hundred and thirty-two millions of dollars. The paper circulates, almost through the whole empire, from Archangel to Odessa, and from the banks of the Dwina to the confines of Asia. Excluding Riga, Courland, and the Asiatic provinces, the one hundred and thirty-two millions of dollars are the total value of currency, for at least thirty-five millions of souls, that is to say, at the rate of less than four dollars a head.

It will hereafter be shown, that the amount of currency of the United States, did not, in 1829, probably exceed seventy-three millions of dollars, or at the rate of about six dollars a head; a result nearly the same as that of the year 1819. The reasons, why the amount is less than might have been inferred, from the extensive commerce of the United States, and the wealth of our large cities, have already been briefly indicated.

In France, where great pains have been taken to ascertain the facts, as far as it is practicable, in a country, nine-tenths at least of the currency of which consist of the precious metals, the estimates vary, for different years and different amounts of population, from two thousand to two thousand five hundred millions of francs, but only from seventy-two to eighty francs, or from thirteen and a half to fifteen dollars a head.

The bank notes of the Bank of England, and of country banks, amounted, in the year 1811, to forty-four and a half millions sterling, and those of Scotland to three millions and a half, equivalent, together, to about forty-four millions specie, to which adding about four millions' worth of debased silver, gives, on a population of about twelve millions of souls, about £4 sterling, or 19 dollars a head. In 1829, the amount has been stated to be twenty-two millions in gold, eight millions in silver, and twenty-eight millions in English bank notes, to which, adding four millions of Scotch notes, gives sixty-two millions, or about the same result in proportion to the population; since this, allowing the same rate of increase since 1821, as between 1811 and 1821, must now amount to between fifteen and sixteen millions of souls. But, including the population and the bank notes of Ireland, we would have a population of about twenty-three millions, and a currency of about sixty-six millions sterling, or, as in France, about fourteen dollars a head.

From these and more imperfect data, in relation to other countries, we believe that the total amount of currency in Europe and America, may be estimated at two thousand to two thousand three hundred millions of dollars; three-fourths of which consist of the precious metals, and the residue of bank notes and irredeemable paper money.

The amount in weight or quantity of gold and silver, is now fifteen times as great in Europe and America, as it was prior to the discovery of the last country. But the three hundred millions previously existing, were then worth as much as twelve hundred millions at this time. The increase, so far as it consists only in amount, and has been caused by the reduced cost of production, is, with respect to currency, of no importance whatever. It is quite immaterial to the community, whether one thousand ounces of silver, will, on an average, purchase one thousand or four thousand given measures or weights of every other commodity. Had not that reduction taken place, four hundred thousand millions of dollars in currency would have answered the same purpose as is now effected by sixteen hundred thousand millions, without any other difference, than probably the use of coins of base metal, instead of our dimes and half dimes. But the increase from twelve hundred millions, (the present worth of the former three hundred millions,) to four thousand five hundred millions, is an increase in value, and indicates a corresponding, and, on account of the numerous substitutes for currency introduced by commerce and credit, a still greater proportionate increase of the wealth and prosperity of Europe and America together, during the two last centuries. That increase of value has no otherwise contributed to this increased wealth, than as far as it has added to the amount of exchangeable commodities; and the same effect would have been produced by a similar increase in any other commodity. The increased wealth and prosperity of Europe and America are the cause, and not the effect, of the increased amount in value of gold and silver, which they now possess. The causes of that great increase of wealth, are not to be found in the fertility of the mines of America, but in the general progress of knowledge, skill, and every species of industry, in the consequent improvement of governments, laws, and habits, in all that constitutes what is called civilization. The influx of precious metals follows in every country, and does not precede the corresponding increase of wealth.

As the regularity of the annual supply of the precious metals is not affected by the seasons, the changes in the amount of that supply, had, during the two last centuries, been gradual, and hardly sensible from year to year. That, which has taken place within the last twenty years, has been greater than had been experienced, since the first great revolution caused by the discovery of America. The annual supply of the mines of America, Asia, and Europe, had reached its highest point, in the years 1803–1810, and amounted then to fifty millions of dollars, or to about one and one-fourth per cent. of the whole quantity of precious metals then existing in Europe and America. The convulsions of the former Spanish colonies have, for the last twenty years, reduced the total annual supply to about twenty-seven millions, or to about three-fifths per cent. of the whole amount now existing. A diminution of one-half of the ordinary supply of any other commodity, the demand remaining the same, would have produced a still greater proportionate increase in its price. Continued during twenty years, this diminished supply of the precious metals, whilst the demand is still gradually increasing, cannot but have affected, in some degree, their price; and if prolonged much longer, the effect would be visible; but it has been gradual, from year to year imperceptible, and affecting in no sensible manner the performance of contracts. This is obviously due to the comparative small amount of the ordinary supply, which does not exceed one hundredth part of the stock on hand, whilst the annual supply of corn and of most other natural products always exceeds, and that of most manufactured articles often equals, the amount of the old stock. The superior durability and value of the precious metals, over every other substance (including even iron, copper, and other metals) fitted for a circulating medium, which produce and preserve the great accumulation of gold and silver, are the principal cause of their great superiority over every other commodity, as a permanent standard of value.

For the same reasons, any accidental inequality in the distribution of the precious metals, amongst the several countries, in proportion to their respective wants, is promptly and easily repaired; and any extraordinary demand from a particular country met without difficulty, or sensibly affecting the price of the metal required. The general supply of stock on hand, is always sufficient to meet such demand, and the expenses and charges of transportation are, on account of the greater value of an equal bulk, far less than those of any other commodity, hardly ever exceeding in time of peace one per cent. on the value, even when brought from the most distant countries of the civilized world. During the four years which immediately followed the resumption of specie payments in England, that occurrence caused an extraordinary demand of more than twenty millions sterling in gold, or about twenty-four millions of dollars a year, being near three times as much as the annual supply of that metal; and this demand was met without any difficulty, or sensibly enhancing the price of gold. As the gold coins of France are, by the mint regulations of that country, a little ~~over~~rated in relation to those of silver, they always command a small premium, varying generally from one-fifth to one-half per cent. This premium never exceeded the last rate during the years of that demand; which is a conclusive proof that it could not at most, and at any time, have enhanced the price of gold more than three-tenths per cent.; since, in that case, the advance would have also taken place in France, whence, in fact, a considerable portion of that demand was supplied. This decisive fact also shows, that it is erroneously that the exportation of American gold coins, which commenced in the year 1821, has been ascribed to that extraordinary demand. The exportation has been continued uninterruptedly, after that cause had ceased to operate, and, as will be seen hereafter, is due to the alteration from that epoch in the rate of exchanges.

But it is nevertheless true, that as the value of the various objects exchanged or sold annually in a country, and, what is still more important, as the proportion of that value to the amount of the actual payments which must be made in currency, are both subject to variations, the amount of currency wanted in a country does, exclusively of the gradually increasing demand caused by an increasing prosperity, vary at different times in the same country. That amount ought, therefore, in prosperous seasons, to exceed that which is then necessarily wanted, in order to be able to meet the greater demand which at times takes place. There are, in every country, banks, bankers, and great dealers, in whose hands the currency of the country accumulates, to be thence again distributed amongst the members of the community, according to their respective wants. Obliged to meet those demands, it is their interest and duty to keep always those reservoirs sufficiently full. In countries where no artificial substitute has rendered the task more difficult, and where specie is the sole or principal currency, although there may be occasional varieties in its value, they are of rare occurrence and restrained within narrow limits; and an actual want of specie is hardly ever known.

The substitution of a paper currency to the precious metals, does not appear to be attended with any other substantial advantage than its cheapness; and the actual benefit may be calculated with tolerable accuracy. If in a country which wants and does possess a metallic currency of seventy millions of dollars, a paper currency to the same amount should be substituted, the seventy millions in gold and silver, being no longer wanted for that purpose, will be exported, and the returns may be converted into a productive capital, and add an equal amount to the wealth of the country. If the banking system, founded on the principle of a paper currency convertible at will into specie, should be adopted, and notes of a very low denomination be excluded, it will be found, that the circulation would consist of about sixty millions in bank notes and ten millions in silver.* But in that case the banks, in order to sustain specie payments, must, on an average, have in their vaults about twenty millions in specie. This is believed to be nearly the state of things at this time in the United States, if, according to common usage, we consider bank notes as constituting the whole of the paper currency. There have been, therefore, on that principle, only forty millions of dollars saved and added to the productive capital of the country. This, at the rate of 5 per cent. a-year, may be considered as equal to an additional annual national profit of

* It has been lately stated, that the bank notes of every description in England, amount to twenty-eight millions sterling; and the bullion in the vaults of the bank, to thirteen millions. If this is correct, the capital saved is only fifteen millions, and the annual profit, derived from the paper currency, six hundred thousand pounds sterling.

two millions of dollars. The substitution of bank notes to a metallic currency produces the same effect, as an addition of two millions a-year, to the exports of the United States, or as a diminution of taxes to the same amount. Being inclined to think that the credits on the books of the banks, called *deposits* in the United States, constitute to all intents and purposes a part of their currency, we believe that the benefit derived from the banking system is still greater, and is tantamount to an annual national saving, or additional profit, of near five millions of dollars.* This is certainly an important advantage, provided the system is conducted so as to afford complete security; and it would be altogether free of objection, if the banks were only banks of deposit and issued no paper. Barns are certainly a very expensive implement of agriculture. The capital expended on those buildings, in the middle and northern states, is more than the value of one year's crop of the farms, and causes therefore a deduction of more than 5 per cent. on the annual gross produce of the earth. To dispense with barns would be a greater annual saving, than that which arises from the substitution of a paper to a metallic currency. Some favorable seasons occur, when the farmer might thresh his wheat on a temporary floor exposed to the weather, and dispense with a barn. Yet, in our climate, every prudent farmer prefers security to a precarious advantage, and would consider it a most wretched economy, not to incur the expense necessary for that object. Similar is the economy of that expensive instrument, the precious metals, if the substituted paper currency is insecure. To unite that security, which is derived from a uniform and permanent standard of value, with the acknowledged and considerable saving arising from the substitution, is the difficult problem to be solved, in every country that resorts to that cheaper species of circulating medium.

A paper currency is either convertible at will into specie, or redeemable at some future time, or altogether irredeemable. The two last descriptions are excluded by the Constitution of the United States, and require examination, only because experience has shown, that a currency of the first description may degenerate into one not convertible into specie, without, on that account, ceasing to be the only currency of the country. Some persons are yet found who contend for issues of paper money to an indefinite amount, without regard to the fundamental principle, that the demand is for value, and that it is impossible

* We do not take into consideration the annual amount wanted to repair the loss occasioned by friction in gold and silver coins. This has been greatly overrated by respectable British writers, but according to the various opinions deduced from actual experiments, cannot exceed, taking the highest computation, and is probably less, than seventy thousand dollars a-year, on a coinage of forty millions.

to increase the amount of currency beyond certain limits, without producing a corresponding depreciation in its value. A recurrence to that principle is sufficient to dissipate the singular illusion under which that opinion is advanced.

We find, in a paper laid before the Senate during their last session, that, according to the increase of population since the year 1820, there ought to have been, since that time, a demand for thirty-two millions of acres of the public lands, which, at the present price of $1\frac{1}{4}$ dollars per acre, would have yielded forty millions of dollars, (or four millions a-year,) whilst the annual sales amount only to one million, "the reason for which is want of money to purchase." The remedy proposed in the sequel, is an issue of paper money by government, the general benefit of which, according to the writer, would be stupendous. "Were our own government to increase our circulating medium *only* fifty millions of dollars, income-yielding property would rise two thousand millions of dollars."

The word "money" is used as synonymous with specie and currency. But as currency is the thing by which every thing else is valued, the value of every species of property is expressed in currency. A planter, possessed of property, which, in usual times, might be sold for one hundred thousand dollars, is accordingly said to be worth one hundred thousand dollars, though he may not, at any one time, have in his possession one thousand dollars in currency. The word money comes thus to be used as synonymous with wealth; and, in that sense of the word, we agree with the respectable writer of the paper in question, that the reason why the sales of the public lands have not far exceeded one million of dollars a-year, has been the want of money, that is to say, of wealth on the part of those who would have wished to purchase. From the other writings of the same author, we had concluded, that he was in favor of issues of paper money almost to an indefinite amount. But it appears by this paper, that he is perfectly aware, that a very limited amount of currency is sufficient; since he avers that an additional issue of fifty millions would produce, on the value of the productive property of the country, an effect forty times as great as that issue. This reduces the question to one of quantity, and whether the amount of currency supplied by the banking system now existing is insufficient, and ought to be increased by an issue of government paper. As it is the interest of the banks to issue as many notes as can be kept in circulation, and as they are authorized by their charters to issue more than three times the present amount, it is clear that the obligation to pay their notes in specie on demand is the sole reason why that amount is not greater. It is, therefore, absolutely necessary, in order to enlarge it, that the proposed new issue should consist of a government paper money, not convertible into specie on demand. It could not, according to the Constitution, be made a legal tender for the payment of debts between individuals, and might only be made receivable in payment of debts due to the United States. It is evident that such paper could not circulate a single day in competition with that of the banks, which is received not only for that purpose, but in payment of all debts, and is at all times convertible into specie. The new paper would be immediately depreciated in proportion to its amount, and produce no other effect than that of lessening the revenue of the United States in the same proportion. It would be much more simple, if that was the object, to reduce the rate of existing taxes; with respect to the public lands, to reduce the price at which they are now sold. We believe that this last measure would be equally just and consistent with sound policy, and that the great change of circumstances which has taken place, and principally the superabundant supply of public lands, compared with the *effective* demand at the present price, imperatively require a reduction of that price. Those lands are the property of the people of the United States at large, and cannot be given gratuitously either to particular individuals or to particular states. But they should not be kept out of market by persevering in a price, that was adapted to the time when it was fixed, and no longer accords, either with the greatness of the supply, or with the wealth of the natural purchasers, of those who want them for their own use, and who may, if the expression is admissible, be considered as the consumers of that commodity.

But supposing, for the sake of argument, that this additional issue of paper by government should not experience any depreciation, and should circulate at the same rate, as bank notes convertible on demand into specie, not the slightest advantage would accrue to the purchaser of public lands, or to any other individual. If not depreciated, the same quantity of labor, of wheat, or of any other commodity, will be necessary, and must be given, in order to obtain an equal quantity either of that paper, of bank notes, or of specie. If depreciated and circulating, the farmer might indeed obtain two dollars of that paper, instead of one in specie, for a bushel of wheat, and the laborer receive one dollar nominal, instead of half a dollar in specie, for a day's labor. But what benefit would arise to either? Since the farmer would be obliged to pay also a double nominal price for the labor he wanted, and the laborer a similar double price for the farmer's wheat, and since both would likewise be obliged to give a double price for any article they might want, when paid with that paper. This is so simple and obvious, that we are entirely unable to understand on what grounds the contrary doctrine can be sustained. After having tried to discover what was meant by those who pretend to argue in support of excessive issues of paper money, we have found nothing but a repetition of the erroneous assertions, on which the famous Law attempted to build the stupendous scheme which bears his name and desolated France in the year 1720. He asserted, 1st, that gold and silver were only the representative or sign of wealth; 2d, that paper might be that sign as well as the precious metals; 3d, that by doubling or trebling the amount of that sign, the national wealth would be increased to that amount; 4th, that such increase of the currency would reduce the rate of interest, and thereby promote industry. It is hardly necessary to show that those assertions are a series of errors. The precious metals are not merely the sign or representative of wealth; they have an intrinsic value, on account of the cost of their production, and of the demand for other uses than currency, and are therefore wealth itself. It is because they have an intrinsic and comparatively stable value, that they have become the standard of the value of every other commodity, or, according to Law's vocabulary, the representative or sign of wealth. A certain quantity of those signs is necessary for a circulating medium; but the quantity used adds nothing more to the wealth of any country, than the intrinsic value of that quantity. Paper having no intrinsic value, never can, whatever its amount may be, add any thing directly to the national wealth. Its utility consists in the substitution of a sign of no value for a sign which has an intrinsic value, and which may, on that account, be used advantageously for other purposes than that of a sign. Having performed that office, the increase of paper, beyond the amount of the valuable sign of which it takes the place, neither adds nor produces any wealth. The multiplication of the signs, beyond the amount in value wanted, can have no other effect than that of depreciating their nominal value, and has none on the rate of interest, which depends, not on the amount of those signs, or of currency, but on the proportion between the amount or supply of capital which may be loaned, and the demand for that capital. The result of Law's scheme was a fatal illustration of his doctrines. By a series of arbitrary acts on the part of government, and by connecting some splendid and illusory schemes with the bank, he succeeded in putting in circulation about four hundred and twenty millions of dollars in bank notes, or more than twice the amount of the currency then wanted in France. This paper was made a legal tender, to the total exclusion of the precious metals. But the laws, and all the power of the French government, were unequal to the task of sustaining that excess of currency. The price of every species of merchandise naturally rose 100 per cent. Government, with a view probably to prevent a total catastrophe, reduced by a decree the notes to one half of their nominal value. The bubble burst instantaneously. The whole currency of the country, the four hundred and fifty millions dollars of bank notes, could not, the next day, have been sold for the value of the paper on which they were printed. They were subsequently funded at the rate of eighty for one. The public creditors, who had been paid in notes, lost one hundred and fifty millions of their capital. Some speculators in shares were enriched; all the actual stockholders were ruined; and the calamity extended to all the industrious and productive part of the community. Since that time banks have not been connected with such gross commercial bubbles. But in England, the South Sea scheme, and the joint stock companies of the year 1825, were erected on the model of the Mississippi Company of Law; and the Assignats of the French revolution, as well as all the other attempts to substitute an excessive issue of pure paper money to a metallic currency, have been but copies of his bank notes.

It has been contended by distinguished writers of a very different description, that an irredeemable paper currency, not exceeding in its nominal amount that in value which is actually wanted, might be altogether substituted to gold and silver, provided that government should always regulate the issues so as never to exceed or fall short of that amount. The advantage of such paper, over notes convertible on demand in specie, would consist in saving the expense of the gold and silver necessary to pay such notes at the will of the holders, and in protecting the currency against both a panic, and the consequences of any great drain of the precious metals from abroad; dangers to both of which notes payable in specie are exposed. It must, in the first place, be observed, that the unavoidable effect of an increased or diminished value of the currency, arising from contraction or excess of its amount beyond certain limits, is ultimately to sink or to raise the price of every other commodity. But this change may not affect immediately the price of the commodities or of the labor applied to objects not susceptible of being exported; and that of exportable commodities is often affected by variations in the relative amount of supply and demand, which are altogether foreign to the state of the currency. The wisest government, with the purest views, never has any other means of ascertaining, whether the amount of a paper money is too limited or excessive, than the price of the precious metals in such paper, because those metals are, of all others, the commodity least liable to variations in its value. The rate of exchanges may occasionally be a more sensitive test, but is in reality a more circuitous and less certain mode of resorting to the same standard of value. Thus government has no means to ascertain, whether its issues are too contracted or too large, till after the evil has actually taken place; whilst banks, obliged to pay their notes in specie, and skilfully directed, are constantly employed in preventing its occurrence. But supposing government to be endowed with such skill as to be able always to adjust the proper amount of currency; an amount which, if this is metallic, adjusts itself, and which, by banks properly conducted, may be tolerably well regulated; there is still an ingredient, inherent to paper not convertible on demand in specie, which no human skill can control. This is public opinion, with respect to future contingencies, and therefore purely conjectural.

It has been asserted, that the value of an irredeemable paper money is altogether regulated by its amount, and does not, or at least ought not, to depend on confidence in the solvency of the government by which it is issued. The last assertion may be strictly true, though we believe, that in point of fact, there has hardly been any issue of paper, which in its origin was not founded on an explicit or implied promise to redeem it. But, if not depending on confidence in the solvency, the value of the paper will most certainly be affected by the public confidence in the skill, discretion, and probity of government, these being the only guarantees against excessive issues, and experience having but too well proved the natural disposition of every government which ever did issue paper, to resort, whenever pressed by its exigencies, to that resource, without regard to amount and consequences. Our principal concern, however, is with paper, originally convertible on demand in specie, and which has degenerated into a paper, the redemption of which is indefinitely postponed. It is evident that the value of such currency must depend, at least in part, on the probability of its being ever redeemed, or of specie payments being resumed, and of the time when this will take place. And as there lies the danger to which the currency of the United States is exposed, we will illustrate that position by some instances.

The paper money issued by Congress during the war of the American independence, experienced no sensible depreciation before the year 1776, and so long as the amount did not exceed nine millions of dollars. A paper currency, equal in value to that sum in gold or silver, could therefore be sustained so long as confidence was preserved. The issues were gradually increased during the ensuing years, and in April 1778, amounted to thirty millions. A depreciation was the natural consequence; but had the value of the paper depended solely on its amount, the whole quantity in circulation would have still been equal in value to nine millions, and the depreciation should not have been more than $3\frac{1}{3}$ to 1; instead of which, it was then at the rate of six dollars in paper for one silver dollar, and the whole amount of the paper in circulation was worth only five millions in silver. It is obvious that the difference was due to lessened confidence. The capture of Burgoyne's army was followed by the alliance with France, and her becoming a party to the war against England. The result of the war was no longer considered as doubtful, and sanguine expectations were formed of its speedy termination. The paper accordingly rose in value; and in June, 1778, although the issues had been increased to more than forty-five millions, the depreciation was at the rate of only four to one. From the end of April of that year, to the month of February, 1779, although the issues had been increased from thirty-five to one hundred and fifteen millions, the average value in silver of the whole amount of paper in circulation exceeded ten millions, and it was at one time nearly thirteen millions, or considerably more than that which could be sustained at the outset of the hostilities. But when it was discovered, that the war would be of longer continuance, confidence in the redemption of a paper money, daily increasing in amount, was again suddenly lessened. The depreciation increased from the rate of 6 to that of 30 to 1 in nine months. The average value in silver of the whole amount of paper in circulation from April to September 1779, was about six millions, and it sunk below five during the end of the year. The total amount of the paper was at that time two hundred millions; and although no further issues took place, and a portion was absorbed by the loan offices and by taxes, the depreciation still increased, and was at the end of the year 1780 at the rate of 80 dollars in paper for 1 in silver. The value in silver of the paper currency, was then less than two millions and a half of dollars; and when Congress, in March following, acknowledged the depreciation, and offered to exchange the old for new paper at the rate of 40 for one, the old sunk in one day to nothing, and the new shared the same fate.

The aggregate of bank notes of the Bank of England and country banks was nearly the same in the years 1810, 1813, and 1818, being, for each of those years respectively, about forty-six millions, forty-six millions two hundred thousand, and forty-six millions seven hundred thousand pounds sterling; and the value in gold of the aggregate amount of notes was, for each of those years respectively, forty, thirty-five and a half, and forty-five and a half millions. A result nearly similar, will be found by comparing periods of years. The average amount of the notes in circulation was about forty-six millions for the years 1810, 1811; forty-five millions two hundred thousand for the years 1812 to 1816; and forty-four millions four hundred thousand for the years 1817 to 1819; and the average value in gold of those notes, for each of those periods respectively, was forty-one, thirty-six, and forty-three millions. It is obvious that those differences, in the respective value in gold of the whole amount of the currency, did not depend on its amount, but on the opinion entertained, either of the probable increase or contraction of the notes, or of the resumption of the specie payments. Had the depreciation of the notes depended solely on their excess, it would have been nearly the same in the years 1810, 1813, and 1818, when that amount was nearly the same. Reducing into gold the value of the whole currency, no other reason can be assigned but a greater or less degree of confidence, why a paper currency worth forty-five and a half millions could be sustained in 1818, whilst no greater value than thirty-five and a half millions circulated in 1813. It is indeed evident, that the confidence in the resumption of specie payments must have been greater in 1810, and much greater in 1818, than in 1813; and that, independent of the intrinsic value of the bank notes, as regulated by their amount, they must, whenever depreciated, acquire some additional value, according to the opinion entertained of their being again converted into specie, and of the proximity of that event.

A still more striking instance of the sudden alterations in value, to which notes not convertible into specie are liable, is to be found in that which took place in England, in the spring of 1815, on the landing of Bonaparte from the Island of Elba. The bank notes had gradually risen in value since the peace, and were not depreciated more than 12½ per cent. in the beginning of March. Towards the end of that month, and within less than a fortnight, the depreciation was 25 per cent., although there had been, during that time, neither additional issues of paper, nor exportation of the precious metals. We will quote only one more instance of a similar nature. During the general suspension of specie payments in the United States, the depreciation of the bank notes varied in the several sea-ports. Those of the Baltimore banks were at 20 per cent. discount in January 1815. The Treaty of Peace was ratified and published in the month of February; and as the suspension of specie payments had not lasted six months, and was caused by the war, a general expectation immediately prevailed, that those payments would be forthwith resumed. Accordingly, bank notes rose everywhere in value, and, in March, the discount on those of Baltimore was only 5 per cent. As that expectation was disappointed, the notes again sunk in value, and, in July, those of Baltimore were again at a discount of 20 per cent. It is believed, that no doubt can remain, that a paper currency liable to fluctuations like those, and originating in causes that baffle all calculation, never can, by any skill whatever, be made a stable standard of value.

The paper currency of the United States is of a very different character, and, according to the general acceptation of that term, consists almost exclusively of bank notes payable on demand in specie. It may however be questioned, whether there are not other species of paper founded on credit, which ought to be considered as making part of the currency, and not merely as substitutes.

There are in England, where incorporated country banks, issuing paper, are as numerous, and have been attended with the same advantages and the same evils as our country banks, some extensive districts, highly industrious and prosperous, where no such bank does exist, and where that want is supplied by bills of exchange drawn on London. This is the case in Lancashire, which includes Liverpool and Manchester, and where such bills, drawn at ninety days after date, are indorsed by each successive holder, and circulate through numerous persons before they reach their ultimate destination, and are paid by the drawee. It has been contended that these substitutes for currency, and in one respect performing its office, must be considered as forming part of it; and this assertion has been carried so far, as to insist that there was in England a circulation of one hundred and fifty millions of dollars in bills of exchange, which was of the same character. As this view of the subject would materially affect the result of any inquiry respecting currency, the question must be examined, and extended to private notes and to bank deposits.

It is difficult to distinguish a note on demand drawn by a private individual from a bank note, in countries where every individual is left at liberty to throw such notes in circulation as part of the currency. The discrimination has always been made on the Continent of Europe, where it is not believed that any paper of that description has ever been permitted to be issued by any person or company not specially authorized to that effect. We are not aware that any similar general restriction exists in Great Britain, or that others are to be found there, than the clause, in favor of the Bank of England, which forbids banking associations to consist of more than a limited number of partners, and the late laws forbidding, except in Scotland, the issue of notes under five pounds. The same liberty seems to have originally existed in the United States, but has subsequently been restrained by their several laws to incorporated banks. A solitary exception is to be found in Mr. Stephen Girard's Bank, which was previously established, and which, from his great wealth, skilful caution, and personal character, is justly entitled to as much credit as any chartered bank in the United States. Congress has not, however, passed any law preventing the issue of notes by the corporation of the city of Washington, and there is still a small amount of paper in circulation, issued by the state of North Carolina. In every other respect, the currency of the United States, so far as it consists of notes, is strictly confined to bank notes issued by chartered companies.

A bill of exchange, drawn by an individual or individuals, who do not issue notes having the character of currency, appears to us to be clearly distinguishable from a bank note, though it is a substitute, and lessens the amount of currency which would otherwise be required. A payment made in bank notes is a discharge of the debt, the creditor having no further recourse against the person from whom he has received the notes, unless the bank had previously failed. The bill of exchange does not discharge the debt, the person who receives it having his recourse against the drawer and every preceding indorser, in case the drawee should fail or refuse to pay. But the essential distinction is, that the bills of exchange are only a promise to pay in currency, and that the failure of the drawers, drawees, and indorsers does not, in the slightest degree, affect the value of the currency itself, or impair that permanent standard of value by which the performance of all contracts is regulated. The case is, however, quite different, when the bills are drawn by a bank authorized to issue bank notes which make part of the currency. We perceive no difference between such drafts, particularly when paid at sight, and either post notes or ordinary notes. Five dollar drafts, drawn by the branches of the Bank of the United States on the bank, circulate at this moment in common with the usual five dollar notes. Similar drafts, varying in amount to suit the convenience of purchasers, are daily drawn by the bank on its offices, and by those offices on each other, or on the bank. Many of those drafts pass through several hands, and circulate several months, in distant parts of the country, before they are presented for payment. The holders of those bills have the same recourse against the bank, as the holders of bank notes. Those bills are of the same character, depend on the same security, and in case of failure would share the same fate with bank notes. Though not usually included in the amount of the circulation of the bank, we cannot but consider the average amount in actual circulation, as making part of the currency of the country. A question somewhat more difficult arises with respect to credits in account current on the books of the banks, commonly designated in the United States by the name of "deposits," and which may perhaps be more easily solved by reducing it to its most simple form, that is to say, by first considering banks purely of deposit.

That of Hamburg, which still exists, is the most perfect of the kind. It neither issues bank notes, nor discounts notes or bills of exchange, but only receives silver in bars on deposit. For every bar containing a certain weight, called "marc of Cologn," (equivalent to 3,608 grains troy weight,) of silver of a certain standard,* the bank gives a credit on its books of 442 lubs B$^{co.}$ (27 marcs 10 lubs B$^{co.}$) money of account. Any person having a credit on the books of the bank, may be paid in similar bars at the rate of 444 lubs B$^{co.}$ for a marc weight of Co-

* Containing, according to most authorities, forty-seven parts pure silver, and one part of alloy.

logn of silver of the same standard. The difference, which is less than one-half per cent., defrays the expenses of the establishment. All the large payments are effected in Hamburg by checks on the bank, and by a corresponding transfer of the credit on its books from one individual to another. The utility of the establishment consists not only in the greater convenience and rapidity with which the payments are effected, but also in having substituted silver of an uniform standard, to a currency which consisted of German coins, varying in standard, weight, and denomination. The aggregate amount of credits on the books of the bank, being at all times precisely equal, at the rate above mentioned, to the quantity of silver in its vaults, it would be incomprehensible, and, indeed, absurd, to suppose, that such large capital, having an intrinsic value, should voluntarily be buried in the vaults, unless its representative, or the credits on the books of the bank, performed every office of currency. It is undeniable that this is the fact in every respect, every payment being effected by transfers of those credits, and their convertibility at any time into a determined weight of pure silver, affording the best possible standard of value. This indeed regulates exclusively the value of all the coins, whether in circulation for small payments, or brought to market as bullion.

Let it be supposed now, that it had been found from long experience, that the quantity of silver in the vaults, through all its fluctuations, had never been less than a certain sum, equivalent, for instance, to two millions of dollars. The directors of the establishment might conclude that this amount would, under no circumstances whatever, be withdrawn, or in other words, that this sum was the minimum of the currency wanted to effect the payments made in bank. They might therefore think themselves justifiable, in withdrawing that dormant capital from the vaults, and converting it into an active capital, by lending it to individuals. In this case, the amount of credits on the books of the bank would remain the same, as if that sum in silver had not been withdrawn from its vaults; and all the payments effected by the transfers of those credits would continue to be made precisely as theretofore. The amount of those credits would therefore continue to be, in every respect, the currency of Hamburg, differing from what it was formerly, only in being sustained by a less amount in specie, and in depending, for its ultimate security, on the solidity of those to whom the silver withdrawn from the vaults had been loaned.

What we have stated as a supposititious case, actually took place in the Bank of Amsterdam, constituted on nearly the same principles as that of Hamburg; and from which the directors secretly withdrew more than four millions of dollars, which they lent principally to the Province of Holland and to the City of Amsterdam. And it is, as is well known, what is always done openly and in perfect good faith by all our banks, as well as by the Bank of England and by that of France. The credits in account current or "deposits" of our banks are also, in their origin and effect, perfectly assimilated to bank notes. Any person depositing money in the bank, or having any demand whatever upon it, may at his option be paid in notes, or have the amount entered to his credit on the books of the bank. The bank notes and the deposits rest precisely on the same basis; for immediate payment on the amount of specie in the vaults; for ultimate security on the solidity of the debtors of the bank. In case of a run upon a bank, or of its failure, the security of the holders of notes is lessened in proportion to the amount of deposits due by the bank. We can in no respect whatever perceive the slightest difference between the two: and we cannot therefore but consider the aggregate amount of credits payable on demand, standing on the books of the several banks, as being part of the currency of the United States. This, it appears to us, embraces not only bank notes, but all demands upon banks payable at sight, and including their drafts and acceptances. But in order that such deposits, bills of exchange, or other paper founded on credit, should make part of the currency, it seems necessary, that they should constitute a demand upon banks that do issue currency, or that, as at Hamburg, a transfer of credit on the books of the bank should be a legal tender. If, in comparing the amount of currency in different countries, we have only included specie and actual issues of paper, it was partly in conformity with received usage, and partly from want of information respecting the amount, in other countries, of the bank credits, which may be considered as perfectly similar to our deposits.

Credit is essential to commerce: but whenever it receives a shock, a commercial revulsion and distress must necessarily ensue. This will always affect the currency to a certain extent, since there must be a greater demand for it, in proportion as the resources arising from credit are impaired. But where, as in the United States, the currency itself rests on credit, and the same institutions which issue that currency are those from which accommodations are expected, want of credit is most liable to be mistaken for a want of currency.

Although the causes of such distress, and of a real or presumed scarcity of currency, are of the same nature, they may, as somewhat dissimilar in their immediate effects, be distinguished as external or internal. As the imports and exports of a country are now but rarely effected by the same persons, there are always, in consequence of the commercial intercourse between two countries, creditors and debtors on both sides. It is obviously the interest of both to exchange or sell those debts, when the exporter does not want to import, nor the importer to export merchandise. A bill of exchange, drawn from the United States on England, is an obligation on the part of the drawer to exchange, for a sum paid to him in the United States, an equivalent in England. When the credits and debits respectively payable at the same time are nearly equal, the exchange is made on equal terms. In proportion as the debt of the United States to England is greater than that of England to the United States, the demand for bills on England will become greater than the supply; and the drawer will obtain a greater sum in the United States, than that which by his bill he obliges himself to pay in England. Whenever the difference becomes so great, as to exceed the expense and risk of transporting precious metals to England, those metals will be exported in preference to a remittance in bills. When the commercial transactions between two countries are comparatively small, and the stock of gold and silver large, their exportation, particularly in neighboring countries, soon pays the balance and restores the equilibrium. When, as between the United States and England, the respective imports and exports are very large, the balance due may be increased in proportion; and as the stock of the precious metals in the United States is comparatively small, the exchange may remain for years unfavorable, and the precious metals continue to be exported, until the balance is actually paid from the proceeds of the exports generally, or converted, by the sale of American stock, into a debt not immediately demandable. This apparently continued drain was considered, in former times, as an evil of great magnitude; and severe laws were, in most countries, enacted against the exportation of specie. Experience has shown, not only that those laws were inefficient, but also that the best, if not only means, to insure a uniform and sufficient supply of any foreign product, when there is no other object in view, is to lay no restraint whatever on its importation and exportation. Commerce, when not interrupted by war, or other causes, is always found to supply the amount of precious metals which may be wanted. Numerous striking proofs might be adduced: it is sufficient to recollect, that the average rate of exchange on England, from the beginning of 1821 to the end of 1829, has been $4 87 cents per pound sterling, (about $9\frac{3}{5}$ per cent. premium on nominal par,) or $2\frac{3}{5}$ per cent. above the true par; that it never was, during the whole of that time, below $4 60, at which rate, gold being underrated by our mint regulations, commences to be exported, and that that period was in no degree remarkable for scarcity of specie.

Being obliged to refer to the rate of exchange, it must be recollected, that what is universally meant by par, is the promise to pay, in another place, a quantity of pure silver or gold, equal in weight to the quantity of pure silver or gold contained in the coins, with which the drawer of the bill of exchange is paid. When bills are drawn at long dates, and payable at a distant place, the time which elapses between the purchase of the bill from the drawer, and its payment by the drawee, must be taken into consideration, in order to calculate what would be an equal exchange, as distinguished from the par of exchange. There is no other difficulty, but that of ascertaining their respective weights, in order to calculate the par of exchange between countries having the same standard of value, or in which payments are usually made with the same metal. This being the case in the United States and in France, and the French kilogramme being equivalent to about 15,435 grains, troy weight, the *par* of exchange of the United States on France, is at the rate of about 5 francs and 34½ centimes for a dollar, since the French franc contains 4½ grammes, and the United States' dollar 371¼ grains of pure silver. Allowing 1¼ per cent. on account of the 90 days which will usually elapse between the day on which the value of a bill payable 60 days after sight is, in our country, paid to the drawer, and the day on which that bill is paid in the other country by the drawee, it will be found that the *equal* exchange between the United States and France is, on such bills, at the rate of francs 5,41 if drawn from the United States on France, and at the rate of francs 5,28 for one dollar, if drawn from France on the United States.

But if one of the two metals is, by mint regulations, underrated or excluded in one country, whilst the other metal is in the same manner excluded in another country, the usual payments will be made in different metals in those two countries; and the par of exchange between them must, then, as is the case between the United States and England, depend on the relative value of gold and silver at the time, and vary with every fluctuation of that relative value. These fluctuations are, however, confined within narrow limits; and the medium par of exchange between the United States and England, deduced from the average premium on gold over silver coins in France, is about $4 75, for one pound sterling, or near 7 per cent. above the nominal par assumed in the usual quotations of exchange. It is in those quotations supposed, that one pound sterling is equal to $4 44 4-9, or, in other words, that one dollar is equal to 4*s.* 6*d.* sterling. It is not necessary to investigate, whether this presumed equality or par was derived from the intrinsic value of some ancient Spanish dollar, no longer current, or whether it was adopted as convenient for the conversion of most of the currencies of the British colonies into British currency. It is certain that this imaginary par does not even correspond with that which, though erroneously, might be deduced from comparing separately the gold and silver coins of the two countries with each other respectively; since this would be, if comparing gold to gold, about

$4 56, and if comparing silver to silver, (at the former rate of 62 shillings sterling for one pound troy weight of silver, old British standard.) about $4 63 for a pound sterling. The dealers in exchange are at no loss to make their calculations, whatever rate may be assumed as par in the usual quotations: but this puzzles, and, in various respects, misleads those who, without investigation, naturally suppose that what has been assumed as such is the true par of exchange.

The causes of the fluctuations of exchange between distant places in an extensive country, or between different countries, are of the same nature, and may occasion a similar transportation of the precious metals from one place to another. We will hereafter examine how that from one part of the United States to another has been affected by the Bank of the United States. But there is this difference, between a commercial distress and presumed scarcity of currency, due to internal causes, whilst the foreign exchanges remain favorable, and a similar distress arising from large foreign debts, and accompanied by an unfavorable rate of exchange, that, in the last case, there is an exportation of the coins of the country which cannot take place in the first. If the same effects, in other respects, are nevertheless the same in both cases; if in both, the same, and sometimes general distress equally prevails; if the same difficulty occurs in the payment of debts; if the same complaint is made of want of money, whether specie is exported or not, it is obvious that there must be another cause, besides an actual scarcity of currency, for the real distress which is felt; and that what is called " want of money," is not " want of currency." It will be found that this cause is universally overtrading, and that the want of money, as it is called, is the want of exchangeable or saleable property or commodities, and the want of credit. The man who says that he wants money, could at all times obtain it, if he had either credit or saleable commodities.

Overtrading consists in undertakings or speculations of every possible description, which fail altogether, or of which the returns are slower than, under sanguine expectations, had been calculated, or the proceeds of which, (too many, tempted by temporary high prices or profits, having embarked in the same branch of business,) greatly exceed the demand, and glut the market. A great loss may be experienced by those who have entered into any such undertakings with their own resources. But when resting principally on credit, and pursued at the same time by a great portion of the dealers or men of enterprise, a general impossibility of fulfilling previous engagements takes place, which affects even those who are ultimately solvent. When that mutual confidence, which is the sole foundation of credit, is once shaken, the capitals that are usually loaned can no longer be obtained, the usual amount of bills of exchange, discounted notes, or other commercial papers founded on credit, is lessened, and specie or currency itself becomes comparatively scarce, partly because some is hoarded, principally because a portion of its substitutes is withdrawn from circulation. Yet specie, under those circumstances, acts but a subordinate part, its scarcity being the effect, and not the cause, of the evil, and the remedy to this consisting in restoring credit and confidence, which will always procure a sufficient amount of currency, and not in an attempt to increase the quantity of currency, which can produce no substantial benefit until confidence is restored. When it consists of paper founded on credit, any increase is inefficient for remedying the evil, unless it be issued by an institution, the credit of which has, in the general wreck, remained unaffected and unimpaired.

The commencement of the year 1793, was, in England, a season of great and universal commercial distress. It had, as usual, been preceded by a period of great apparent prosperity, which had stimulated overtrading; and this had been followed by its unavoidable consequences. More than one hundred country banks failed, or suspended their payments; the distress was general, the credit of solvent houses was affected, the usual accommodations, which enabled them to have their bills discounted, and to meet the demands against them, were withdrawn, and the complaint of *want of money* was universal. Under those circumstances, government interfered, and loaned, or offered to loan, to solvent dealers, five millions sterling in exchequer bills. The remedy was effectual; the whole amount offered to be loaned was not even applied for; and, in a very short time, confidence was restored, and every one who was not actually insolvent was able to meet his engagements. But exchequer bills are not currency, but only a promise to pay currency at the end of one year. Government did not lend currency, or add a single shilling to its amount. The credit of individuals had received a severe and general shock, and that of government, which was unimpaired, was substituted for private credit. Those who had capital to lend, and would not advance it on private security, or who, in other words, would not discount the bills of individuals, lent that capital, or the currency which was wanted, on public security, or, in other words, discounted the exchequer bills, that is to say, the bills of government. The distress, the pretended want of money, was relieved, not by any additional issues of currency, the amount of which must therefore have been sufficient, but by restoring private confidence and private credit.

It is also evident, that what was then effected by government, might have been done by the Bank of England, had that institution, more sparing of its resources, during the preceding period of prosperity and incautious enterprise, been enabled, when the revulsion took place, to lend its credit to solvent houses, by discounting their bills, and increasing its issues of paper currency. It may be presumed, that, having already overstrained its resources, the bank could not have done this, without endangering its own credit, and running the risk of being unable to pay its own notes, if their amount was increased. But the mode adopted by government, and which proved so efficacious, makes it obvious, that, had the bank been enabled, without the aid of the treasury, to relieve the distress, and, what was called the want of money, the relief afforded would have been the result, much less, if at all, of the enlarged issues of bank notes, than of the bank lending its credit to those solvent dealers whose credit was impaired.

As a bank cannot increase its discounts without increasing its circulation, the two operations, being in its hands inseparable, are generally confounded. The manner in which the British government afforded relief in the year 1793, conclusively proves that they are essentially distinct, even in a country where the currency consists principally of paper founded on credit, and that the demand always made on banks in times of pressure, for enlarged issues of bank notes, is not a demand for currency but for credit. Cautious and well-directed banks will always afford great relief in such times, if enabled by the previous prudent administration of their affairs to lend their credit to solvent dealers; which cannot be done without enlarging their issues. If, on the contrary, this has already been done to its utmost extent, if during a period of high prices and great apparent prosperity, the spirit of enterprise, naturally excited by that state of things, and which required then to be checked, has, on the contrary, been stimulated by incautious loans and consequent issues of paper on the part of the banks, the result will be, and has everywhere always been, as fatal as unavoidable. When the revulsion takes place, when, from excessive competition or imprudent speculation, the market becomes glutted with a superabundance of any species of commodity, often in the United States of land itself, or when, from want of skill or any other cause, undertakings have altogether failed, or when the slow returns of such undertakings require years to be realized, and both capital and credit are exhausted; at the very time when the aid of banks would be most wanted, those institutions, prematurely disabled, instead of simultaneously enlarging their issues, and lending their credit to solvent but embarrassed dealers, manufacturers, and farmers, are compelled in self defence to contract their issues and loans, and thus greatly to aggravate the evil, which they had at least neglected to check, if they were not instrumental in its growth.

In countries, therefore, the currency of which consists principally of bank paper, banks will have a beneficial or pernicious influence on credit, and on a currency depending on credit, according to the manner in which they may be administered; useful when their operations, in prosperous times and whilst under their control, are regulated by probity, great discretion and skill, pernicious when their administration is defective in any of those respects. But in countries, where the currency consists wholly or principally of the precious metals, and where bankers lend money or discount bills, but do not issue a paper currency, the two operations are never confounded; and although not exempt from commercial revulsions, these will be of less common occurrence, and have little or no influence on currency itself.* It may be confidently affirmed, that the precious metals, under any circumstances whatever, and amidst all the temporary fluctuations arising from a disproportion between supply and demand, continue to be a more permanent standard of value than any other commodity, or any species of paper resting on an element so variable as credit.

We cannot conceal from ourselves, that specie-paying banks are not only exposed to extraordinary drains from abroad, but are also occasionally controlled by moral causes, the effects of which cannot be calculated, nor without great skill and discretion be always prevented. These never affect a metallic currency, which has an intrinsic value, varying less than that of any other commodity, and not at all depending, as paper, on confidence, fear, conjectures, or any of the fluctuations of public opinion. It is equally clear, that extraordinary drains of specie, occasionally inconvenient when the currency is purely or principally metallic, may be fatal to one which consists of bank notes convertible at will into specie. Supposing the currency of a country to consist of one hundred millions, a drain of twenty millions from abroad would produce great inconvenience, but not beyond that of contracting the metallic currency to that extent, until commerce had supplied the deficiency. But, if consisting of bank notes, sustained by twenty millions of specie in the vaults of the banks, the basis being withdrawn, the whole fabric is at once overthrown, and specie payments must be suspended.

One of the most fatal effects of that suspension is the great and unavoidable distress, which attends a return to a specie currency, particularly when the suspension has been of long continuance. Whilst this lasts, the loss falls on the creditors: but new contracts are daily made, founded on the existing state of the currency; and should the suspension continue twenty years, as was the case in England, as almost all the contracts in force, and not yet executed, at the time when specie payments

* See hereafter Mr. Baring's evidence, and Mr. Tooke, respecting the effect of a metallic currency, in France.

are resumed, must have been made when the currency was depreciated, the obligation to discharge them in specie is contrary to equity, falls on the debtors, who are always the part of the community less able to bear the burthen, and proves more calamitous than the suspension had been. Short in duration as this had been in the United States, the effect was sensibly felt: and to this cause, which also occasioned the failure of a number of new banks, must in a great degree be ascribed the general distress of the years 1818—1819. The *relief* laws of some of the States, and in England the corn laws, may be traced to the same source. In that country, after so long a suspension of specie payments, the calamity has necessarily been far more extensive and lasting. It is yet felt, and may still seek for remedies worse than the evil, and call for small notes, excessive issues, and all those measures which would necessarily lead again to an inconvertible paper money.

Considerations of this nature may well have suggested to the committee of the House of Representatives, the question, whether a metallic currency would not, in the United States, have been preferable to one consisting of bank notes. We would incline to the affirmative, if the system was not already established, and if we believed, that an attempt to return to a pure metallic currency, which could not, without producing great evils, be carried suddenly into effect, was at all practicable. Were not this the case, we would think, that a system of commercial credit, founded on deposits, bills of exchange, and other negotiable paper, such as is carried on by the bankers of London, and by all the bankers of the Continent of Europe, neither of whom issues any notes in the shape of currency, would afford to commerce, at least in commercial cities, nearly, if not altogether, the same accommodations and advantages which are found in the present system. Commercial revulsions, and numerous failures amongst dealers, as they may occur wherever there has been excessive overtrading, though less frequent, do nevertheless occasionally take place in countries which have only a metallic currency. But their effect is generally confined to the dealers, extending but indirectly and feebly to the community, and never affecting the currency, the standard of value, or the contracts between persons not concerned in the failures. It must be allowed at the same time, that, in the country, where the system of deposits cannot exist to the same extent as in cities, banks soberly and skilfully administered, stimulate industry by the facility which their loans afford to men of enterprise, and that the ability of those banks to make those advances, would be much curtailed, if altogether precluded from issuing notes.

A very ingenious plan was proposed by Mr. Ricardo, and has since been expounded and defended with great talent by Mr. M'Culloch, intended to afford security against the dangers to which every system of paper currency heretofore devised is exposed. It is not applicable to the United States, as it is founded on the exclusion of gold and silver *coins*, which, by our Constitution, are alone a legal tender. Some plausible objections have been made to it, which, for that reason, it is not necessary to discuss; and we will only give the outline of the plan.

It consists in the total exclusion of a metallic currency, with the exception perhaps of the silver necessary for small payments, in making the notes of the Bank of England a legal tender, and in imposing on that institution the obligation to pay them, on demand, in gold bars of the proper standard. This last provision would be sufficient to prevent any depreciation of the notes, whilst, on the other hand, the gold bars paid by the bank could not, either directly, or by being converted into coin, take their place and add any thing to the amount of the currency. Any call on the bank for gold, would therefore necessarily lessen that amount, and must also necessarily cease, whenever this was somewhat less than the amount in value, which is indispensable in England for the payments in currency. For whenever this point is reached, the notes must be worth at least as much as their nominal value in gold at its ordinary price; and, in the case of unfavorable exchanges, the drain must altogether cease, as soon as the currency is sufficiently contracted to have raised its value to a rate corresponding with that of exchange. The inconvenience of that contraction would not, it seems, be greater than if the currency was purely metallic. Supposing forty millions sterling to be the minimum of the absolutely necessary currency under an unfavorable state of foreign exchanges, the community would be protected against the danger of any depreciation in the nominal value of the notes, and the bank, under any circumstances whatever, against a drain that could compel it to suspend its payments, provided the value of the gold bars in its vaults was always equal to the excess of its issues over forty millions. The plan was carried into effect, during a short period, by the Bank of England, and then discontinued, for reasons which have not been explained, and which it would be interesting to understand.

It is well known that the Bank of England, three banks in Scotland, and the Bank of Ireland, are the only chartered banking institutions in the United Kingdom. The capital of the Bank of England, amounting now to fourteen millions pounds sterling, has been loaned altogether to government, at an interest of 3 per cent., and is not to be reimbursed till the expiration of the charter. All the other banks of England, commonly called country banks, consist of private copartnerships, without any determined capital, and the members of which are liable to the same responsibilities as any other commercial houses. With the exception of Mr. Girard's Bank, all the banks established in the United States are joint stock companies incorporated by law, with a fixed capital, to the extent of which only the stockholders are generally responsible.* The business of all those banks consists, in receiving money on deposit, in issuing bank notes, and in discounting notes of hand or bills of exchange. A portion of the capital is sometimes vested in public stocks; but this is not obligatory; and in this they differ essentially from the Bank of England. The capital of this institution, being loaned to government, and not depending on the solidity of the paper discounted, affords a stable guarantee to the holders of notes and to the depositors. The bank can loan to individuals, or advance to government (beyond its capital as above mentioned) nothing but the difference, between the aggregate of its notes in circulation, and of the credits in account current on its books, and the amount of specie in its vaults. But the American banks lend to individuals, not only that difference, but also the whole amount of their capital, with the exception only of such portion, as they may find it convenient, but are not obliged to vest in public stocks. It follows that the security of the holders of notes, and of the depositors generally, rests exclusively on the solidity of the paper they have discounted. It might seem, on the other hand, that, as the Bank of England cannot apply its original capital to any immediate use, whilst the American banks may, by curtailing their discounts, call in their capital on any emergency, they might, without risk, put in circulation a greater proportionate amount of notes. But such curtailment can never be made to any considerable extent, without causing much distress; and, in point of fact, a large portion of their loans consists of what the merchants consider as permanent accommodation, and, in the country, often rests on real security. This departure from what has been generally deemed the true banking principle, must, it is believed, be ascribed to the original disposition of the capital.

Whenever therefore an American bank is in full operation, its debts generally consist, 1st, to the stockholders, of the capital; 2d, to the community, of the notes in circulation and of the credits in account current, commonly called deposits: and its credits, 1st, of discounted notes or bills of exchange and occasionally of public stocks; 2d, of the specie in its vaults and of the notes of, and balances due by, other banks; 3d, of its real estate, either used for banking purposes or taken in payment of debts. Some other incidental items may sometimes be introduced; a part of the capital is occasionally invested in road, canal, and bridge stocks, and the debts, secured on judgments,

* The stockholders are made personally responsible, in some of the states.

or bonds and mortgages, are generally distinguished in the official returns of the banks. In order to give a clear view of the subject, we annex an abstract of the situation of the thirty-one chartered banks of Pennsylvania, in November, 1829.

* Capital,		$12,032,000
Notes in circulation,	$7,270,000	16,028,000
Deposits,	8,758,000	
Surplus funds,		1,142,000
		$29,202,000
Bills discounted,		$17,526,000
Public stocks,†		4,620,000
Road, canal, and bridge stocks,		
Debts secured on mortgages, &c.		
Real estate,		1,310,000
Notes of other banks,		3,338,000
And due by other banks,		
Specie,		2,408,000
		$29,202,000

It will be easily perceived, 1st, that what is called the surplus, and sometimes the reserved or contingent fund, is nothing more than that which balances the account, or the difference between the debits and credits of the banks; and that, in order to be enabled to repay, at the expiration of the charter, to the stockholders, the full amount of their stock, that fund or difference ought, in every sound bank, to be sufficient to cover all the bad debts, and all the losses, which may be incurred on the sale of the various stocks held by it, and of its real estate: 2dly, that the deposits may at any time be converted into bank notes, and that both ought, in correct language, to be included under the denomination of circulation; 3dly, that the notes of other banks on hand, form no part of the circulation, and ought, when considering the banking system as a whole, to be deducted from the amount of the notes in circulation; and that, for the same reason, inasmuch as the balances due to other banks by the several banks, are included in the deposits, the balances due by such other banks ought also to be deducted from that item, which would reduce the aggregate of those two items, in the preceding statement, from 16,028,000 to 12,690,000 dollars: 4thly, that the capital is the only item in the account apparently invariable, though it may occasionally be increased by legislative permission, and lessened by purchases of their own stock

* Deducting so much of their own stock as has been purchased by the banks. For want of materials, a similar deduction has not been made in the subsequent statements.

† The public stocks are not distinguished from others in the statement of the Bank of Pennsylvania. Those held by the other banks amount to $1,588,000.

by the banks; and that all the other items are variable, and do vary according to the operations of the banks: 5thly, that supposing the second and third items of credits to remain the same, the circulation, or aggregate of deposits and notes in circulation, cannot be either increased or decreased, without a corresponding decrease or increase, either of the bills discounted, or of the specie, or of both; 6thly, that by limiting by law the amount of the debts due to the banks, as included in the two first items of the credits, to a sum bearing a certain ratio to the capital, and by likewise limiting, in a similar manner, the gross amount of the notes in circulation, both which limitations are always under the control of the banks, excessive issues may be prevented: 7thly, that if the situation of the banks of Pennsylvania in the aggregate be taken as a proper basis for those limitations, the whole amount of debts due to a bank ought not to exceed twice, nor the gross amount of its notes in circulation, two-thirds of the amount of its capital. But it must not be forgotten, that, although those limitations would be useful in checking the amount of loans and issues, the ultimate solvency of a bank always depends on the solidity of the paper it discounts.

The capital of the state banks existing in the year 1790, amounted to about 2,000,000 of dollars. The former bank of the United States was chartered in 1791, with a capital of 10,000,000. The charter was not renewed; but in January, 1811, immediately before its expiration, there were in the United States eighty-eight state banks, with a capital of 42,610,000 dollars, making then, together with that of the national bank, a banking capital of near 53,000,000. In June, 1812, war was declared against England; and in August and September, 1814, all the banks south and west of New-England suspended their specie payments.

It has always been found difficult to ascertain with precision the causes which, in each special case, produce an extraordinary drain of specie, and compel a bank to suspend its payments. Although it clearly appears that very large and unforeseen advances to government were the immediate cause of the suspension of the payments of the Bank of England in the year 1797, it would seem, at this distance of time, to have been easy to prevent that occurrence. The bills of exchange from abroad on government, or any other floating debt, for the payment of which the bank was required to make those advances, might with facility have been converted into funded debt. And when we find, that, in less than seven months after the suspension, the bank declared, by a solemn resolution, that it was enabled to issue specie, and could with safety resume its accustomed functions, if the political circumstances of the country did not render it inexpedient, it is hardly possible to doubt that the suspension, in its origin, as well as in its continuance, was a voluntary act on the part of government. Opinions are however divided to this day on that subject; and some distinguished English writers ascribe that event to some unaccountable panic. There can be no doubt, that there was a great and continued run on the bank for specie prior to the suspension; and what renders the transaction still more inexplicable, is, that, almost immediately, and during some years after the suspension had actually taken place, the bank notes, though no longer convertible into specie, were at par. The question is not free of difficulty as respects the similar event in the United States.

The following reasons were assigned by the directors of the chartered banks of Philadelphia, in an address to their fellow-citizens, dated the 30th of August, 1813.

"From the moment when the rigorous blockade of the ports of the United States prevented the exportation of our produce, foreign supplies could be paid for in specie only, and as the importation of foreign goods in the Eastern States has been very large, it has for many months past occasioned a continual drain from the banks. This drain has been much increased by a trade in British Government Bills of Exchange, which has been extensively carried on, and has caused very large sums to be exported from the United States.

"To meet this great demand for specie, the course of trade did, for a considerable time, enable us to draw large supplies from the Southern States—but the unhappy situation of affairs there, having deprived us of that resource, and circumstances having occurred, which have in a considerable degree occasioned alarm and distrust, it became a serious consideration, whether the banks should continue their exertions to draw within their vaults the specie capital of the country, and thus facilitate the means of exporting it from the United States,—or whether they should suspend the payment of specie, before their means were exhausted."

The great drain from the east, alluded to by the Philadelphia banks, is proved by the comparative view of the specie in the vaults of the banks of Massachusetts, in June 1814, immediately before the suspension of payments, and on the same days of the preceding and succeeding years.—

This amounted on the	1st of	June	1811	to	$1,709,000
"	"	"	1812	"	3,915,000
"	"	"	1813	"	6,171,000
"	"	"	1814	"	7,326,000
"	"	"	1815	"	3,915,000
"	"	"	1816	"	1,270,000

And the fact, that a large amount of British government bills was sent to this country from Canada in the years 1812—1814, and sold at 20 and 22 per cent. discount, is corroborated by authentic information from several quarters. Other causes, however, concurred in producing the suspension of specie payments.

1. The circulating capital of the United States, which must supply the loans required in time of war, is concentrated in the large cities, and principally north of the Potomac. The war was unpopular in the Eastern States; they contributed less than from their wealth might have been anticipated; and the burthen fell on the Middle States. The proceeds of loans, (exclu-

sively of Treasury notes, and temporary loans,) paid into the Treasury from the commencement of the war to the end of the year 1814, amounted to forty-one millions ten thousand dollars.—

Of that sum the Eastern States lent, - - - -	$2,900,000
New-York, Pennsylvania, Maryland, and the District of Columbia,	35,790,000
The Southern and Western States,- - - - - -	2,320,000

The floating debt, consisting of outstanding Treasury notes and temporary loans unpaid, amounted, on the 1st of January 1815, to eleven millions two hundred and fifty thousand dollars, about four-fifths of which were also due to the Middle States. Almost the whole of the large amount, advanced to government in those States, was loaned by the cities of New-York, Philadelphia, and Baltimore, and by the District. The banks made advances beyond their resources, either by their own subscriptions or by enlarging their discounts in favor of the subscribers. They, as well as several wealthy and patriotic citizens, displayed great zeal in sustaining government at a critical moment; and the banks were for that purpose compelled to enlarge their issues.

2. The dissolution of the Bank of the United States deprived the country of a foreign capital of more than seven millions of dollars, vested in the stock of that institution, and which was accordingly remitted abroad during the year that preceded the war. At the same time, the state banks had taken up a considerable part of the paper formerly discounted by that of the United States. As the amount of this exceeded fifteen millions, their aid in that respect was absolutely necessary, in order to prevent the great distress, which must have otherwise attended such diminution of the usual accommodations.

3. The creation of new state banks, in order to fill the chasm, was a natural consequence of the dissolution of the Bank of the United States. And, as is usual under such circumstances, the expectation of great profits gave birth to a much greater number than was wanted. They were extended through the interior parts of the country, created no new capital, and withdrew that which might have been otherwise lent to government, or as profitably employed. From the 1st of January 1811, to the 1st of January 1815, not less than one hundred and twenty new banks were chartered and went into operation, with a capital of about forty, and making an addition of near thirty millions of dollars to the banking capital of the country. That increase took place on the eve of, and during a war which did nearly annihilate the exports, and both the foreign and coasting trade. And, as the salutary regulating power of the Bank of the United States no longer existed, the issues were accordingly increased much beyond what the other circumstances already mentioned rendered necessary. We have obtained returns of

the circulation and specie, for the latter end of the years 1810, 1814, and 1815, though not all of the same precise date, of a sufficient number of banks to enable us to make an estimate of the whole, which cannot vary essentially from the truth. Our returns of the amount of deposits are too partial for insertion; our authentic returns embrace generally the states of Massachusetts, New-Hampshire, Rhode Island, Pennsylvania, Maryland, Virginia, and the District of Columbia, and give the following result:

	Capital	Notes in circulation	Specie
On or near 1st Jan. 1811— 50 State Banks	24,618,551	13,170,401	5,673,442
1815—120 " "	45,272,076	23,617,090	11,505,077
1816—134 " "	47,987,826	31,702,050	8,758,133

Having the amount of the capital and a few general returns of all the other banks, partly guided by analogy, and partly by their respective dividends, we annex the following estimate of the whole:

	Capital	Notes in circulation	Specie
1st Jan. 1811—Bank of the U. S.	10,000,000	5,400,000	5,800,000
88 State Banks, ...	42,610,601	22,700,000	9,600,000
Total	52,610,601	28,100,000	15,400,000
1815—208 State Banks	82,259,590	45,500,000	17,000,000
1816—246 " "	89,822,422	68,000,000	19,000,000

The unequal distribution of the specie on the 1st of January, 1815, must be recollected.

	Capital	Circulation	Specie
At that time the banks of the four states of Maine, Massachusetts, Rhode Island, and New-Hampshire, had	$15,690,000	5,320,000	8,200,000
The states of Pennsylvania and Maryland, with the District of Columbia, had	26,000,000	13,750,000	3,000,000
And all the other states	40,930,000	25,630,000	5,800,000

The increase of issues, from forty-five and a half to sixty-eight millions, or of about 50 per cent., within the first fifteen months of the suspension of specie payments, was the natural consequence of that event. We must observe, that, where we were obliged to resort to an estimate, the amount of bank notes is set down rather too low than too high. Yet, we are confident, that for the three dates we have given, the actual amount cannot have exceeded thirty, forty-seven, and seventy millions respectively. This last sum falls very short indeed of the one hundred and ten millions which were supposed to have been put in circulation by the banks, but is quite sufficient to account for the depreciation. It is equal to the present amount of the currency; and as the increase of wealth during the last fourteen years has at least been in the same proportion as that of the population, the amount which could have been wanted at that time may be estimated at about forty-six millions, including both paper and specie. It is therefore clear that the equal amount in bank notes alone, which had been put in circulation by the state banks before the year 1815, were more than could have been long sustained, preserving at the same time their convertibility into specie. Under those circumstances, the alarm caused by the capture of Washington, and the threatened attack on Baltimore, was sufficient to cause a suspension of specie payments. It took place at that particular crisis, and appears to have originated in Baltimore. The example was immediately followed in Philadelphia and New-York; and it is indeed known, that an attack was apprehended on both those places, and that some of the banks of Philadelphia had sent their specie to Lancaster.

We have stated all the immediate and remote causes within our knowledge, which concurred in producing that event; and although the effects of a longer continuance of the war cannot be conjectured, it is our deliberate opinion, that the suspension might have been prevented, at the time when it took place, had the former Bank of the United States been still in existence. The exaggerated increase of state banks, occasioned by the dissolution of that institution, would not have occurred. That bank would, as before, have restrained within proper bounds, and checked their issues: and, through the means of its offices, it would have been in possession of the earliest symptoms of the approaching danger. It would have put the Treasury Department on its guard; both acting in concert, would certainly have been able at least to retard the event; and, as the treaty of peace was ratified within less than six months after the suspension took place, that catastrophe would have been altogether avoided.

We have already adverted to the unequivocal symptoms of renewed confidence shown by the rising value of bank notes, which followed the peace. This would have greatly facilitated an immediate resumption of specie payments, always more easy, and attended with far less evils, when the suspension has been of short duration. The banks did not respond to that appeal made by public opinion; nor is there any evidence of any preparations, or disposition on their part, to pay their notes in specie, until after the act to incorporate the new Bank of the United States had passed. We are inclined to ascribe this principally to the great difficulty of bringing the various banks, in our several commercial cities, to that concert which was indispensable. But it cannot be concealed, that, in such a situation, the immediate and apparent interest of the banks is in opposition to that of the public. It is well known, that the Bank of England, though apparently disposed at first to resume its specie payments, found a continued suspension extremely convenient and profitable; that during that period of twenty years, its extraordinary profits, besides raising the usual dividend from 7 to 10 per cent., amounted to thirteen millions of pounds sterling, and that it accordingly threw obstacles in the way of the resumption. The state banks of the United States were only inactive in that respect, and did not impede that desirable event: but they used the advantages incident to the situation in which they were placed; and to what extent their issues were generally increased, has already been shown.

It will not be asserted, that any reasonable expectation could have been entertained of a voluntary return on the part of the state banks to a sound currency, unless the depreciation had become so great as to induce the community at large to reject their notes. Whether this arose from inability or unwillingness, a remedy was equally necessary. Congress does not appear to have inquired whether they had the right to exercise any immediate control over the issues of those banks; and the question seems to have laid between the establishment of a national bank, and an attempt to force the state banks to pay in specie, by the refusal of their notes in payment of debts and duties due to the United States, so long as those notes were not on demand discharged in specie. It is clear that such an attempt must have failed altogether, during the year that followed the peace, and so long as the expenses of government greatly exceeded its receipts. The bank was chartered in April, 1816, and it must for ever remain conjectural, whether, if that measure had not been adopted, and after the floating debt, and all the arrearages of the war had been paid or funded, and the receipts of the treasury had become greater than its disbursements, an attempt, on the part of the government, to collect the revenue, and to discharge the public expenses in specie, would have compelled the state banks to resume generally specie payments. It cannot, at all events, be doubted, that the result was quite uncertain, and that the attempt might have failed at the very outset, from the want of any other currency than bank notes. It is indeed quite probable, that, in that case, the impossibility to collect the revenue, might have induced government merely to substitute an issue of its own paper to that of the banks.

It will be found, by reference to the Report of the Secretary of the Treasury of December 1815, that his recommendation to establish a National Bank was, in express terms, called "a proposition relating to the national circulating medium," and was exclusively founded on the necessity of restoring specie payments and the national currency. He states it as a fact incontestably proved, that the state banks could not at that time be successfully employed to furnish an uniform national currency. He mentions the failure of one attempt to associate them with that view; that another attempt, by their agency in circulating

Treasury notes, to overcome the inequalities of the exchange, has only been partially successful; that a plan recently proposed, with the design to curtail the issues of bank notes, to fix the public confidence in the administration of the affairs of the banks, and to give to each bank a legitimate share in the circulation, is not likely to receive the general sanction of the banks; and that a recurrence to the national authority is indispensable for the restoration of a national currency. Such was the contemporaneous and deliberate opinion of the Officer of the Government, who had to struggle against the difficulties of a paper currency, not only depreciated, but varying in value from day to day and from place to place.

*It was not till after the organization of the Bank of the United States, in the latter part of January 1817, that delegates from the banks of New-York, Philadelphia, Baltimore, and Virginia, assembled in Philadelphia, for the purpose of agreeing to a general and simultaneous resumption of specie payments. A compact proposed by the Bank of the United States, acceded to by the state banks, and ratified by the Secretary of the Treasury, was the result of that convention. The state banks engaged to commence and continue specie payments, on various conditions, relative to the transfer and payment of the public balances on their books to the bank of the United States, and to the sum which it engaged previously to discount for individuals, or under certain contingencies for the said banks, and also with the express stipulation, that the Bank of the United States, upon any emergency which might menace the credit of any of the said banks, would contribute its resources to any reasonable extent in support thereof, confiding in the justice and discretion of the banks respectively, to circumscribe their affairs within the just limits indicated by their respective capitals, as soon as the interest and convenience of the community would admit. To that compact, which was carried into complete effect, and to the importation of more than seven millions of dollars in specie from abroad by the Bank of the United States, the community is indebted for the universal restoration of specie payments, and for their having been sustained, during the period of great difficulty and of unexampled exportation of specie to China, which immediately ensued.

Among the difficulties which the bank had to encounter, must be reckoned the effort made to alleviate the distress which always attends the return from a depreciated, to a sound currency. The Western States having less capital, are, in the course of trade, generally indebted to the Atlantic seaports. Whether owing to larger purchases of public land than usual, to an ex-

* The following details are borrowed from the pamphlet signed "Monitor," which is well known to have come from an authentic source.

cited spirit of enterprise, or to any other cause, it appears, that at that time, the amount of debts due by the West, either to the East or to Government, was unusually large. The several western offices of the Bank of the United States discounted largely, probably to too great an extent. The eastern creditors were generally paid, the western state banks relieved, and the debt transferred to the Bank. Thus we find that the issues of the Bank of Kentucky, which, in 1816, exceeded one million nine hundred and fifty thousand dollars, were, in 1819, reduced to six hundred and seventy thousand dollars. This could not be done, without large issues of branch notes, or of drafts on the Parent Bank and the northern offices which drained these of their capital.* Although great curtailments had taken place, near six millions and a half of dollars of the capital of the bank were, in the spring of the year 1819, distributed amongst the interior western offices, whilst the whole amount allotted to the offices north and east of Philadelphia, was less than one million. The proper equilibrium could not be reinstated without a revulsion and an uncommon pressure on the west, in order to lessen the amount of its debt. The attempts to counteract that effect by the creation of a great number of local banks, could not but fail, and must have aggravated instead of relieving the evil. The unpopularity which attached to the Bank of the United States, when it found itself compelled to enforce the payment of such a large debt, and the attempt to alleviate the distress by relief laws, which, though injudicious, ought not, in that state of things, to be too severely judged, are well known, and were the natural consequences of the course which had been originally pursued.

The year 1819 having been one of great difficulty, we annex an estimate of the situation of the banks for the latter end of it. The Secretary of the Treasury gave a partial one, in his report on currency of the year 1820, to which we have made some additions and corrections from bank returns of a nearer date to the 1st of January 1820, than he had then obtained. The portion, on estimate, embraces almost the whole of the banks of Connecticut, New Jersey, New York, and Maryland, Mr. S. Girard's, about one-half of those of South Carolina, Louisiana, and Alabama, and one-fourth of those of Kentucky. The returns of those of the other states are complete.

1st January, 1820.	Capital	Notes in circulation	Deposits	Specie
212 ascertained State Banks	62,735,842	26,641,574	19,444,959	10,672,263
95 estimated " "	39,374,769	14,000,000	11,800,000	6,000,000
307 State Banks	102,110,611	40,641,574	31,244,959	16,672,263
United States Bank . . .	35,000,000	4,221,770	4,705,511	3,147,977
Total	137,110,611	44,863,344	35,950,470	19,820,240

* Mr. Cheves's Exposition.

G

It appears from that statement, that the amount of notes in circulation was only about one million less than immediately before the suspension of specie payments, whilst on the other hand, the amount of specie in the vaults of the banks was nearly two millions greater. But it has been seen, that, on the 1st of January 1816, the paper currency amounted to sixty-eight millions. So great a reduction in the issues of the banks, could not have been effected without a corresponding diminution of their discounts. Debts contracted during the suspension of specie payments, and whilst the currency was depreciated, became payable at par. The distress, therefore, that took place at that time, may be clearly traced to the excessive number of state banks incorporated subsequently to the dissolution of the first Bank of the United States, and to their improvident issues. Those of the country banks of Pennsylvania alone, amounted, in November 1816, to $4,756,460, and had been reduced in November 1819, to $1,318,976. A committee of the Senate of that state, appointed in December 1819, to inquire into the extent and causes of the present general distress, ascribe it, as we do, to the improvident creation of so many banks, as will appear from the following extract from their report:—

"At the following session, the subject was renewed with increased ardor, and a bill authorizing the incorporation of forty-one banking institutions, with capitals amounting to upwards of seventeen millions of dollars, was passed by a large majority. This bill was also returned by the governor, with additional objections; but two-thirds of both houses (many members of which were pledged to their constituents to that effect) agreeing on its passage, it became a law on the 21st of March 1814, *and thus was inflicted upon the commonwealth an evil of a more disastrous nature than has ever been experienced by its citizens.* Under this law, thirty-seven banks, four of which were established in Philadelphia, actually went into operation."

The numerous failures which had preceded the year 1819, or have since taken place, have also been principally due to the same causes. We have an account of 165 banks that failed between the 1st of January 1811 and the 1st of July 1830. The capital of 129 of these amounted to more than twenty-four millions of dollars stated as having been paid in. The whole amount may be estimated at near thirty millions; and our list may not be complete. The capital of the state banks now existing amounts to about 110 millions. On a total capital of one hundred and forty millions, the failures have amounted to thirty, or to more than one-fifth of the whole. Of the actual loss incurred, we can give no account. There are instances in which the stockholders, by paying for their shares in their own notes, and afterwards redeeming their notes with the stock in their name, suffered no loss; and this fell exclusively on the holders of bank-notes and depositors. In many cases, where the whole stock has been lost, the holders of notes have nevertheless experienced a partial loss. In the most favorable cases, the stockholders lost a considerable portion of their stock; and all the debts will be ultimately paid. But even then there has been a heavy loss on the community; the notes having been generally sold by the holders at a depreciated rate, at the time when the failure took place. We believe that the pecuniary loss sustained by the government, on the loans raised during the suspension, and from bank failures, exceeded four millions of dollars.

The active industry of the country has enabled it to recover from that depressed state; and we will now give a view of the situation of the state banks and of that of the United States, at the close of the year 1829. We have returns of two hundred and eighty-one state banks, which have a capital of 95,003,557 dollars. Of the forty-eight other banks we have only the capital, amounting to 15,188,711 dollars, and some incomplete returns; and of thirty banks of the state of New-York, of which we have complete returns, fourteen only are for the 1st of January 1830, the sixteen others being for the 1st of January, 1828. This last circumstance makes the amount of specie appear probably one million of dollars less than it actually was at the end of the year 1829. The forty-eight banks, of the situation of which we have no return, are distributed as follows, viz.

In Connecticut,	3
New-York,	7
New-Jersey,	13
Pennsylvania,*	1
Delaware,	1
Maryland,	4
South Carolina,	4
Louisiana, (branches of)	1
Alabama,	1
Ohio, (all)	11
Michigan and Florida,	2

Estimating these in the same manner as in the preceding statements, we have the following results:

1. For the states of Maine, New-Hampshire, Vermont, Massachusetts, and Rhode-Island,

Capital,	$30,812,692
Notes,	7,394,566
Deposits,	4,203,895
Specie,	2,194,768

For the states of Connecticut, New-York, and New-Jersey,

Capital,	26,585,539
Notes,	12,737,539
Deposits,	14,594,145
Specie,	2,841,746

* Mr. Girard's bank, the capital of which is rated at $1,800,000, being the sum on which the stamp duty was formerly paid.

For the states of Pennsylvania, Delaware, Maryland, and the District of Columbia,

Capital, - - - - - - - - - - - - - -	$25,566,622
Notes, - - - - - - - - - - - - - -	11,274,086
Deposits, - - - - - - - - - - - - - -	10,850,739
Specie, - - - - - - - - - - - - - -	4,170,592

For the four Southern States,

Capital, - - - - - - - - - - - - - -	$17,600,129
Notes, - - - - - - - - - - - - - -	12,183,863
Deposits, - - - - - - - - - - - - - -	6,952,194
Specie, - - - - - - - - - - - - - -	3,046,141

For the Western States,*

Capital, - - - - - - - - - - - - - -	9,629,286
Notes, - - - - - - - - - - - - - -	4,684,860
Deposits, - - - - - - - - - - - - - -	4,180,146
Specie, - - - - - - - - - - - - - -	2,686,396

II. Distinguishing the cities of Boston, Salem, New-York, Philadelphia, Baltimore, Charleston, and New-Orleans, from the rest.

	Seven cities.	Remainder of the United States.
Capital, - - - - -	$53,211,605 - - -	56,980,663
Notes, - - - - -	17,144,422 - - -	31,130,492
Deposits, - - - - -	23,137,129 - - -	17,643,990
Specie, - - - - -	7,258,025 - - -	7,681,618

III. Situation of the Bank of the United States, on the 1st of November, 1829.—

Cr.			Dr.	
Funded debt. - - - - -		$11,717,071	Capital, - - - - - - -	$34,996,270
Notes discounted, - - -	$32,541,124		Notes in circulation, - -	13,048,984
Domestic bills,	7,476,321		Deposits, - - - - - - -	14,778,809
		40,017,445	Balance *in transitu* from bank and offices on each other, - - - - - - -	732,082
Foreign account, - - -		1,161,001	Surplus fund, after deducting losses already chargeable to it, including that of Baltimore, - - - -	2,766,129
Due from banks,	843,551			
Notes of ditto,	1,531,528			
		2,375,079		
Specie, - - - - - - - -		7,175,274		
Real estate, - - - - - -		3,876,404		
		66,322,274		66,322,274

IV. The progressive improvement of the Bank of the United States, and the talent with which it has been administered, are exhibited in the following comparative view of the principal items of its situation, on the first days of November, 1819 and 1830:—

* There are not now any state banks in operation in the states of Kentucky, Indiana, Illinois, and Missouri.

November 1.	1819.	1830.
Notes discounted on Bank Stock, -	$7,759,980	719,195
Notes discounted on personal security,	21,423,622	32,665,035
Domestic Bills, - - - - - - - -	1,386,174	7,954,290
Deposits, - - - - - - - - - - -	4,705,512	12,650,752
Specie, - - - - - - - - - - -	3,147,977	11,436,175
Due to Baring, Brothers & Co. - -	2,333,937	
Due from ditto, - - - - - -		2,778,653
Bank notes issued, - - - - - - -	4,221,770	18,004,680
deduct in transitu, - - - - -	411,659	2,823,135
In actual circulation, - - - -	$3,810,111	15,181,545

V. The following estimate gives the general result for the end of the year 1829—

	Capital	Notes	Deposits	Specie
281 Banks ascertained,	95,003,557	39,174,914	32,531,119	11,989,643
48 do. estimated, ...	15,188,711	9,100,000	8,250,000	2,950,000
329*	110,192,268	48,274,914	40,781,119	14,939,643
United States Bank . . .	35,000,000	13,048,984	14,778,809	7,175,274
	145,192,268	61,323,898	55,559,928	22,114,917

It will be perceived, by the last item of No. IV., that there is always a large amount of the notes of the Bank of the United States, issued and inserted in the usual returns, which are not in actual circulation. They consist of notes received in payment of duties, or otherwise, by other offices than those by which they had been issued, and transmitted back to them. The amount, at the end of 1829, in No. IV., is that of the nett circulation. On the other hand, the drafts from the bank on offices, and from these on the bank and on each other in actual circulation, should, as has been observed, be considered as making part of it. 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, which, added to the thirteen millions of bank notes, gives fourteen millions for the actual circulation of the bank. We may therefore estimate the total amount of the paper currency of the United States, on the 1st of January, 1830, at about sixty-two millions and a half.

All the banks receive notes issued by the other institutions, the returns of which, that have been obtained, being incomplete, have not been inserted in the preceding statements. From an examination of a number of these, in various sections of the

* We have not included in this amount several banks lately chartered, but not in operation on the 1st of January, 1830.

country, and embracing banks with an aggregate capital of more than twenty millions of dollars, we think that the notes of that description make more than one-fifth of the total amount of their issues, in those situated north of the Potomac, and about one-eighth in the Southern States. The average of notes of state banks on hand, in the Bank of the United States and its offices, amounted, during the year 1829, to about one million and a half. There is, therefore, always a sum of about nine or ten millions of dollars, or not less than one-seventh part of the whole amount issued, which is not in actual circulation. If the banks did not receive any notes but their own, it would seem that a nearly equal amount of these would be returned upon them, and that the real amount of those in actual circulation should not be estimated at more than fifty-three and a half millions of dollars. We have however adopted throughout the usual mode of computation.

If to the amount of notes we add the deposits, we will have a total of either one hundred and eighteen, or one hundred and nine millions, according to each of those two modes of computing, for the circulation of all the banks. This is sustained by a sum of twenty-two millions in specie, which makes no part of the circulation. There are no means of ascertaining correctly the portion which consists of the precious metals. The silver coinage of England forms nearly one-seventh part of the whole circulation of that country. At that rate, that of the United States, allowing for the various considerations which may affect the question, cannot be estimated at more than ten millions. It is well known, that gold has been altogether excluded by the mint regulations.

We have therefore the following results, according to the view of the subject, which may be adopted:

Gross amount of notes issued,		$62,500,000
Silver coins,		10,000,000
Usual mode of computing,	1,	72,500,000
And if deposits are included,		55,500,000
	2,	128,000,000
But if the bank notes of other banks on hand are deducted, the notes in circulation will be		$53,500,000
Silver,		10,000,000
	3,	63,500,000
And if deposits are included,		55,500,000
	4,	119,000,000

Which last appears to us the most correct mode of computation.

Although we have freely expressed our opinion, that, taking into consideration all the circumstances which belong to the subject, it might have been preferable in the United States to have had nothing but a metallic currency, we are quite aware that this is not at this time the question. We are only to inquire, whether any other or better security can be found, than that which is afforded by the Bank of the United States, against either the partial failures of banks, the want of an uniform currency, or a general suspension of specie payments. The great difficulty arises from the concurrent, and perhaps debateable jurisdiction of the general and state governments: and we are to examine, not only what are the provisions necessary to attain the object intended, but also by what authority the remedy must be administered.

The essential difference between banking and other commercial business, is, that merchants rely, for the fulfilment of their engagements, on their resources, and not on the forbearance of their creditors, whilst the banks always rely, not only on their resources, but also on the probability that their creditors will not require payment of their demands. We have already seen, that this probability is always increased or lessened, in proportion as the issues of the banks are moderate or excessive. One of the most efficient modes to reduce the amount of bank notes, as compared to the total amount of the currency of the country, consists in the increase of the metallic currency which circulates amongst the people, independent of that which is kept in reserve in the vaults of the banks. It is evident, that, inasmuch as only a certain amount of sound currency is wanted, and can be sustained, that part which consists of bank notes must be lessened, and thereby made safer, as the metallic portion is increased. Whenever also the specie of the banks is drained by any extraordinary demand whatever, delays, and often difficulties, may arise in the importation of a supply from abroad; which is, however, the only resource, when the circulating metallic currency has nearly disappeared.

We have had an opportunity to witness in France the salutary effects of a currency consisting principally of the precious metals, not only in cases of great national difficulty, but also for the specific purpose of reinstating a bank momentarily endangered by over issues of paper. But we prefer referring to the evidence of a very able and practical witness, who was also deeply interested in the issue, and we will extract this, from the work of another distinguished and practical writer.*

"Of the comparative facility with which the coffers of a bank which has suffered too great a reduction of its reserves by imprudent issues of paper may be replenished out of a circulation

* Tooke on Currency.

consisting in great proportion of coin, notwithstanding a coincident demand for large payments abroad, a strong instance is afforded in the case of the Bank of France, in 1817 and 1818. The circumstance is thus stated in Mr. Baring's evidence in March 1819. (Vide Report of Lord's Committee on the resumption of cash payments, p. 103.) Speaking of a drain which that bank had experienced, he says:—

"Their bullion was reduced, by imprudent issues, from one hundred and seventeen millions of francs, to thirty-four millions of francs, and has returned, by more prudent and cautious measures, to one hundred millions of francs, at which it stood ten days ago when I left Paris. This considerable change took place since the first week in November, when the amount of specie in that bank was at its lowest. It must, however, be always recollected, that this operation took place in a country, every part of the circulation of which is saturated with specie, and, therefore, no inference can be drawn in favor of the possibility of so rapid an operation in this country, where, owing to the absence of specie in circulation, the supply must entirely come from abroad; for in Paris, though some portions may have come from foreign countries, the great supply must undoubtedly have come through all the various small channels of circulation through that kingdom."

"Again, in the same evidence, p. 105:—

"Q. Has not France, after two years of great scarcity in corn, and two years of foreign contribution, been able to contribute a proportion of the precious metals to the wants of Russia and Austria?

"A. Undoubtedly, the precious metals have been supplied from France to Russia and Austria, and shipped, to a considerable amount, to America, notwithstanding the payments to foreign powers, and very large payments for imported corn, whilst, at the same time, wine having almost totally failed for several years past, they were deprived of the most essential article of their export."

"And, in reference to these payments, in the preceding answer, Mr. Baring states, that they

'Produced no derangement whatever of the circulation of that country (France.)'

"It may not be unimportant further to remark, that the state of the currency in France, ever since the suppression of the assignats, appears to be decisive of the great advantages attending a metallic circulation, in times of political difficulty and danger. On no one great occasion did her efforts appear to be paralyzed, or even restricted, by any derangement of the currency; and in the two instances of her territory being occupied by an invading army, there does not appear to have been any material fluctuation in its value."

We perceive but two means of enlarging the circulating metallic currency, 1st, the suppression of small notes; 2d, the measures necessary to bring again gold into circulation.

The first measure is that, which, after long experience, a most deliberate investigation, and, notwithstanding a strenuous opposition by the parties interested, has been finally adopted and persevered in by the government of Great Britain. By the suppression of all notes of a denomination less than £5 sterling, in England, Wales, and Ireland, the amount of the circulating metallic currency has become equal to that of bank notes of every description. That metallic currency consists of eight millions sterling in silver, which is receivable only in payments not exceeding forty shillings, and of twenty-two millions sterling in gold. This measure has given a better security against fluctuations in the currency, and a suspension of specie payments, than had been enjoyed during the thirty preceding years. In France, where the Bank of France is alone authorized to issue bank notes, and none of a denomination under five hundred francs, its circulation hardly ever reaches ten millions sterling, or about one-tenth part of the currency of the country. In the United States, all the banks issue notes of five dollars. The states of Pennsylvania, Maryland, and Virginia, and perhaps some others, have forbidden the issue of notes of a lower denomination, to the great convenience of the community, and without experiencing any of the evils which had been predicted. We have seen, in Pennsylvania, the chasm occasioned by that suppression instantaneously filled by silver, without the least diminution in the amount of currency. We cannot but earnestly wish, that the other states may adopt a similar measure, and put an end to the circulation of the one, two, and three dollar notes, which is of no utility but to the banks. Those small notes are, as a currency, exclusively local, and a public nuisance: and, in case of the failure of any bank, the loss arising from them falls most heavily on the poorest class of the community. We have no other data to estimate the proportion they bear to the whole amount of notes, than the returns of the banks of Massachusetts and Maine, subsequent to January 1825; by which it appears, that, in those states, those small notes make one-fifth part of the whole paper currency. But we would wish to go further than this, and, in order to bring gold more generally into circulation, that all notes under the denomination of ten dollars might be suppressed. The five dollar notes of the Bank of the United States, constitute less than one-sixth part of its circulation, and amount in value to two-thirds of that of its ten dollar notes. From those data, taking into consideration the amount of currency of the states where the small notes do not circulate, and allowing that a portion of the five would be supplied by ten dollar notes, the reduction in the amount of the paper currency, arising from a suppression of the small notes, may be estimated at six, and that produced by the suppression of the five dollar notes at about seven millions. Both together would probably lessen the paper currency by one-fifth, and substitute silver and gold coins in lieu thereof.

We have already adverted to the erroneous value assigned to gold coins by the laws which regulate the Mint of the United States. The relative value of that metal to silver was, by the law of 1790, fixed at the rate of 15 to 1. In England it was at that time at the rate of 15.2 to 1; and it had in France, after

H

an investigation respecting the market price of both metals, been established at the rate of 15½ to 1, as early as the year 1785. From that to this time, gold coins have never been below par in that country, and have generally commanded a premium, varying from one-fifth to one per cent., but which, on an average, has been rather less than one-half per cent. This ratio in all those instances is that of gold to silver coins, but the difference is greater between gold and silver bullion. Whether the expense of coinage is defrayed gratuitously by government, or a seignorage is charged to individuals, coins not debased or deteriorated will almost always command a higher price than bullion containing the same quantity of pure metal, on account of their greater utility, and of the cost of coinage. It is only when there is at the same time a redundancy of coin, a scarcity of bullion, and a great demand for plate or other manufactures, that, when the general coinage is sound, coins will be melted, and the price of bullion be equal to that of coins. Should, however, the coinage be deteriorated, new good coins will be melted as soon as they issue from the mint, and there is no remedy but a general recoinage at the public expense. According to the mint laws of England, an ounce of standard gold (containing, like ours, eleven-twelfths pure and one-twelfth alloy) is coined into £3 17*s.* 10½*d.* sterling; and, in the present sound state of its gold coinage, the average price of bullion of the same standard may be estimated as 77*s.*7½. No solid reason can be assigned, why the actual cost of coinage should not be charged by government. In point of fact, the delay of two months, which elapse between the deposit of bullion in the Mint of the United States, and the delivery of the coins, is nearly equal to a charge of 1 per cent.; but does not assist in defraying the expenses of the mint, and has the disadvantage of being the same on both metals. When the annual silver coinage of our mint reaches three millions of dollars, the expense may be estimated at 1 per cent. The expense on the same value of gold, no silver being coined, would amount to about one-half per cent. The coinage of six millions, half in silver and half in gold, might be estimated at 1 per cent. on the first, and one-fifth per cent. on the gold. It is obvious, indeed, that it is more expensive to coin five silver pieces, worth one dollar each, than one gold piece worth five dollars. A seignorage at the last-mentioned rate might be advantageously substituted to the present mode, and would only require a moderate constant appropriation, that might enable the mint to pay for the bullion at the time, or at least, within ten days of its delivery.

In France, the mint allows 3091 francs for each kilogramme of standard gold. This is coined into gold coins of the nominal value of 3100 francs, being a deduction or seignorage of less than three-tenths per cent. The mint price of standard silver is 197 francs the kilogramme, which is coined into silver coins of the nominal value of 200 francs; the deduction or seignorage amounting to $1\frac{1}{2}$ per cent. This is too great, and is, at least in part, the cause of the almost constant premium on gold coins. Whilst the relative value of gold to silver coins is fixed at the rate of $15\frac{1}{2}$ to 1; that of gold to silver bullion, is at the rate of 3.091 : 197, nearly equal to 15.69 : 1. This last ratio cannot essentially differ from the true average market relative price of the two metals, since the mint has been abundantly supplied with both for the last forty-five years.

But whether we estimate that relative value, by deducing it from the premium on the French gold coins, or by assuming that of gold to silver bullion as purchased by the French mint, or at the apparent market rate in England during the three or four last years, which would give respectively the ratios of about 15.6, 15.7, and 15.25 to 1; it is evident that our gold coins are underrated at least 4 per cent. The necessary consequence is the disappearance of gold coins, and their exportation to Europe, whenever the exchange will admit of it. According to that regulation, a ten dollar gold coin, or Eagle, contains 270 grains of standard gold; and as the 20 shillings sterling gold coin, or Sovereign, contains $123\frac{171}{623}$ grains of gold of the same standard, about \$4.56 in gold coin of the United States, contain a quantity of pure gold equal to that contained in a Sovereign. Allowing 1 per cent. for charges and transportation, our gold coins may commence to be exported to England as soon as the exchange rises to \$4.61 per pound sterling; which rate corresponds with nearly $3\frac{3}{4}$ per cent. above the nominal, and 3 per cent. below the true par, calculating this at the ratio of near 15.6 to 1, or \$4.75 per pound sterling. We find by the tables of exchange annexed to the report of the Secretary of the Treasury, that, with the exception of the year of the embargo, unless incidentally for a few days, the exchange on London, from 1795 to 1821, never rose to \$4.62 per pound sterling, or about 4 per cent. above the nominal par; or in other words, that during the whole of that period, the exchange was constantly favorable to the United States, having never been higher, with the exception aforesaid, than 2 per cent. below the true par. This is the reason why our gold coins, though underrated, were not exported, till the year 1821; when the exchange rose from \$4.60 to \$4.98 per pound sterling; and our gold coins began to be exported, a premium of one-half per cent. upon them being given, when the premium on the nominal par of exchange was 5 per cent., corresponding to an exchange of near \$4.67 per pound sterling. From that time to the end of the year 1829, the exchanges have, with few short exceptions, been unfavorable to the United States; and the exportation has continued, not only during that period, but also during the last nine months, though the exchange has this year been but little if any above the true par. It is perfectly clear, that, whilst our gold coins are thus underrated, they will be exported, whenever the exchange rises above \$4.61 to \$4.64 per pound sterling; and that, if rated according to the true or approximate relative value of gold to silver, they would not be exported to England till the exchange had risen to at least \$4.80 to \$4.83, or more than 1 per cent. above the true par.

If the intention is to exclude the gold coins altogether, it is quite unnecessary to coin gold. If it is intended that they should make part of the circulation, they must be rated at or near their true relative value. Unless this is done, the circulating metallic never can be sufficiently enlarged to insure to the country a sound currency. The question, whether the two metals should circulate simultaneously, has never been made a matter of doubt when there has been no paper currency. Both are then indispensable, gold for large payments and principally for remittances and travellers, and silver for small daily payments. The Secretary of the Treasury correctly states, that, "if there were no paper medium like that of the Bank of the United States, circulating freely in all parts of the Union, and everywhere convertible into the standard, at a very moderate discount, gold coins would be almost indispensable. Without them, every traveller, even from state to state, and often from one county to another, must encumber himself with silver, or be exposed to vexatious embarrassments and impositions." A country which wishes to make gold the only standard of value, is still compelled to admit a silver coinage for small payments. Where silver is the standard, gold would still be found necessary unless supplied by paper. It is true, that so long as five dollar notes exchangeable everywhere for specie do circulate, gold, though rated at its value, will be less in demand, and that many persons will prefer the notes. But even in that case, both may at least be permitted to circulate concurrently, leaving to every individual the option of either. At all events, if thus rated, they would assist in filling the vaults of the banks, and thereby throw a larger quantity of silver in circulation.

It has been objected to the simultaneous circulation of the two metals, that the fluctuation in their relative price, increases the uncertainty of the standard. This is true, but not to the extent which a first view of the subject may suggest, and, even to that extent, producing so small an effect that it may be altogether neglected.

There are four contingencies which may cause a fluctuation in the relative price of gold and silver, as *either* may *either* rise or fall, as compared to the value of all other commodities. Supposing a country where silver is made the only legal tender, it is clear that in two of those contingencies, namely, if the price of gold should rise, or if that of silver should fall, every payment would have still been made in silver, if both metals had been a legal tender, and the option given to the debtors to pay with either. As the probability of those several contingencies is perfectly equal, it follows that, in one-half of the fluctuations which may take place in the relative price of the two metals, it is perfectly immaterial, whether one or both are made a legal tender. With respect to the two other contingencies; if the price of silver should rise, that of gold remaining the same as compared to all other commodities, the debtors in the country where both metals were a legal tender, would pay in gold, and therefore in perfect conformity with the original contract; whilst, in the country where silver alone was a legal tender, they would be obliged to pay in that metal, that is to say, to pay a greater value than according to the original contract; and, on the other hand, if the price of gold should fall, that of silver, as compared to all other commodities, remaining the same, the debtors would, in the country which admitted only silver as a legal tender, be obliged to pay in that metal in conformity with the contract; while in the country where both metals were a legal tender, the debtors would pay in gold, that is to say, a sum less than according to the contract. Whatever may be the amount of fluctuation, the stability of the standard of value is not, by adopting only one metal as such, improved to a greater extent than has now been stated. But the fact is, that the fluctuations in the relative price of gold and silver coins are so small in a country where the mint is open to all individuals, and under proper regulations, that, when compared with the variations to which coins issuing from the same mint are liable, they may be altogether disregarded.

It has been sometimes erroneously supposed, that governments might alter by their own regulations the actual relative value of the two precious metals. This might be done to a considerable extent, if these had no intrinsic value; that is to say, if they could be obtained without capital or labor, or if, whatever the cost of production might be, they were of no utility whatever except for currency. In the first case, governments might attach any value they pleased to either metal, in the same manner as is now done with paper money. In the latter case, there being no other demand except that of governments, the price of either metal might be reduced so low, as to compel an abandonment of all the poorer, but not lower than the cost of production at the most fertile mines. But the intrinsic value of the precious metals, combined with the general demand for them, determines their market price. Governments are among the principal, but not the only consumers. If the demand for either gold or silver for the purpose of currency was to cease altogether, it would have an effect on the market price of the metal excluded; but a government, which uses both as currency, cannot affect their permanent relative value. It may, however, to a certain extent, prevent great fluctuations, by coining at all times for all individuals who may bring in bullion, allowing always the same regular price, and paying for it without delay, and without any other charge than the actual cost of coining.

It has already been stated, that the relative mint price of gold and silver bullion in France (about 15.7:1) is very near the average market price of those two metals. And by giving always the same regular price for each, government has, to a certain degree, prevented any great fall in the price of either. It is only during short and extraordinary periods, that the fluctuations have been so great, as that the gold coins did, either fall to the par of silver coins, or rise to a premium of one per cent. During by far the greater part of the period of forty-five years, which has elapsed since that regulation took place, this premium has fluctuated from one-fifth to one-half per cent.; so that the variations in the relative price of the two metals have, with the few exceptions above mentioned, been less than one-third per cent. And even these would have been less, had not, as has already been stated, the silver coins been overrated by charging about one-half per cent. too much on their coinage.

It is believed that there is no mint which issues more faithful and perfect coins than that of the United States. The extreme variation from standard fineness, as determined by the annual assay, does not exceed one-fifth per cent. on the silver coins; on the gold coins it is too small to be appreciated. On a large sum as delivered from the mint, the weight, if not precisely accurate, would almost uniformly be found to fail in excess. But trivial deviations in weight on single pieces are unavoidable: they rarely exceed one-third per cent. on the heaviest silver, and are less than one-sixth per cent. on the gold coins. If, to those unavoidable deviations, be added the loss which coins experience by friction, it will be found that they exceed in value the fluctuations in the relative market price of the gold and silver coins issued under proper mint regulations, and therefore that these are a quantity which may be neglected, and which, in fact, is never taken into consideration at the time of making the contract.

The importance of preserving a permanent standard of value is the leading principle, which we have tried to enforce in this paper; and it is for that express purpose that we consider an alteration in the mint regulations, which alone can bring gold into circulation, as absolutely necessary. The rate heretofore adopted had its origin in a mistake, and was not at all intended for the purpose of excluding gold. It did not produce that effect for thirty years, on account of the favorable rate of exchanges.

To persist in it, now that experience has shown the evils it produces, and amongst others the undeniable exportation of gold, and of gold coins, at a time when the exchanges may be three per cent. under the true par, instead of being adherence to the original plan, is an obvious deviation from its avowed object. We are sacrificing reality to a pure shadow, when for the sake of an abstraction, and in order to avoid a contingent and doubtful fluctuation of one-half per cent. in the standard of value, we promote, by the total exclusion of gold from circulation, that increase of the paper currency, which alone can materially endanger that standard.

But even this objection may be removed by raising the mint price of gold only to that rate, which will render it almost impossible that its legal value should ever be higher than its market price. We would, therefore, suggest the adoption, in the relative legal value of the gold and silver coins, of a ratio not much above that of 15.6:1, rather than one nearer to the average relative value of the two metals. As the exchange must rise more than one per cent. above the true par derived from the legal relative value which may be adopted, before American gold coins can be exported, this would not take place to England, until the exchange had risen to at least $4 81 per pound sterling. On the other hand, that ratio being lower than that of the relative value of gold and silver bullion either in England or in France, there would be no danger of the price of the gold falling below that of the silver coins. On the contrary, it is extremely probable, that the gold coins would generally, as in France, command a small premium, and be used with great convenience as subsidiary to silver, which would remain as heretofore our standard of value. Either of the ratios of 2700:173 (equal to about 15.6069:1), and of 125:8 (equal to 15.625:1) would answer that purpose. According to the first, the weight of the eagle would be in standard gold, 259.5; and according to the second 259.2 grains. The last ratio is the most simple, and is capable of a *definite* expression *in decimals.* The only advantage of the first, the expression of which, though less simple, is however perfectly definite, consists in making the corresponding value of the pound sterling almost equal to $4 75, (nearly 4.7505,) which would afford much convenience in the calculations of duties and exchange. The corresponding value of the pound sterling, according to the second ratio, would be near $4 75.6. We think, that at all events, the ratio should not exceed that of 675:43, (nearly equal to 15.7:1,) which would give two hundred and fifty-eight grains for the weight of the eagle in standard gold, and about $4 77.8 for the corresponding value of the pound sterling.*

---

* See Note A.

Another consideration may be adduced in favor of the proposed reform of our gold coins. It seems to be well ascertained that the United States contain one of the most extensive deposits of gold that has yet been discovered. It extends from the central parts of Virginia, in a south-west direction, to the state of Alabama. It is said to have yielded the value of near half a million of dollars this year, and it is not improbable that it will ere long afford an annual produce of several millions. It appears but just to afford, to those employed in collecting that natural product, a certain and the highest home market of which it is susceptible. This cannot be the case, so long as gold is only a merchandise for exportation, and will be effected by making it a current coin, and reducing the charge of coinage in the manner which has been before suggested. In every point of view, we consider this last measure, that of enabling the mint to pay immediately for the bullion, and of substituting, to the delay of two months, a small duty on the coinage not higher than its cost, as of no inconsiderable importance.

Great Britain, in adopting gold as the sole standard of value, has found it, however, absolutely necessary to admit silver coins for payments not exceeding forty shillings. This limitation would, it seems, have been sufficient for the object intended. But, whether in order to prevent the exportation, or only the better to assert the adherence to an abstract principle, the new silver coinage has been overrated about nine per cent. by coining the troy pound weight of standard silver into sixty-six instead of sixty-two shillings. This debased coin is attended with the same inconvenience as a paper currency issued by government. There is, on account of the profit, a temptation to issue too much; and no sure means can be found of ascertaining the amount wanted for effecting the payments to which that portion of the currency is applicable. It is worthy of remark, that England, from a scrupulous adherence to a single standard, should have actually established two distinct standards of value, one for wholesale and the other for retail transactions. It is obvious, that since a debased coin can be neither profitably exported nor applied to other purposes, any considerable excess, beyond what is actually wanted for effecting small payments, must cause a depreciation. Should government be ever so moderate in its issues, the facility with which that coin may be, not counterfeited, but illegally imitated and put into circulation, must ultimately defeat the object intended. In the meanwhile, should the excess be such, that the retailers of every description, who are obliged to take in payment silver inapplicable to wholesale purchases, could not dispose of the surplus, they must, to indemnify themselves, add something to their prices. We believe this to be already the fact, and that this, like every other depreciated currency, operates as a tax, which affects principally all those who are compelled to purchase every thing by retail.

These two measures, suggested for the purpose of enlarging the circulating metallic currency, recommend themselves by their simplicity, and are founded on the beneficial experience of almost every other country. In Europe, England alone has resorted to a single standard, and that nominally, since her silver circulation amounts to eight millions sterling, or to more than one-third of her gold, and almost to one-third of her paper currency. We believe that small notes, or tokens, circulate no longer anywhere but in Russia, Sweden, and Scotland. The situation of two of those countries is in nowise parallel to that of the United States. Twenty shilling notes continue to circulate in Scotland; but the solidity of the banking system of that country offers an anomaly which has not been satisfactorily explained. The numerous failures of country banks in England have been sometimes ascribed to their not being incorporated companies; which is disproved by the solidity of the numerous Scotch banks of the same description, and by the repeated failures of our own chartered banks; and sometimes to their not being permitted by law to consist of a sufficient number of partners. But of the twenty-nine banks of Scotland which are not chartered, seventeen are voluntary associations, consisting of from three to nineteen partners, the credit of which is as good as that of the other twelve unincorporated, and of the three chartered banks of that country. We believe, that independent of the peculiarities which distinguish the Scotch banking system, its superior stability must be principally ascribed to the persevering but cautious enterprise, to the great frugality, and generally to the habits of that nation.*

It is difficult to devise the more direct means by which the over-issues of banks may be checked. Several of the states have as yet taken no measures to that effect. Many appear to have tried to apply rather penal than preventive remedies. The laws by which it has been attempted to limit either the loans or the issues made by the banks, have generally been intended to prevent what never can take place. Amongst more than three hundred banks, either now existing or which have failed, and of which we have returns, we have not found a single one, the loans of which amounted, so long as specie payments were in force, to three times, or the issues to twice the amount of their capital. It is clear, that provisions applicable to such improbable contingencies are purely nominal. The statements we have given show that the average amount of notes issued by the state banks does not, taken together, exceed forty-four per cent., nor the aggregate amount of their notes and deposits, eighty-one

* See Note B.

per cent. of their capital. The loans made by those banks, of which we have returns in that respect, amount to 129,815,441, and their aggregate capital to 89,779,557 dollars. Those facts afford sufficient data to form an opinion of the necessary provisions in that respect. The restrictions can only be made in reference to the capital actually paid in, and to apply to the amount of loans and issues, which, with the exception of deposits, are the only items that can be always limited by the banks. And the deposits, independent of being voluntary, could not without much inconvenience, both to the banks and their customers, be restricted to a fixed amount. We think that no bank should be permitted to extend its loans, including stocks of every description, and every species of debt in whatever manner secured, beyond twice the amount of its capital. We find provisions to that effect in the laws of Massachusetts and Louisiana. That proportion is forty per cent. greater than that of the banks above mentioned, and greater, as we think, than is consistent with the safety of almost any bank. The aggregate of the loans made and of the stocks owned by the former Bank of the United States, never amounted to seventy per cent., nor that of the existing bank to fifty per cent. beyond the amount of their respective capitals. This restriction alone necessarily checks the aggregate amount of the issues and deposits of a bank; which, in that case, never can together exceed the amount of its capital, beyond the specie in its vaults, and the nominal value of its real estate. But we believe that a positive restriction on the issue of notes, so that they never should exceed two-thirds of the capital, would be highly beneficial. The only objection is, with respect to country banks, which have not the same proportionate amount of deposits as the city banks, and may on that account claim a greater latitude with respect to notes. But it will be perceived by the following statement, which includes thirty banks of the state of New-York that have more than three-fourths of the whole banking capital of the state, and all the chartered banks of Pennsylvania and Massachusetts, that, taking into consideration both notes and deposits, the proportion of these to the capital is far greater in the country than in the city banks. The relative proportions are, in New-York and in Pennsylvania as seven to four, and in Massachusetts as three to two. A reduction in the amount of notes to two-thirds of that of the capital would not affect this state, and would still leave in Pennsylvania and New-York, the proportion of notes and deposits to capital, much greater in the country, than in the city banks. The circulation of these is, in both states, less than their capital. The restriction proposed would still leave the circulation of the country banks, in Pennsylvania, of 4,235,000 on a capital of 3,506,000 dollars, and in New-York of 6,737,000 on a capital of 4,926,000 dollars.

	City.		Country.
Massachusetts,			
Specie, - -	$ 747,684	- - - -	$ 239,526
Capital, - -	13,450,000	- - - -	5,702,400
Notes, - -	2,357,678	- - - -	2,160,000
Deposits, - -	2,202,092	- - - -	658,190
Circulation, -	4,559,770	- - - -	2,818,190
Pennsylvania,			
Specie, - -	$1,639,134	- - - -	$ 775,537
Capital, - -	9,903,930	- - - -	3,506,403
Notes, - -	3,648,719	- - - -	3,659,650
Deposits, - -	5,046,183	- - - -	1,795,266
Circulation, -	8,694,902	- - - -	5,454,916
New-York,			
Specie, - -	$1,169,581	- - - -	$ 390,710
Capital, - -	10,711,200	- - - -	4,926,153
Notes, - -	3,394,257	- - - -	4,567,023
Deposits, - -	6,662,174	- - - -	3,692,326
Circulation, -	10,056,431	- - - -	8,259,349

We do not wish, by the preceding observations, to be understood as objecting generally to the extension of the banking system to the country, but only to the indiscriminate establishment of banks, without regard to the actual wants and means of the districts which may apply for that purpose. There is a general spirit of enterprise in the United States, to which they are greatly indebted for their rapid growth; and it is difficult to ascertain, in all cases, to what extent it should be encouraged, and when it ought to be checked. The remarks apply particularly to the newly settled parts of the country, which present a state of things, different from that found in any other part of the civilized world, and to which, therefore, even the most generally admitted principles of political economy will not always apply.

Amongst the first emigrants, there are but few possessed of much capital; and these, generally employing it in the purchase of land, are soon left without any active resources. The great mass bring nothing with them, but their industry, and a small stock of cattle and horses. A considerable portion of the annual labor is employed in clearing, inclosing, and preparing the land for cultivation. Those difficulties, and all the privations incident to their new situation, are encountered with unparalleled spirit and perseverance. Within a very short time, our numerous new settlements, which in a few years have extended from the Mohawk to the great western lakes, and from the Alleghany to the

Mississippi and beyond it, afford the spectacle of a large population, with the knowledge, the intelligence and the habits which belong to civilized life, amply supplied with the means of subsistence, but without any other active capital, but agricultural products, for which, in many instances, they have no market. It is in this last respect, that their situation essentially differs from that of any other country as far advanced in civilization. We might even add, that there is, in several ancient settlements of the United States, a less amount of active capital, than in the interior parts of many European countries. The national industry, out of the seaports, has, at least till very lately, been exclusively applied to agriculture; and circulating capital will rarely be created, out of commercial cities, without the assistance of manufactures.

With the greatest abundance of provisions, it is impossible for a new country to purchase what it does not produce, unless it has a market for its own products. Specie is a foreign product, and, though one of the most necessary, is not yet always that which is most imperatively required. We may aver from our own knowledge, that the western counties of Pennsylvania had not, during more than twenty years after their first settlement, the specie necessary for their own internal trade and usual transactions. The want of communications, and the great bulk of their usual products, reduced their exports to a most inconsiderable amount. The two indispensable articles of iron and salt, and a few others almost equally necessary, consumed all their resources. The principle, almost universally true, that each country will be naturally supplied with the precious metals according to its wants, did not apply to their situation. Household manufactures supplied the inhabitants with their ordinary clothing, and the internal trade and exchanges were almost exclusively carried on by barter. This effectually checked any advance even in the most necessary manufactures. Every species of business required the utmost caution, as any failure in the performance of engagements in the way of barter, became, under the general law of the land, an obligation to pay money, and might involve the party in complete ruin. Under those circumstances, even a paper currency, kept within proper bounds, might have proved useful. We know the great difficulties which were encountered by those who first attempted to establish the most necessary manufactures, and that they would have been essentially relieved, and some of them saved from ruin, by moderate bank loans. Yet there were instances where those difficulties were overcome, and the most successful manufactures of iron and glass were established and prospered prior to the establishment of any bank; but the general progress of the country was extremely slow, and might have been hastened by such institutions soberly administered. It is obvious that in this and other similar cases, where there is an actual want of capital, this should, in order to insure success, be obtained from the more wealthy parts of the country, either by subscriptions to local banks, or by the establishment of branches of the city banks.

Some of the first settlements in other parts of the country, were, for a length of time, in a similar situation. The progress of others, under more favorable circumstances, has been much more rapid. The western parts of the state of New-York have always enjoyed a nearer and more accessible market. The acquisition of Louisiana, the invention of steam-boats, and the improved communications by land and water, have entirely changed the state of things west of the Alleghany mountains. Still, and notwithstanding the unparalleled increase of population, and the rapid progress in every respect of the new states or settlements, their wealth does not, in any degree, correspond, either with that population, or with their advances in agriculture. All new colonies, either from Europe to America, or from the ancient settlements to the more interior part of America, have, under different modifications, been ever placed in a similar situation. To this must be ascribed the issues of paper money by the several states, whilst under the colonial government. This currency, in many instances useful, was, as usual, often carried to excess, and depreciated accordingly. The same causes continue to produce similar effects. The eagerness for country banks is natural, but often mistakes its object. They may be safely established in flourishing towns or villages, either commercial or manufacturing, provided their issues are restrained within proper bounds. It is to the abuse, and not to the use, that we object. The profits of agriculture are so moderate, at least in the middle states, and the returns so slow, that even loans on mortgages are rarely useful. But when made by banks, on notes at sixty days, without any other substantial security than real estate, they never can be relied on as an immediate resource, and, when payment is urged, they almost always prove ruinous to the borrowers, and are often attended with heavy losses to the banks. The example of Pennsylvania has clearly shown, that the calamities inflicted by the failures of country banks, established in unfit places, or for want of experience, improperly administered, have been still more fatal to the inhabitants of the districts in which they were situated, than to the state at large. It is well known that the same observation applies, with equal, if not greater force, to other states than Pennsylvania.

The revised statutes of the state of New-York, besides several salutary provisions for the bona fide payment of the stock subscribed, to prevent any dividend greater than the actual profits, and generally for the prevention of frauds, contain one of primary importance, adopted also in Maryland and some other states, by which the charter is forfeited, whenever the bank refuses or declines to pay on demand, its notes or deposits in specie. But the restriction on loans and discounts, which limits their amount to three times that of the capital, is purely nominal; and the responsibility imposed on stockholders, though already adopted in some other states, has been considered as objectionable. As a substitute, and with a laudable intent to protect the community against partial failures, a "safety fund" has since been established by law, consisting of a tax of one-half per cent. on the capital of every bank, and which is applicable to the payment of the notes of any that may fail. This must have a tendency to encourage excessive issues of paper, which could not be sustained if resting only on the credit of the bank by which they are made. But, unacquainted as we are with the reasons alleged in favor of that measure, it appears to us unjust; 1st, by making institutions properly managed, responsible for the conduct of others at a great distance, and over which they have no control; 2d, because, on account of the disproportion between the aggregate of the circulation and deposits of the city and country banks respectively, the first are made to pay, in the safety fund, about twice as much in proportion as the country banks. This will appear evident by referring to the last statement, and does not accord with the principles of a government founded on the equal rights of all.*

One of the most efficient securities afforded by the state laws against improvident issues of notes, is to be found in that of Massachusetts, by which banks are obliged to pay interest at the rate of 24 per cent. a year, on all notes or deposits which they may neglect or refuse to pay in specie on demand. A similar provision, but at the rate of 12 per cent., has been enacted by the state of Louisiana, and is also inserted in the charter of the Bank of the United States. Another great guarantee against improper management, is the obligation to make and publish annual statements of the situation of the banks. The mystery with which it was formerly thought necessary to conceal the operations of those institutions, has been one of the most prolific causes of erroneous opinions on that subject, and of mismanagement on their part. It is highly desirable that this measure should be adopted in the states where those returns are not yet made obligatory. The annual statements of the Bank of the United States, and of the banks of all the New-England states, of Pennsylvania, Virginia, Georgia, and others, to Congress, and to the states respectively, have in no instance injured any institution that was properly administered. Publicity is, in most cases, one of the best checks which can be devised: it inspires

* See Note C.

confidence, and strengthens credit; whilst concealment begets distrust, and often engenders unjust suspicions.

There is still another measure, better calculated perhaps than any other, to give complete security against the danger of insolvency. It has been already observed, that the original capital of the Bank of England, amounting to more than fourteen millions sterling, has been loaned to government, and, remaining in its hands, affords the best security to the holders of notes and to depositors. The propriety of extending a similar provision to country banks has been strongly urged in England; and the same measure, with respect to our banks, generally, has also been suggested. It is quite practicable, and seems unobjectionable in a country possessed of so large a capital as England, and where the large amount of public debt would enable the banks to comply with the condition without any difficulty. But this might not be practicable here, where the banking capital is much larger than the amount of all other public stocks, and we apprehend that mortgages on real estate must, if such provision becomes general, be resorted to for want of such stocks. We must also refer to our former observations respecting the nature of our banking capital. Should this be permanently vested in mortgages or stocks, the accommodations which the banks afford to individuals might be too much curtailed. If these objections can be removed, the plan proposed would give to the banking system of the United States a solidity, and inspire a confidence, which it cannot otherwise possess.

The constitutional powers of Congress on the subject, are the next and principal object of inquiry.

We have already adverted to the provisions of the Constitution, which declare, that no state shall either coin money, emit bills of credit, make any thing but gold and silver coins a tender in payment of debts, or pass any law impairing the obligation of contracts, and which vest in Congress the exclusive power to coin money, and to regulate the value thereof, and of foreign coin. It was obviously the object of the Constitution to consolidate the United States into one nation, so far as regarded all their relations with foreign countries, and that the internal powers of the general government should be applied only to objects necessary for that purpose, or to those few which were deemed essential to the prosperity of the country, and to the general convenience of the people of the several states. Amongst the objects thus selected, were the power to regulate commerce among the several states, and the control over the monetary system of the country.

This last-mentioned power is, and has ever been, one of primary importance. It is for want of such general power, that Germany has always been inundated with coins often debased, and varying from state to state in standard and denomination: the same defect was found in the former United Provinces of the Netherlands: and the banks of deposit of Hamburg and Amsterdam, were originally established for the purpose of correcting that evil. Even under the articles of confederation, Congress had already the sole and exclusive right and power of regulating the alloy and value of coins struck by their own authority, or by that of the respective states. It was on a most deliberate view of the subject, that the same powers were confirmed and enlarged by the Constitution, and the individual states excluded from any participation, which might interfere with the controlling power of the general government. With the exception of those which are connected with the foreign relations of the United States, either in war or in peace, there are no powers more expressly and exclusively vested in Congress, of a less disputable nature, or of greater general utility, than those on the subject of currency. Arbitrary governments have, at various times, in order to defraud their creditors, debased the coin, whilst they preserved its denomination, and thus subverted the standard of value by which the payment of public and private debts, and the performance of contracts, ought to have been regulated. This flagrant mode of violating public faith has been long proscribed by public opinion. Governments have, in modern times, substituted for the same purpose issues of paper money, gradually increasing in amount, and decreasing in value. It was to guard against those evils, that the provisions in the Constitution on that subject were intended: and it is the duty, not less than the right, of the United States, to carry them into effect.

The first paragraph of the eighth section of the first article, provides that Congress shall have power "to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defence and general welfare of the United States; but all duties, imposts, and excises, shall be uniform throughout the United States."

It has sometimes been vaguely asserted, though, as we believe, never seriously contended, that the words "to provide for the common defence and general welfare," were intended, and might be construed, as a distinct and specific power given to Congress, or, in other words, that that body was thereby invested with a sweeping power, to embrace within its jurisdiction any object whatever, which it might deem conducive to the general welfare of the United States. This doctrine is obviously untenable, subversive of every barrier in the Constitution which guards the rights of the states or of the people, expressly contradicted by the tenth amendment, which provides, that the powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people; and tantamount to an assertion, that there is no Constitution, and that Congress is omnipotent. Mr. Jefferson stigmatizes this construction as "a grammatical quibble, which has countenanced the general government in a claim of universal power. For, (he adds,) in the phrase, to lay taxes, *to pay the debts and provide for the general welfare*, it is a mere question of syntax, whether the two last infinitives are governed by the first, or are distinct and co-ordinate powers; a question unequivocally decided by the exact definition of powers, immediately following."

The words "to provide for the common defence and general welfare of the United States," are as obligatory as any other part of the Constitution; they cannot be expunged, and must be so construed as to be effective. Mr. Jefferson did not deny this, which is indeed undeniable; and he only contended, that the words did not convey a distinct power, but were governed by the preceding infinitive; that is to say, that this clause in the Constitution, instead of giving to Congress the three distinct powers, 1st, to lay taxes, &c., 2dly to pay the debts, 3dly to provide for the common defence and general welfare of the United States, gave only that "to lay and collect taxes, duties, imposts, and excises, *in order* to pay the debts and provide for the common defence and general welfare of the United States." He states the question as one of syntax, susceptible of only two constructions; one which would give, as a distinct, a sweeping power inconsistent with the spirit and other express provisions of the Constitution, and which he accordingly rejects; the other, which he adopts, and which admits, but confines the application of the words "to provide for the general welfare," to the only power given by that clause, viz. that of laying taxes, duties, &c.

This appears to have been the construction universally given to that clause of the Constitution, by its framers and contemporaneous expounders. Mr. Hamilton, though widely differing in another respect from Mr. Jefferson in his construction of this clause, agrees with him in limiting the application of the words "to provide for the general welfare," to the express power given by the first sentence of the clause. In his report on manufactures, he contends for the power of Congress to allow bounties for their encouragement, and, after having stated the three qualifications of the power to lay taxes, viz. 1st, that duties, imposts, and excises, should be uniform throughout the United States; 2nd, that no direct tax should be laid unless in proportion to the census; 3d, that no duty should be laid on exports; he argues on the constitutional question in the following words:

"These three qualifications excepted, the power to raise money is plenary and indefinite; and the objects to which it may be appropriated, are no less comprehensive than the payment of the public debts and the providing for the common defence and general welfare. The terms 'general welfare,' were doubtless intended to signify more than was expressed or imported in those which preceded; otherwise numerous exigencies, incident to the affairs of a nation, would have been left without a provision. The phrase is as comprehensive as any that could have been used; because it was not fit that the constitutional authority of the Union to appropriate its revenues, should have been restricted within narrower limits than the 'general welfare;' and because this necessarily embraces a vast variety of particulars, which are susceptible neither of specification nor of definition."

"It is therefore of necessity left to the discretion of the national legislature, to pronounce upon the objects which concern the general welfare, and for which, under that description, an appropriation of money is requisite and proper. And there seems to be no room for a doubt, that whatever concerns the general interests of learning, of agriculture, of manufactures, and of commerce, are within the sphere of the national councils, as far as regards an application of money.

"The only qualification of the generality of the phrase in question, which seems to be admissible, is this; that the object to which an appropriation of money is to be made, be general and not local; its operation extending, in fact, or by possibility, throughout the Union, and not being confined to a particular spot."

"No objection ought to arise to this construction, from the supposition that it would imply a power to do whatever else should appear to Congress conducive to the general welfare. A power to appropriate money with this latitude, which is granted too, in express terms, would not carry a power to any other thing not authorized in the Constitution, either expressly or by fair implication."

Mr. Hamilton insisted that the power to *lay and collect* taxes and duties, implied that of *appropriating* the money thus raised, to any object which Congress might deem conducive to "the general welfare." But he confines throughout the application of those words to the power given, as he understood it, by the first sentence of the clause. Mr. Jefferson, who agreed with him in that respect, denied altogether that the power to lay taxes implied that of applying the money thus raised to objects conducive to the general welfare. It cannot be objected to this construction, which is the most literal, that the words "for the general welfare" are thereby rendered of no effect. For there are several cases, in which the laying a tax or duty does alone effect the object in view, without the aid of an appropriation or of any other distinct act of the legislature. On that point, however, and on that alone, they differed. But it is foreign to the object now under consideration, and we do not mean to discuss it. All that is necessary for us is, that, as admitted by both, the power *to lay duties and taxes,* is vested in Congress, and may be exercised, to provide (or, in order to provide) for the general welfare of the United States, without any other limitation than the three qualifications specified by the Constitution, and above stated.

It has indeed been lately contended by some distinguished citizens, that the words "general welfare," referred only to the powers expressly vested in Congress by the Constitution: or, in other words, that the power to lay duties and taxes could not be exercised but for the purpose of carrying into effect some of those specific powers. It seems to us, that this, if intended, would have been distinctly expressed, instead of using the words "general welfare." And although it is undeniable, that a constructive power cannot be legitimately claimed, unless necessary and proper for carrying into execution, or fairly implied in, a power expressly delegated; we do not perceive why it should be necessary, in order to justify the exercise of a power expressly given, that it should be exercised in reference to another similar power. But we do not mean to discuss this question, which is also foreign to our object. Allowing, for the sake of argument, the validity of the objection, it does not apply to cases where the object, in reference to which the duty or tax is laid, is clearly embraced within the powers of the general government. Although, because the power to protect manufactures is not expressly vested in Congress, that to lay taxes in order to effect that object should be denied, the power of laying a tax or duty, for the purpose of carrying into effect an express provision of the Constitution, would still be undeniable.

Congress has the power to lay stamp duties on notes, on bank notes, and on any description of bank notes. That power has already been exercised; and the duties may be laid to such an amount, and in such a manner, as may be necessary to effect the object intended. This object is not merely to provide generally for the general welfare, but to carry into effect, in conformity with the last paragraph of the eighth section of the first article, those several and express provisions of the Constitution, which vest in Congress exclusively the control over the monetary system of the United States, and more particularly those which imply the necessity of a uniform currency. The exercise of the power for that object is free of any constitutional objection, provided the duties thus laid shall be uniform, and applied to the Bank of the United States as well as to the state banks. The act of laying and collecting the duties, which is expressly granted, is alone sufficient to effect the object. As no appropriation of money is wanted for that purpose, the exercise of power which is required, is purely that of laying duties; and it is not liable to the objection, that to assert that the authority to lay taxes implies that of appropriating the proceeds, is a forced construction. It is equally free of any objection derived from any presumed meaning of the words "general welfare," since the power to lay duties will, in this instance, be exercised, in order to carry into effect several express provisions of the Constitution, having the same object in view. Congress may, if it deems it proper, lay a stamp duty on small notes, which will put an end to their circulation. It may lay such a duty on all bank notes, as would convert all the banks into banks of discount and deposit only, annihilate the paper currency, and render a Bank of the United States unnecessary in reference to that object. But if this last measure should be deemed pernicious, or prove impracticable, Congress must resort to other and milder means of regulating the currency of the country. The Bank of the United States, as has already been shown, was established for that express purpose.

An act incorporating a bank, is not an act either to raise or appropriate money. The power to establish the bank cannot, in any way, be founded on that clause of the Constitution which has reference to the general welfare of the United States. It is sanctioned exclusively by that clause which gives to Congress power to make all laws, which shall be necessary and proper for carrying into execution any of the powers vested in the government of the United States. And the first object of inquiry is the meaning of the words "necessary and proper" in that clause.

We are aware, that it has at times been suggested that the word "necessary," in its strict sense, means "that without which the specific power cannot be carried into effect," and ought to be so construed. If appeal be made to verbal criticism, it may be answered, that if such was the meaning of the word "necessary," in that sentence, the word "proper" would not have been added; since that which is necessary in that strict sense is of necessity proper. This last expression must, therefore, be taken in connexion with the first; and since it was contemplated, that what was called necessary might be proper or improper, the words "laws necessary and proper" do not appear to have been intended in that most limited sense, which implies absolute impossibility of effecting the object without the law, but to mean such laws as are fairly intended, and highly useful and important for that purpose. We believe this to be the fair, and to have been the uniform construction of the Constitution, and that indeed without which it could not have been carried into effect. In order to prove that this has ever been deemed the natural and clear construction, we will not resort to the establishment of light-houses, or to other numerous precedents, the authority of which may be disputed. We will appeal to the most general and important law of the United States, such as it was enacted from the first organization of the government under the Constitution, and to a provision in it, which, under its various other modifications, has uninterruptedly, and without any constitutional objection, remained in force to this day.

The laws to lay and collect duties on imports require, and have always required, a variety of oaths, and particularly that of the importers or consignees, with respect to the correctness of the invoices of goods imported, both as to quantity and as to cost or value. Yet this provision, however useful and important, is not so absolutely necessary, in that strict sense of the word, as that the laws could not possibly be carried into effect without it. There are countries, France for example, where those duties are efficiently collected without the assistance of similar oaths. This may be done at least as effectually by an appraisement of the merchandise, as by resorting to the oaths of the parties. In point of fact, there has always been a discretionary power to appraise, which has lately been enlarged. Since it is on that provision, and not on the oath, that the ultimate reliance for the faithful collection of the duties is placed, those duties might be collected without the assistance of oaths, by substituting in every instance an appraisement or valuation. Oaths are not, therefore, necessary for the collection of duties, in that strict sense which is contended for: they are not that, without which the duties could not be collected. The observation indeed applies to various other provisions of the revenue laws. Any one who will give them a perusal, will find several implying powers not specially vested in Congress, the necessity of which was not absolute, and without which the object of the law might still have been effected. The oaths and various other provisions have been resorted to, as means only highly useful, important, and proper, but not as being of *absolute* necessity for carrying the law into effect.*

Whenever it becomes the duty of Congress to carry into effect any of the powers expressly defined by the Constitution, it will generally be found that there are several means to effect the object. In that case, and whenever there is an option, each of the means proposed ought not to be successively objected to, as not being strictly necessary because other means might be resorted to, since this mode of arguing would defeat the object intended, and prevent the passage of any law for carrying into effect the power, which it was the duty of Congress to execute. If every provision of a revenue law was successively opposed on that ground, no efficient revenue law could be passed. In the present case, it is proposed to resort, either to a stamp duty or to a Bank of the United States, in order to regulate the currency. Unless some other equally efficient mode can be suggested, this important object will be defeated, if both means are successively rejected, as not strictly necessary. But, on the other hand, the means proposed for carrying into effect any special or expressed power vested in Congress, should be highly useful and important, having clearly and bona fide that object in view which is the avowed purpose, and not be intended, under color of executing a certain special power, for the purpose of effecting another object.

It was on this ground, that the former Bank of the United

* The opinion of the Supreme Court, in the case of M'Culloch *vs.* State of Maryland, had not been seen by the writer of this essay, when it was committed to the press: and the important inference, drawn from the use of the words "absolutely necessary," in another clause of the Constitution, had escaped his notice.

States was at first opposed. That Bank had not been proposed for the express purpose of regulating the currency, but as incident to the powers of regulating commerce, of collecting the revenue, of the safe keeping of public moneys, and generally, of carrying on the operations of the Treasury. There had been at that time but three banks established in the United States; their operations were confined within a very narrow sphere; there had been no experience in the United States of the utility of a bank in assisting the operations of government, but that which, during a short time, had been afforded by the Bank of North America, incorporated, in the first instance, by Congress, under the articles of confederation. The Bank of the United States was considered by its opponents, as not being intended for the purpose alleged, but as having for its object the consolidation of a moneyed aristocracy, and to further the views at that time ascribed to a certain party and to its presumed leader. And the fears then excited respecting that object, and the supposed influence of the Bank in promoting it, though long since dissipated, have left recollections and impressions which may still have some effect on public opinion in relation to the constitutional question.

Experience, however, has since confirmed the great utility and importance of a Bank of the United States, in its connexion with the Treasury. The first great advantage derived from it, consists in the safe keeping of the public moneys, securing, in the first instance, the immediate payment of those received by the principal collectors, and affording a constant check on all their transactions; and afterwards rendering a defalcation in the moneys once paid, and whilst nominally in the Treasury, absolutely impossible. The next and not less important benefit is to be found in the perfect facility with which all the public payments are made by checks, or Treasury drafts, payable at any place where the Bank has an office; all those who have demands against government, are paid in the place most convenient to them; and the public moneys are transferred, through our extensive territory, at a moment's warning, without any risk or expense, to the places most remote from those of collection, and wherever public exigencies may require. From the year 1791 to this day, the operations of the Treasury have, without interruption, been carried on through the medium of banks; during the years 1811 to 1816, through the state banks; before and since, through the Bank of the United States. Every individual who has been at the head of that department, and, as we believe, every officer connected with it, has been made sensible of the great difficulties, that must be encountered without the assistance of those institutions, and of the comparative ease and great additional security to the public, with which their public duties are performed through the means of the banks. To insist that the operations of the Treasury may be carried on with equal facility and safety, through the aid of the state banks, without the interposition of a Bank of the United States, would be contrary to fact and experience. That great assistance was received from the state banks, while there was no other, has always been freely and cheerfully acknowledged. But it is impossible, in the nature of things, that the necessary concert could be made to exist between thirty different institutions; and in some instances, heavy pecuniary losses, well known at the seat of government, have been experienced. To admit, however, that state banks are necessary for that purpose, is to give up the question. To admit that banks are indispensable for carrying into effect the legitimate operations of government, is to admit that Congress has the power to establish a bank. The general government is not made by the Constitution to depend, for carrying into effect powers vested in it, on the uncertain aid of institutions, created by other authorities, and which are not at all under its control. It is expressly authorized to carry those powers into effect by its own means, by passing the laws necessary and proper for that purpose, and in this instance, by establishing its own bank, instead of being obliged to resort to those which derive their existence from another source, and are under the exclusive control of the different states, by which they have been established.

It must at the same time be acknowledged, that, inasmuch as the revenue may be collected, and the public moneys may be kept in public chests, and transferred to distant places without the assistance of banks, and as all this was once done in the United States, and continues to be done in several countries, without any public bank, it cannot be asserted, that those institutions are absolutely necessary for those purposes, if we take the word "necessary" in that strict sense which has been alluded to. All this may be done, though with a greater risk, and in a more inconvenient and expensive manner. Public chests might be established, and public receivers, or sub-treasurers, might be appointed in the same places where there are now offices of the Bank of the United States, and specie might be transported from place to place, as the public service required it, or inland bills of exchange purchased from individuals.*

* With the exception of the power of receiving private deposits, the object of which provision is not perceived, this is precisely the species of National Bank, which has been suggested in the President's last message. The question, whether the purchase of drafts would, as we think, be a charge on the Treasury, or prove, as seems to be expected, a source of profit, is one of secondary importance. It is sufficient to observe, that the issues of the state banks could not, nor indeed is it anticipated in the message that they would, be checked by this plan. It would not, therefore, effect the great object contemplated by the Constitution, to carry which into effect is enjoined by that instrument, and for which we principally contend, viz. that of securing a sound and *uniform* currency.

The superior security and convenience afforded by the bank, in the fiscal operations of government, may not be considered as sufficient to make its establishment constitutional, in the opinion of those who construe the word "necessary" in that strict sense.

But it is far from being on that ground alone, that the question of constitutionality is now placed. It was not at all anticipated, at the time when the former Bank of the United States was first proposed, and when constitutional objections were raised against it, that bank notes issued by multiplied state banks, gradually superseding the use of gold and silver, would become the general currency of the country. The effect of the few banks then existing, had not been felt beyond the three cities where they had been established. The states were forbidden by the Constitution to issue bills of credit: bank notes are bills of credit to all intents and purposes; and the state could not do, through others, what it was not authorized to do itself: but the bank notes, not being issued on the credit of the states, nor guarantied by them, were not considered as being, under the Constitution, bills of credit emitted by the states. Subsequent events have shown, that the notes of state banks, pervading the whole country, might produce the very effect which the Constitution had intended to prevent, by prohibiting the emission of bills of credit by any state. The injustice to individuals, the embarrassments of government, the depreciation of the currency, its want of uniformity, the moral necessity imposed on the community, either to receive that unsound currency, or to suspend every payment, purchase, sale, or other transaction, incident to the wants of society, all the evils which followed the suspension of specie payments, have been as great, if not greater, than those which might have been inflicted by a paper currency, issued under the authority of any state. We have already adverted to the several provisions of the Constitution, which gave to Congress the right, and imposed on it the duty to provide a remedy; but there is one which deserves special consideration.

Whatever consequences may have attended the suspension of specie payments in Great Britain, there still remained one currency which regulated all the others. All the country bankers were compelled to pay their own notes, if not in specie, at least in notes of the Bank of England. These notes were, as a standard of value, substituted for gold: and, if the currency of the country was depreciated, and fluctuating in value from time to time, it was at the same time uniform throughout the country. There was but one currency for the whole, and every variation in its value was uniform as to places, and at the same moment operated in the same manner everywhere. But the currency of the United States, or, to speak more correctly, of the several states, varied, during the suspension of specie payments, not only from time to time, but at the same time from state to state, and in the same state from place to place. In New-England, where those payments were not discontinued, the currency was equal in value to specie: it was, at the same time, at a discount of seven per cent. in New-York and Charleston, of fifteen in Philadelphia, of twenty and twenty-five in Baltimore and Washington, with every other possible variation in other places and states.

The currency of the United States, in which the public and private debts were paid, and the public revenue collected, not only was generally depreciated, but was also defective in respect to uniformity. Independent of all the other clauses in the Constitution which relate to that subject, it is specially provided, 1st, that all duties, imposts, and excises, shall be uniform throughout the United States; 2d, that representative and direct taxes shall be apportioned among the several states, according to their respective numbers, to be determined by the rule therein specified; and that no capitation or other direct tax shall be laid, unless in proportion to the enumeration. Both these provisions were violated whilst the suspension of specie payments continued. It is clear, that after the quota of the direct tax of each state had been determined, according to the rule prescribed by the Constitution, it was substantially changed by being collected in currencies differing in value in the several states. It is not less clear, that the clause which prescribes a uniformity of duties, imposts, and excises, was equally violated by collecting every description of indirect duties and taxes in currencies of different value. The only remedy existing at that time, was the permission to pay direct and indirect taxes in treasury notes. But those notes did not pervade every part of the country in the same manner as bank notes; they were of too high denomination to be used in the payment of almost any internal tax; they were liable also to vary in value in the different states; and they could operate as a remedy, only as long as their depreciation was greater than that of the most depreciated notes in circulation.

We will now ask, whether, independent of every other consideration, Congress was not authorized and bound to pass the laws necessary and proper for carrying into effect, with good faith, those provisions of the Constitution? and whether that could or can be done, in any other manner than, either by reverting to a purely metallic, or by substituting a uniform paper currency to that which had proved so essentially defective in that respect, and which, from its not being subject to one and the same control, is, and for ever will be, liable to that defect? The uniformity of duties and taxes of every description, whether internal or external, direct or indirect, is an essential and fundamental principle of the Constitution. It is self-evident, that that uniformity cannot be carried into effect without a corresponding uniformity of currency. Without laws to this effect, it is absolutely impossible that the taxes and duties should be uniform, as the Constitution prescribes: such laws are therefore necessary and proper, in the most strict sense of the words. There are but two means of effecting the object, a metallic, or a uniform paper currency. Congress has the option of either; and either of the two, which may appear the most eligible, will be strictly constitutional, because strictly necessary and proper for carrying into effect the object. If a currency exclusively metallic is preferred, the object will be attained by laying prohibitory stamp duties on bank notes of every description, and without exception. If it is deemed more eligible, under existing circumstances, instead of subverting the whole banking system of the United States, and depriving the community of the accommodations which bank loans afford, to resort to less harsh means; recourse must be had to such, as will insure a currency sound and uniform itself, and at the same time check and regulate that which will continue to constitute the greater part of the currency of the country.

Both those advantages were anticipated in the establishment of the Bank of the United States; and it appears to us that the bank fulfils both those conditions. As respects the past, it is a matter of fact, that specie payments were restored and have been maintained through the instrumentality of that institution. It gives a complete guarantee, that under any circumstances, its notes will preserve the same uniformity which they now possess. Placed under the control of the general government, relying for its existence on the correctness, prudence, and skill with which it shall be administered, perpetually watched and occasionally checked by both the Treasury Department and rival institutions; and without a monopoly, yet with a capital and resources adequate to the object for which it was established; the bank also affords the strongest security which can be given with respect to paper, not only for its ultimate solvency, but also for the uninterrupted soundness of its currency. The statements we have given of its progressive and present situation, show how far those expectations have heretofore been realized.

Those statements also show, that the Bank of the United States, wherever its operations have been extended, has effectually checked excessive issues on the part of the state banks, if not in every instance, certainly in the aggregate. They had been reduced, before the year 1820, from sixty-six to less than forty millions. At that time, those of the Bank of the United States fell short of four millions. The increased amount required by the increase of population and wealth during the ten ensuing years, has been supplied in a much greater proportion by that bank than by those of the states. With a treble capital, they have added little more than eight millions to their issues.

Those of the Bank of the United States were nominally twelve, in reality about eleven millions greater in November 1829, than in November 1819. The whole amount of the paper currency has, during those ten years, increased about forty-five, and that portion which is issued by the state banks only twenty-two and a half per cent. We have indeed a proof, not very acceptable perhaps to the bank, but conclusive of the fact, that it has performed the office required of it in that respect. The general complaints, on the part of many of the state banks, that they are checked and controlled in their operations by the Bank of the United States, that, to use a common expression, it operates as a screw, is the best evidence that its general operation is such as had been intended. It was for that very purpose that the bank was established. We are not, however, aware that a single solvent bank has been injured by that of the United States, though many have undoubtedly been restrained in the extent of their operations, much more than was desirable to them. This is certainly inconvenient to some of the banks, but in its general effects is a public benefit to the community.

The best way to judge whether, in performing that unpopular duty, the Bank of the United States has checked the operations of the state banks more than was necessary, and has abused, in order to enrich itself at their expense, the power which was given for another purpose, is to compare their respective situations in the aggregate. In order to avoid any erroneous inference, we will put out of question those banks of which we could only make an estimate, and compare, with that of the United States, those only of which we have actual returns.

The profit of banks, beyond the interest on their own capital, consists in that which they receive on the difference between the aggregate of their deposits and notes in circulation, and the amount of specie in their vaults. We have given the aggregate situation for the end of the year 1829 of 281 banks with a capital of 95,003,557 dollars, the deposits and circulating notes of which amounted together to - - - - - - - - $71,706,033
from which deducting the specie in their vaults, - 11,989,643

leaves for the said difference, - - - - - - - - 59,716,390

or 62.8 per cent. on their capital.

The notes in circulation of the Bank of the United States (adding one million for its drafts in circulation) amounted in November 1829, to $14,042,984, and together with the deposits, to - - - - - - - - - - - - - - - - - - $28,827,793
from which deducting the specie in its vaults, - - 7,175,274

leaves for the difference, - - - - - - - - - 21,652,519

or 61.8 on its capital.

It is clear that those state banks, taken in the aggregate, have no just reason to complain, since that of the United States imposes no greater restraints on them than on itself. It will also be perceived that it had in specie, more than one-fifth part of the aggregate of its notes in circulation and deposits; whilst the state banks had little more than one-sixth; and the Bank of the United States had in addition a fund of about one million of dollars in Europe. The difference would have been more striking, had we taken a view of the situation of all the state banks, including those on estimate; for the difference between the aggregate of their notes and deposits, and their specie, is $67\frac{1}{4}$ on their capital.

This view of the subject applies to the present time, when the Bank of the United States has surmounted the difficulties which it had, in its origin, to encounter, and has reached a high degree of prosperity. It did not go into operation till the commencement of the year 1817, and such were the losses which it first experienced, that its dividends, during the first six years of its existence, fell short of $3\frac{1}{2}$ per cent. a year. The dividend has since gradually increased from 5 to 7 per cent.; but the average, during the thirteen years and a half ending on the 1st of July 1830, has been but $4\frac{88}{100}$ per cent. a year. An annual dividend of about 9 per cent., during the residue of the time to which the charter is limited, would be necessary, in order that the stockholders should then have received, on an average, 6 per cent. a year on their capital. The dividends of the state banks vary too much, and our returns are too imperfect in that respect, to enable us to estimate the average; but it has certainly far exceeded that of the Bank of the United States.

The manner in which the Bank checks the issues of the state banks is equally simple and obvious. It consists in receiving the notes of all those which are solvent, and requiring payment from time to time, without suffering the balance due by any to become too large. Those notes on hand, taking the average of the three and a half last years, amount always to about a million and a half of dollars; and the balances due by the banks in account current (deducting balances due to some) to about nine hundred thousand. We think that we may say, that, on this operation, which requires particular attention and vigilance, and must be carried on with great firmness and due forbearance, depends almost exclusively the stability of the currency of the country.

The President of the United States has expressed the opinion, that the bank had failed in the great end of establishing a uniform and sound currency, and has suggested the expediency of establishing "a National Bank, founded upon the credit of the government and its revenues." He has clearly seen, that the uniformity of the currency was a fundamental principle derived from the Constitution, and that this, unless the United States reverted to a purely metallic currency, could not be effected without the aid of a National Bank. But it appears to us, that the objection of want of uniformity, which may be supported in one sense, though not in the constitutional sense of the word, applies generally to a paper currency, and not particularly to that which is issued by the Bank of the United States. And although we are clearly of opinion, that the United States at large are entitled to the pecuniary profit arising from the substitution of a paper, for a metallic currency, we are not less convinced, that this object cannot be attained in a more eligible way and more free of objections, than through the medium of a National Bank, constituted on the same principles as that now existing. On both those topics we will make but few observations, those branches of the subject having been nearly exhausted, in their report, by the Committee of the House of Representatives.

It has already been observed, that the substitution of paper to gold and silver is a national benefit, in as far as it brings into activity an additional circulating capital, equal to the difference between the amount of paper, and that of the reserve in specie necessary to sustain the par value of that paper. But it is clear, that the community derives no other immediate benefit from the substitution, than the accommodations which the banks are thereby enabled to afford, and for which the borrowers pay the usual rate of interest. The immediate profit derived from the paper currency, is received exclusively by the banks; about three-fourths by the state banks, and one-fourth by that of the United States. So far as relates to profit, it is only to that one-fourth part of the whole, that the measures of the general government are intended to apply. Several of the states, by levying a tax on the capital or on the dividends of their own banks, receive the public share of those profits. Other states have resorted to the mode suggested by the President, and have established banks of the state exclusively founded on its resources and revenue.

The proposition has not been suggested to resort to a third, though the most simple mode, that of issuing, without the aid or machinery of any bank whatever, a government paper payable on demand in specie. We unite in considering it altogether inadmissible. Government may put its paper in circulation by lending it, like banks, to individuals; and this is, in fact, the proposition which has been suggested. But unless this mode is adopted, to issue paper in any other way, is to borrow money; and the United States at this time wish to discharge and not to contract a debt. Nor would such a paper, without a mixture of banking operations, control in the least the issues of state banks, and assist in establishing a general sound currency.

The general objections to a paper issued by government, have already been stated at large. Yet it must be admitted, that there may be times when every other consideration must yield to the superior necessity of saving or defending the country. If there ever was a time, or a cause which justified a resort to that measure, it was the war of the independence. It would be doing gross injustice to the authors of the revolution and founders of that independence, to confound them with those governments, which from ambitious views have, without necessity, inflicted that calamity on their subjects. The old Congress, as the name purports, were only an assembly of plenipotentiaries, delegated by the several colonies or states. They could only recommend, and had not the power to lay taxes; the country was comparatively poor; extraordinary exertions were necessary to resist the formidable power of Great Britain; those exertions were made, and absorbed all the local resources; the paper money carried the United States through the most arduous and perilous stages of the war; and, though operating as a most unequal tax, it cannot be denied that it saved the country. Mr. Jefferson was strongly impressed with the recollection of those portentous times, when in the latter end of the year 1814, he suggested the propriety of a gradual issue, by government, of two hundred millions of dollars in paper. He had, from the imperfect data in his possession, greatly overrated the amount of paper currency which could be sustained at par; and he had, on the other hand, underrated the great expenses of the war. Yet we doubt whether, in the state to which the banks and the currency had been reduced, much greater issues of Treasury notes, or other paper not convertible at will into specie, would not have become necessary, if the war had been of much longer continuance. It is to be hoped that a similar state of things will not again occur; but at all events, the issue of a government paper ought to be kept in reserve for extraordinary exigencies.

The proposition then recurs, to issue a paper currency payable on demand in specie, through the medium of a bank, founded on the revenue of the United States; or, in other words, to convert the general government, or its treasury department, into a banking institution. The experiment has been made in four of the states, and may have succeeded on a smaller scale, and where all the agents are personally known to government, and are not merely in name, but in reality, under its immediate superintendence. But if thirty-five millions of dollars are to be placed at the disposal of three hundred bank directors, selected by the government of the United States, and living in twenty-five different states or territories, with the authority to contract debts in behalf of the public to an equal amount, and to lend the whole to individuals at their discretion; we must inquire, how and over whom that enormous power will be exercised. However they may have differed with respect to removals from office, the various administrations, with some exceptions, commanded by the public interest, have all preferred, in appointing to office, their friends to their opponents; and in making the selections at a distance, there is not perhaps, out of ten officers who are appointed, one who is personally known either to the President or to any of the heads of the departments. It is morally impossible that the direction of the branches of the proposed bank should not fall into the hands of men generally selected from political considerations, often of a local nature. Without salary, or any personal interest in the concern intrusted to their care, they would also be altogether irresponsible. The duties of the other officers of government may always be, and always are, defined by law: for any wilful official misconduct, for any act of oppression towards individuals, they may be prosecuted and punished. But the power vested in a bank director is in its nature discretionary, and error of judgment may always be pleaded, for having improperly granted or withdrawn an accommodation. The exercise of that arbitrary power over the property and private concerns of individuals would be so odious, that, if the attempt was made, we are confident that it would not be long tolerated. Considered as a source of profit, which is its only recommendation, it is equally obvious, that the plan could not succeed; that whenever there was a temporary pressure, and what is called a want of money, the debtors would ask and obtain relief, and that the same measure of indulgence would gradually be extended to every quarter of the Union. It seems indeed self-evident, that a government, constituted like that of the United States, cannot by itself manage and control a banking system spread over their extensive territory; and we know, on the other hand, that the same object may be attained through the means of a bank governed and controlled as that of the United States. It may be added, that, if an objection is raised against that institution, because the power to incorporate a bank is not expressly granted by the Constitution, it appears to be equally applicable to the plan that has been suggested; since there is no clause in that instrument, that expressly authorizes the government of the United States to discount the notes of individuals, or to become a trading company.

The United States are, however, justly entitled to participate in the advantages which the bank derives from its charter, by being permitted to issue paper, and to extend its operations over the whole country; and that institution must also be allowed, in addition to the usual interest on its capital, a reasonable profit; since it incurs all the risks, and is liable for all the losses incident to those operations. The government receives already a portion of the profits, in the shape of those services, which are rendered here gratuitously, and form in England no inconsiderable part of the benefit allowed to the bank. But for the residue, we would prefer to a bonus, either a moderate interest on the public deposits, or a participation in the dividends when exceeding a certain rate. There can be no doubt, that, independent of perfect security, the United States would, in that way, derive greater pecuniary advantages, than from any bank managed by its own officers.

In order to attain perfect uniformity, the value of a paper currency should, in the United States, be always the same as that of the gold and silver coins, of which it takes the place. It is impossible to fulfil that condition better, than by making that currency payable on demand in specie and at par. This cannot be done but at certain places designated for that purpose. The holder of a bank note cannot, at any other place, give such note in payment of a debt, or exchange it for specie, without the consent of another party. Strictly speaking, it is not, therefore, at any other place, of the same value with specie. This is equally true of any bank note, or convertible paper, in any other country. A note of the Bank of England, being only payable in London, will not be of the same value with gold or silver in Scotland, Ireland, or even at Liverpool, unless the exchange between those places respectively and London should be at par. This defect is inherent to every species of paper currency, even when payable on demand. There were three hundred and twenty-nine state banks, and twenty-two offices of the Bank of the United States, in operation on the 1st of January, 1830. We had therefore three hundred and fifty-one distinct currencies, all convertible into specie, but each at different places. A note of the Bank of the United States, or of the Bank of North America, both payable at Philadelphia, was no more exchangeable for gold or silver, at Bedford, in Pennsylvania, than at Cincinnati; the only difference consisting in the greater distance from the place of payment, which renders a fluctuation in the rate of exchange more probable. When, therefore, it is objected as a want of uniformity, that the notes issued by the Bank of the United States, and its several offices, are not indiscriminately made payable at every one of those places, the objection does not go far enough. In order to attain perfect uniformity, or to render those notes everywhere precisely equal in value to specie, they should be made payable at every town or village in the United States. But, although it may be admitted, that the notes of the Bank of the United States now consist nominally of twenty-four currencies, each payable at a distinct place, they still fulfil the condition of uniformity required by the Constitution; and the defect complained of is not peculiar to them, but would equally attach to any other possible species of bank notes or paper currency.

Those notes, wherever made payable, are, by the charter, receivable in all payments to the United States: and as the bank is obliged, without any allowance on account of difference of exchange, to transfer the public funds from place to place within the United States, any loss arising from that cause falls on the institution. For that purpose, therefore, all the notes issued by the bank constitute but one uniform currency, with which all the duties, taxes, imposts, and excises, may be paid. Not only the condition of uniformity imposed by the Constitution is strictly fulfilled, but by far the greater part of the notes which may happen to circulate out of the states in which they are made payable, is also absorbed by that operation. The objection is reduced to the simple fact, that individuals who may still hold such notes, cannot always exchange them at par at a place distant from that where they are payable. In answer to this, it must, in the first place, be observed, that notes are never found in that situation, but by the act of the parties themselves. The bank and its offices never issue or make payments in notes payable at another place than that of issue, but at the request of individuals, whose convenience it may suit to apply for such notes. Through whatever channel a man residing in New-Orleans may have come in possession of ten thousand dollars in notes payable at Charleston, it has always been with his own consent, and never by the act of the bank. When this objection is made, what in fact is complained of, is, that the bank will not, or cannot, transfer the funds of individuals, as well as those of the public, from place to place, gratuitously; an operation which has no connexion with the uniformity of currency. Supposing there were no bank notes in circulation, and there was no other but a uniform metallic currency, the man who had taken a cargo of flour from Louisville to New-Orleans, must, in order to transfer the proceeds back to Louisville, either have purchased a bill of exchange, or transported the specie. This he may still do, since the institution of the bank; and he has no more right to ask from the office at New-Orleans, to give him, in exchange for the specie, bank notes payable at Louisville, than to require that it should pay the freight of his flour from Louisville to New-Orleans.

But supposing there was any weight in the objection, it is inherent to the nature of a paper, which cannot, in that respect, be made better than a metallic currency. If A contracts to pay a certain sum to B, it must be at a certain specified place. He cannot engage to do it at five or six different places, at the option of B, since it would compel him to provide funds at all those different places, and therefore to five or six times the amount of his debt. It is true, that the Bank of the United States has, through its extensive dealings in exchange, facilities to give accommodations in that respect, which no individual can have. But it is its interest to extend, as far as is safe and practicable, the circulation of its notes; and one of the best means to effect that object, is to pay everywhere their notes, wherever issued, whenever that is practicable. The five dollar notes are already made thus payable; and, in reality, payment of notes of every denomination, wherever made payable, is rarely refused at any of the offices. The bank may be safely trusted for giving the greatest possible extension to a species of accommodation, which it is its interest to give: but the condition can never be made obligatory, either on that institution, or on any other bank, by whatever name designated, or on whatever principle constituted, without endangering its safety. It is obvious, that no bank which has branches, can have funds at every place sufficient to meet a sudden demand for the payment of a large amount of notes payable elsewhere, which may fortuitously or designedly have accumulated at some one place. Even supposing this to be practicable, the condition imposed must necessarily occasion an additional expense, much greater than the benefit derived from it; and if this was done through the means of a bank founded on the public revenue, it would be a tax laid on the community, for the advantage of a few individuals.

A similar objection has been made with respect to the dealings in domestic exchange of the bank. 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. The amount of both has been progressively increasing, to the great convenience of the public. That of bills of exchange was 29,335,254, and that of bank drafts 24,384,232 dollars, during the year 1829. In the same year the transfers of public moneys, which are effected by treasury drafts, analogous to bills of exchange at sight, have amounted to 9,066,000 dollars. The three items together make a total of 62,785,486 dollars, transmitted by the bank in one year, through the medium of bills and drafts, which are thus substituted to the transportation of specie to the same amount. The purchase of bills of exchange is an operation similar, as relates to interest, to the discounting of notes. The interest accruing, from the time of purchase or discount to that when they become due, is equally allowed in both cases. Deducting this, 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. The premiums on the sale of bank drafts amounted to 42,826 dollars; but to this must be added the interest accruing on the drafts actually in circulation, and which, estimating, as before stated, the time during which, on an average, they remain so, at fifteen days, amounts to near sixty-one thousand dollars. The profit on those drafts is therefore near one hundred and four thousand dollars, or about three-sevenths per cent. The interest lost by the bank on the treasury drafts, is from fifteen to twenty thousand dollars; and the charges for transportation of specie, postage, and incidental expenses, amounted, in the year 1829, to 49,847 dollars. The nett profit of the bank, on the aggregate of those transactions, is, therefore, about two hundred and sixty-four thousand dollars, or a fraction more than two-fifths per cent. on the whole amount.

There is not, it is believed, a single country where the community is, in that respect, served with less risk or expense. It is obvious that no one will sell his bills to the bank, unless that institution purchases them at a higher, or at least as high rate as any other person; and that no one will purchase its drafts, unless they are as cheap as any others at market, or are considered safer. There is no other ground of complaint, unless it be that the bank can afford to purchase bills dearer, and to sell its drafts cheaper, than any body else. This is certainly a public benefit; and the only consideration which has been urged with some degree of plausibility, is, that one of the reasons which enables the bank to obtain a higher price for its drafts, is the greater degree of security which they offer; whilst, at the same time, its peculiar situation would enable it to sell them cheaper than other persons. Without admitting the validity of this observation, or denying that the current rate of exchange ought to regulate the price of those drafts, we would wish that they might be sold at par, whenever it happens that the operation, from the situation of its funds, is in no degree inconvenient to the bank. Government receives its full share of the profits on those operations. As its business is done gratuitously, it not only saves the interest as above stated, but also the premium which it would otherwise have to pay on the sale of its drafts. This, calculated at the same rate as for other bills of exchange, would amount to more than seventy, and together with the interest, to about ninety thousand dollars a year.

We have also heard complaints made against the purchase of foreign bills by the bank at the south, and the sale of their own bills on Europe at the east. That this may interfere with the business of capitalists who deal in exchange, is true; but the principal public consideration seems to be, whether the bank confers a benefit on the southern planters or merchants, by entering into competition for the purchase of their bills, and on the public by offering for sale cheaper or safer means of making remittances abroad. Another great advantage is found in the facility, thereby afforded to the bank, of having a fund in England on which it receives interest, and which, on an emergency, answers the same purpose as specie. That branch of business, either for the year 1829, or for the average of that and the two preceding years, amounted to 3,580,000 dollars.

The principal advantages derived from the Bank of the United States, which no state bank, and, as it appears to us, no bank established on different principles, could afford, 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 government in its fiscal operations: Thirdly; the great convenience and benefit accruing to the community, from its extensive transactions in domestic bills of exchange and inland drafts. We have not adverted to the aid which may be expected from that institution in time of war, and which should, we think, be confined to two objects.

First. The experience of the last war has sufficiently proved, that an efficient revenue must be provided, before, or immediately after that event takes place. Resort must be had, for that purpose, to a system of internal taxation, not engrafted on taxes previously existing, but which must be at once created. The utmost diligence and skill cannot render such new taxes productive before twelve or eighteen months. The estimated amount must be anticipated; and advances to that extent, including at least the estimated proceeds of one year of all the additional taxes laid during the war, may justly be expected from the Bank of the United States.

Secondly. It will also be expected, that it will powerfully assist in raising the necessary loans, not by taking up, on its own account, any sum beyond what may be entirely convenient and consistent with the safety and primary object of the institution, but by affording facilities to the money lenders. Those, who, in the first instance, subscribe to a public loan, do not intend to keep the whole, but expect to distribute it gradually with a reasonable profit. The greatest inducement, in order to obtain loans on moderate terms, consists in the probability that, if that distribution proceeds slower than had been anticipated, the subscribers will not be compelled, in order to pay their instalments, to sell the stock, and, by glutting the market, to sell it at a loss: and the assistance expected from the bank is to advance, on a deposit of the scrip, after the two first instalments have been paid, such portions of each succeeding payment, as may enable the subscribers to hold the stock a reasonable length of time. As this operation may be renewed annually, on each successive loan, whilst the war continues, the aid afforded in that manner is far more useful than large direct advances to government, which always cripple the resources, and may endanger the safety of a bank.

NOTES AND STATEMENTS.

NOTE A.

RELATIVE VALUE OF GOLD AND SILVER.

It has already been observed, that the intrinsic value and average market price of current coins are greater than those of bullion of the same weight and standard; and that the difference is, on account of the greater comparative expense of coinage, greater with respect to silver than to gold coins. The ratio of 15.7 to 1 is nearly that of gold to silver bullion in France, and it has been found to correspond, during a long period, with the market price in that country; whilst the average price of the gold and silver coins has been in the ratio of about 15.6 to 1, making a difference of about $\frac{5}{8}$ per cent. between the two ratios. The English market is, with respect to silver, much more uncertain, from the want of a constant demand and uniform mint price. Silver is accordingly exported in preference to France, and gold to England. The respective prices, as quoted in England, give the ratio of gold coins to silver bullion. If this average ratio is taken at 15.85 to 1, and the average English market price of standard gold bullion at 77|7½, the ratio of gold to silver bullion will be found to be less than 15.8 to 1; and, making the above-mentioned allowance of $\frac{5}{8}$ per cent. for the difference between the two ratios, that of gold to silver coins, as deduced from the British average market prices, does not exceed 15.7 to 1. It is, in order to guard against any exportation of silver, in preference to gold coins, and any possible danger of altering the present standard of value, that we are desirous that this ratio should not be exceeded. The premium on gold coins in France, has, in the text, been generally rated at one half per cent. The true average taken for six years was only one-third per cent.

NOTE B.

ON SCOTCH BANKS.

Chiefly extracted from the Report of the Select Committee of the House of Commons on Promissory Notes of Scotland and Ireland, May 26, 1826.

EXTRACT.

"There are at present thirty-two banks in Scotland, three of which are incorporated by act of Parliament, or by royal charter, viz. The Bank of Scotland, the Royal Bank of Scotland, and the Bank called the British Linen Company.

The National Bank of Scotland has 1238 partners.

The Commercial Bank of Scotland has 521.

The Aberdeen Town and County Bank has 446.

Of the remaining banks there are three in which the number of partners exceeds 100; six in which the number is between 20 and 100; and seventeen in which the number falls short of 20.

The greater part of the Scotch banks have branches in connexion with the principal establishment, each branch managed by an agent acting under the immediate directions of his employers, and giving security to them for his conduct.

The Bank of Scotland had, at the date of the last return received by your committee, sixteen branches, established at various periods between the year 1774 and the present.

The British Linen Company had twenty-seven branches.

The Commercial Banking Company in Edinburgh, thirty-one.

The total number of branches established in Scotland from the southern border to Thurso, the most northerly point at which a branch bank exists, is one hundred and thirty-three.

Speaking generally, the business of a Scotch bank consists chiefly in the receipt and charge of sums deposited with the bank, on which an interest is allowed, and in the issue of promissory notes upon the discount of bills, and upon advances of money made by the bank upon what is called a cash credit.

The interest allowed by a bank upon deposits varies from time to time, according to the current rate of interest which money generally bears. At present the interest allowed upon deposits is four per cent.

It has been calculated that the aggregate amount of the sums deposited with the Scotch banks amounts to about twenty or twenty-one millions. The precise accuracy of such an estimate cannot of course be relied on. The witness by whom it was made thought that the amount of deposits could not be less than sixteen millions, nor exceed twenty-five millions, and took an intermediate sum as the probable amount.

Another witness, who had been connected for many years with different banks in Scotland, and has had experience of their concerns at Stirling, Edinburgh, Perth, Aberdeen and Glasgow, stated that more than one-half of the deposits in the banks with which he had been connected were in sums from ten pounds to two hundred pounds."

* * * * * * * *

"On sums advanced by the banks on the discount of bills of exchange, and upon cash credits, an interest of five per cent. is at present charged.

A cash credit is an undertaking on the part of a bank to advance to an individual such sums of money as he may from time to time require, not exceeding in the whole a certain definite amount, the individual to whom the credit is given entering into a bond with securities, generally two in number, for the repayment on demand of the sums actually advanced, with interest upon each issue from the day on which it is made.

Cash credits are rarely given for sums below one hundred pounds; they generally range from two to five hundred pounds, sometimes reaching one thousand pounds, and occasionally a larger sum.

The bank allows the party having the cash credit, to liquidate any portion of his debt to the bank, at any time that may suit his convenience, and reserves to itself the power of cancelling, whenever it shall think fit, the credit granted."

The amount of deposits, on which the Scotch banks allow interest, may be estimated at about £18,000,000 sterling. One-half is said to consist of small sums deposited by mechanics, fishermen, and laborers; and that part of the system may be considered as analogous to that of the Saving Banks, and as having the same beneficial effect.

The cash credits are generally for sums from 200 to 500 pounds, sometimes as high as £1000, and sometimes as low as £50. The total amount, for which credits are opened, is estimated at six, and the average amount actually drawn, and due to the banks, at four millions sterling. They are generally granted to shopkeepers commencing business, and to tradesmen generally. The great advantage of this system, which is thus far substituted to the discounting of notes, is, that the borrower never draws more from the bank than what is absolutely necessary for the purposes of his business. The banks require that the capital loaned should be actively and constantly employed. One of the witnesses says, "I would say that no cash account is at all well operated upon, unless, at the close of it in a year, the amount of the transactions on each side is, at the very least, five times the amount of the grant. When the account continues stagnant for any length of time, we intimate to the holder, that, at a fixed period, he must pay it up."

The total amount of the notes in circulation is stated for 1825:

in notes of £5 and upwards	1,230,000
in do. of under £5, never lower than £1, .	2,080,000
	at £3,310,000

The great and efficient method of preventing the over-issuing of bank notes, and the depreciation of their value, consists in the practice, rigorously adhered to by all the banks, of exchanging each other's notes twice a week, and paying immediately the balances. For that purpose, "all the banks of Scotland have agents at Edinburgh, who exchange their notes twice a week, Monday and Friday; .... and the balances (are) paid by short dated bills (ten days) on London. The state of those balances is looked at by the banks, with the utmost jealousy and attention; .... if any thing in any degree wrong were to appear, the banks would instantly correct it, and force a bank acting improperly to alter its mode of conduct." This method is the same which, though with less rigor and uniformity, is successfully used by the *allied banks* of Boston, and by the Bank of the United States, for preventing excessive issues of paper.

It is asserted, that the whole loss sustained in Scotland by the public, by bank failures, through more than a century, has amounted to no more than £36,344; and this result seems to be altogether ascribed to the peculiar features briefly noticed in this note.

NOTE C.

RESTRICTIONS ON PRIVATE BANKING.

It is also provided by a law of the State of New-York, (1818,) that "no person, association of persons, or body corporate, except such bodies corporate as are expressly authorized by law, shall keep any office for the purpose of *receiving deposits, or discounting notes or bills*, or issuing any evidence of debt to be loaned, or put in circulation as money: nor shall they issue any bills or promissory notes or other evidences of debt as private bankers, for the purpose of loaning them, or putting them in circulation as money, unless thereto specially authorized by law."

The prohibition to issue any species of paper, that can be put in circulation as money, is perfectly proper, and indeed necessary: but that of receiving deposits, or discounting notes or bills, must have had some special and temporary object in view, and does certainly require revision. Why individuals should not be permitted to deposit their money with whom they please, is not understood. In such cases, interest is generally allowed, and this practice promotes frugality, and should rather be encouraged than forbidden. So long as credit is deemed essential to commerce, the discounting of notes or bills, by private individuals, creates competition, and is a public benefit. Incorporated banks cannot conveniently alter, either the rate at which they discount, or the time at which the notes discounted must be paid or renewed. Private capitalists may and do modify their loans, in both respects, according to the state of the money market, and to the wants of the community. They will discount at the rate of four or five per cent., when the use of capital is worth no more; and, being still controlled by the general law of the land, they never can legally receive more than the legal rate of interest. And they may, to the great benefit of commerce, discount business notes due at three and six months date. The advantages, if not the necessity, of this accommodation are such, that it is understood, that the law in question is, in that respect, daily disregarded. The prohibition alluded to has no other effect, than that of deterring some prudent capitalists from engaging in that business, and of enhancing the premium, which, those who, in order to meet their engagements, negotiate the evidences of debt due to them, must pay for the discount.

STATEMENT I.

A List of the State Banks in operation on the 1st of January, 1830.

MASSACHUSETTS.

	Capital.
Massachusetts	800.000
Union	800.000
Phœnix	200.000
Gloucester	120.000
Newburyport	210.000
Beverly	100.000
Boston	900.000
Salem	250.000
Plymouth	100.000
Worcester	200.000
Marblehead	120.000
Pacific	200.000
State	1.800.000
Mechanics	200.000
Merchants, (Salem)	400.000
Taunton	175.000
New-England	1.000.000
Hampshire	100.000
Dedham	100.000
Manuf. & Mech's. (Boston)	750.000
Springfield	250.000
Lynn Mechanics	100.000
Merrimack	150.000
Pawtucket	100.000
Suffolk	750.000
Commercial, (Salem)	300.000
Bedford Commercial	250.000
Agricultural	100.000
American	750.000
Andover	100.000
Asiatic	350.000
Atlantic	500.000
Barnstable	100.000
Blackstone	100.000
Brighton	150.000
Bunker Hill	150.000
Cambridge	150.000
Central	50.000
City	1.000.000
Columbian	500.000
Commonwealth	500.000
Danvers	120.000
Eagle	500.000
Exchange	300.000
Fall River	200.000
Falmouth	100.000
Farmers	100.000
Franklin, (Boston)	100.000
Franklin, (Greenfield)	100.000
Globe	1.000.000
Hampden	100.000
Hampshire Man.	100.000
Housatonic	100.000
Leicester	100.000
Lowell	100.000
Man. & Mech's. (Nantucket)	100.000
Mendon	100.000
Mercantile	200.000
Merchants, (New-Bedford)	250.000
Millbury	100.000
Norfolk	200.000
North Bank	750.000
Oxford	100.000
Sunderland	100.000
Sutton	75.000
Washington	500.000
66 Banks....	20.420.000

MAINE.

Portland	200.000
Saco	100.000
Cumberland	200.000
Bath	100.000
Lincoln	100.000
Augusta	100.000
Kennebunk	100.000
Gardiner	100.000
Waterville	50.000
Bangor	50.000
Casco	200.000
Canal	300.000
Manufacturers	100.000
Merchants	150.0.0
South Berwick	50.000
Thomaston	50.000
Union	50.000
Vassalborough	50.000
18 Banks....	2.000.000

NEW-HAMPSHIRE.

Union	150.000
Concord, (Lower)	80.000
Portsmouth	100.000
Exeter	100.000
Strafford	100.000
Cheshire	100.000
New-Hampshire	165.500
Rockingham	100.000
Commercial	100.000
Piscataqua	150.000
Dover	128.070
Merrimack Co.	100.000
Farmers	65.000
Winnepisogee	83.100
Pemigewasset	50.000
Grafton	100.000
Claremont	60.000
Connecticut River	60.000
18 Banks....	1.791.670

VERMONT.

Burlington	63.000
Windsor	80.000
Brattleborough	50.000
Rutland	60.000
Montpelier	30.000
St. Albans	20.000
Caledonia	30.000
Vergennes	30.000

STATEMENT I.—*Continued.*

	Capital.
Orange County	29.625
Bennington	40.000
10 Banks....	432.625

RHODE ISLAND.

	Capital.
Providence	500.000
Rhode Island	100.000
Exchange	500.000
Bristol	150.000
Washington	75.000
Warren	105.350
Smithfield Union	60.000
Newport	120.000
Roger Williams	499.950
Rhode Island Union	200.000
Narragansett	50.000
Commercial, (Bristol)	150.000
Manufacturers	220.000
Union, (Providence)	500.000
Pautuxet	87.858
Burrillville Agr'l. and Man'g.	37.360
Cranston	25.000
Eagle, (Providence)	300.000
Eagle, (Bristol)	50.000
Franklin	38.000
Freeman's	67.000
Kent	20.000
Landholders	50.000
Merchants, (Newport)	50.000
Merchants, (Providence)	500.000
N. E. Commercial, (Newport)	75.000
Phœnix, (Westerly)	42.000
R. I. Central	66.275
Scituate	15.660
Warwick	20.000
Bank of N. America	100.000
Mechanics	394.600
Mechanics and Man'g. (Prov,)	103.990
Hight St. Bank	70.000
Smithfield Exchange	60.000
Village Bank	40.000
Smithfield Lime Rock	100.100
Cumberland	65.750
R. I. Agricultural	50.000
Mount Vernon	40.000
N. E. Pacific	83.750
Union (Bristol)	40.000
Hope, (Warren)	100.000
North Kingston	44.485
Centreville	25.000
Woonsocket Falls	51.269
Mount Hope (Bristol)	75.000
47 Banks....	6.158.397

CONNECTICUT.

	Capital.
New-London	146.437
Norwich	150.000
Hartford	1.252.900
Phœnix	1.218.500
Bridgeport	100.000
Union (New-London)	100.000
Windham Co.	104.390
Thames	153.500
Fairfield Co.	133.000
Mechanics of N. Haven	333.850
Middletown	400.000
New-Haven	339.600
Stonington	53.000
13 Banks....	4.485.177

NEW-YORK.

	Capital.
State Bank at Albany	369.000
Geneva	400.000
Utica	500.000
Mech's. and Farmers, Albany	312.000
Catskill	110.000
Phœnix	500.000
New-York	1.000.000
Merchants	1.490.000
Mechanics	2.000.000
Farmers, (Troy)	278.000
Albany	240.000
Mohawk	165.000
Union	1.000.000
America	2.031.200
City Bank	1.000.000
Troy	352.000
Ontario	500.000
Chenango	100.000
Middle District	406.153
Auburn	184.000
Central, (Cherry Valley)	86.000
Jefferson County	74.000
Tradesmens	480.000
Dry Dock Co.	200.000
North River	500.000
Commercial	225.000
Duchess County	75.000
Rochester	250.000
Long Island	300.000
Franklin	510.000
Newburgh	120.000
Orange County	106.000
Lansingburgh	220.000
Manhattan Co.	2.050.000
Delaware and Hudson	700.000
Fulton	750.000
Chemical	500.000
37 Banks....	20.083.353

NEW-JERSEY.

	Capital.
State Bank Camden	266.050
" " New-Brunswick	71.984
" " Elizabethtown	132.550
" " Newark	280.000
" " Morris	93.700
Farmers Bank New Jersey	100.000
New-Brunswick	90.000
Newark Bank'g. and Ins. Co.	350.000
Sussex	27.500
Trenton Banking Co.	214.740
Cumberland	52.025
Commercial	30.000
Far's. and Mech's. Rahway	30.000

STATEMENT I.—*Continued.*

	Capital.
Orange Bank	50.000
People's do.	75.000
Salem Banking Co.	30.000
Salem and P. Man'g.	30.000
Washington Bank	93.460
18 Banks....	2.017.009
PENNSYLVANIA.	
Pennsylvania	2.500.000
Philadelphia	1.800.000
North America	1.000.000
Farmers and Mechanics	1.250.000
Chambersburgh	247.228
Chester County	90.000
Delaware County	77.510
Gettysburgh	125.318
Pittsburgh	346.155
Carlisle	171.466
Easton	187.380
Farmers of Bucks Co.	60.000
Farmers of Lancaster	400.000
Farmers of Reading	300.000
Harrisburgh	158.525
Lancaster	134.235
Monongahela Bank of Brownsville	102.123
Northampton	112.500
Westmoreland	107.033
York	168.720
Germantown	129.500
Montgomery County	133.340
Northern Liberties	200.000
Commercial	1.000.000
Mechanics of Philadelphia	529.330
Schuylkill	500.000
Southwark	249.630
Kensington	124.990
Penn Township	149.980
Columbia Bridge	395.000
Miners Bank of Pottsville	40.000
Erie	20.000
Girard's	1.800.000
33 Banks....	14.609.963
DELAWARE.	
Delaware Bank, Wilmington	110.000
Farmers Bank of Del.	500.000
Wilmington and Brandywine	120.000
Bank of Smyrna	100.000
Commercial Bank of Del.	Not known.
Wilmington	do.
4 Banks......	830.000
2 not known.	
6 Banks.	
MARYLAND.	
Bank of Baltimore	1.197.550
Union	1.500.000
Mechanics	384.000
Commercial and Farmers	318.400

	Capital.
Farmers and Merchants	414.045
Franklin	406.500
Marine	235.000
Hagerstown	250.000
Farmers of Maryland	820.000
Susquehannah Bridge	175.000
Westminster	175.000
Frederick County	175.000
Bank of Maryland	200.000
13 Banks....	6.250.495
DISTRICT OF COLUMBIA.	
Washington	479.120
Union, (Georgetown)	478.230
Alexandria	500.000
Potomac	500.000
Mechanics of Alexandria	372.544
Farmers of do.	310.000
Metropolis	500.000
Farmers and Mechanics of Georgetown	485.900
Patriotic	250.000
9 Banks....	3.875.794
VIRGINIA.	
Bank of Virginia	2.740.000
Farmers of Virginia	2.000.000
Bank of the Valley	654.000
North-Western Bank of Virginia	177.100
4 Banks....	5.571.100
NORTH CAROLINA.	
Cape Fear	795.000
Newbern	800.000
State Bank	1.600.000
3 Banks....	3.195.000
SOUTH CAROLINA.	
Bank of State of S. Carolina	1.156.000
Planters and Mechanics, Charleston	1.000.000
State Bank	800.000
South Carolina	675.000
Union	1.000.000
5 Banks....	4.631.000
GEORGIA.	
Bank of State of Georgia	1.303.436
Planters Bank of do	566.000
Marine and Fire Insurance	Not given.
Augusta	600.000
Darien	484.276
Central	922.317
Augusta Insurance	110.000

STATEMENT I.—*Continued.*

	Capital.
Macon	$ 75.000
Merchants and Planters	142.000
9 Banks....	4.203.029

LOUISIANA.

Louisiana State Bank	1.248.720
Orleans	424.700
Bank of Louisiana	2.992.560
Branch of Bank of Louisiana	1.000.000
4 Banks....	5.665.980

ALABAMA.

Bank of State	495.503
" of Mobile	148.000
2 Banks....	643.503

MISSISSIPPI.

Bank of State of Mississippi and Branches	950.600
1 Bank.	

TENNESSEE.

Bank of State of Tennessee	737.817
1 Bank.	

OHIO.

	Capital.
Chilicothe	500.000
Steubenville	100.000
Western Reserve Bank	82.386
Belmont Bank of St. Clairsville	100.000
Commercial of Scioto	100.000
Farmers of Canton	100.000
Farmers and Mechanics of Steubenville	100.000
Franklin of Columbus	100.000
Lancaster Ohio Bank	100.000
Mount Pleasant	100.000
Marietta	72.000
11 Banks....	1.454.386

MICHIGAN.

Bank of Michigan	100.000
1 Bank.	

FLORIDA.

Bank of Florida	75.000
1 Bank.	

RECAPITULATION.

	No.			No.	
Massachusetts	66	20.420.000	Louisiana	4	5.665.980
Maine	18	2.050.000	Alabama	2	643.503
New-Hampshire	18	1.791.670	Mississippi	1	950.600
Vermont	10	432.625	Tennessee	1	737.817
Rhode Island	47	6.118.397	Ohio	11	1.454.386
Connecticut	13	4.485.177	Michigan	1	10.000
New-York	37	20.083.353	Florida	1	75.000
New-Jersey	18	2.017.009			
Pennsylvania	33	14.609.963		328	
Delaware	4	830.000	Delaware	1	
Maryland	13	6.250.495			
District of Columbia	9	3.875.794		329	
Virginia	4	5.571.100	Do.	1	
North Carolina	3	3.195.000			
South Carolina	5	4.631.000		330	110.101.898
Georgia	9	4.203.029			

STATEMENT II.

Situation of State Banks, of which returns have been obtained.

1st of January, 1811.

STATE	No. of Banks	Capital	Circulation	Specie
Massachusetts	15	6.292.144	2.082.331	1.354.666
Maine	6	1.250.000	496.077	255.998
Rhode Island	13	1.917.000	542.508	394.470
New-York	1	269.760	227.423	49.474
Pennsylvania	4	6.153.050	3.221.948	819.322
Maryland	6	4.895.202	2.730.000	850.000
District of Columbia	4	2.341.395	927.397	450.000
Virginia	1	1.500.000	2.942.717	1.499.512
	50	24.618.551	13.170.401	5.673.442

1815.

STATE	No. of Banks	Capital	Circulation	Specie
Massachusetts	20	10.950.000	3.022.112	6.753.669
Maine	8	1.380.000	1.046.783	444.816
New-Hampshire	10	941.152	596.323	475.688
Rhode Island	14	2.027.000	549.405	431.859
New-York	4	2.413.230	1.194.439	308.199
Pennsylvania	37	11.678.238	6.100.248	1.330.829
Maryland	17	7.832.002	3.970.000	740.000
District of Columbia	7	3.266.457	1.546.540	259.074
Virginia	2	4.029.097	4.616.240	760.943
Louisiana	1	754.900	975.000	
	120	45.272.076	23.617.090	11.505.077

1816.

STATE	No. of Banks	Capital	Circulation	Specie
Massachusetts	25	11.575.000	1.126.743	1.270.469
Maine	11	1.410.000	901.991	312.079
New-Hampshire	10	998.121	627.817	259.549
Rhode Island	16	2.317.320	576.526	358.160
New-York	4	2.273.000	1.322.684	303.167
Pennsylvania	38	12.880.397	11.401.390	4.005.644
Maryland	20	8.406.782	5.615.000	760.000
District of Columbia	7	3.311.544	2.173.453	283.838
Virginia	2	4.090.762	6.031.446	774.031
Louisiana	1	724.900	925.000	431.246
	134	47.987.826	31.702.050	8.758.183

STATEMENT II.—*Continued.*

1st of *January*, 1820.

STATE.	No. of Banks	Capital	Circulation	Deposits	Specie	Loans
Massachusetts……	28	10.485.700	2.460.697	3.378.565	1.337.172	
Maine…………	15	1.654.900	1.380.582	278.924	521.317	
New-Hampshire….	10	1.005.276	589.114	117.441	228.831	
Vermont……….	1	44.955	185.342	46.121	49.690	
Rhode Island…….	30	2.982.026	738.192	503.512	406.867	
Connecticut……..	2	467.937	138.234	75.780	44.645	
New-York……….	6	2.068.790	1.058.769	876.633	301.009	
New-Jersey……..	1	214.740	110.624	152.603	21.413	
Pennsylvania…….	35	12.881.780	3.282.020	4.297.034	2.003.295	
Delaware……….	6	974.900	405.972	211.454	115.502	
Maryland……….	1	86.290	44.435	27.153	21.030	
District of Columbia	13	5.525.319	838.030	1.444.902	265.234	
Virginia…………	4	5.212.192	2.733.746	882.056	993.673	
North Carolina…..	3	2.964.887	3.851.919	635.761	705.582	
South Carolina…..	3	2.475.000	1.063.873	825.305	395.791	
Georgia…………	4	3.401.510	3.477.071	1.268.982	813.750	
Louisiana……….	2	924.000	459.850	339.375	290.543	
Alabama…………	2	321.112	166.686	958.381	192.708	
Tennessee……….	3	1.545.867	898.129	279.869	343.882	
Kentucky……….	18	4.307.431	815.406	1.035.672	693.381	
Ohio…… ………	19	1.697.463	1.203.869	454.452	433.612	
Indiana………….	2	202.857	276.288	216.748	86.350	
Illinois…………	2	140.910	52.021	151.604	74.715	
Missouri……….	1	250.000	135.258	773.652	252.563	
Mississippi………	1	900.000	275.447	212.980	79.608	
	212	62.735.842	26.641.574	19.444.959	10.672.163	

1st of *January*, 1830.

STATE.	No. of Banks	Capital	Circulation	Deposits	Specie	Loans
Massachusetts……	66	20.420.000	4.747.784	2.545.230	987.213	28.590.894
Maine………….	18	2.050.000	549.110	497.072	208.921	2.565.256
New-Hampshire….	18	1.791.670	743.457	173.682	226.428	2.466.291
Vermont……. …	10	432.625	680.379	124.880	428.817	856.814
Rhode Island…….	47	6.118.397	673.836	861.031	343.389	6.909.705
Connecticut……..	10	3.692.577	1.503.460	452.444	337.788	4.195.690
New-York……….	30	15.637.353	7.959.280	10.354.500	1.560.291	20.370.693
New-Jersey……..	5	844.284	374.799	307.201	83.667	1.153.407
Pennsylvania…….	32	12.810.333	7.308.368	6.841.448	2.414.669	21.474.173
Delaware……….	4	830.000	376.000	300.000	170.000	not known
Maryland……….	9	5.525.495	1.733.659	1.864.397	777.009	6.627.270
District of Columbia.	9	3.875.794	946.059	564.894	228.914	3.837.272
Virginia…………	4	5.571.100	3.857.964	1.974.171	832.732	7.698.906
North Carolina…..	3	3.195.000	1.431.543	452.389	179.268	4.621.810
South Carolina…..	1	1.156.000	1.175.000	793.000	129.000	2.605.504
Georgia…………	9	4.203.029	2.719.356	1.382.634	1.305.141	6.252.474
Louisiana……….	3	4.665.980	1.301.483	2.016.560	1.492.674	6.796.351
Alabama…………	1	495.503	522.637	136.656	127.596	237.060
Mississippi………	1	950.600	540.190	547.756	77.665	1.927.435
Tennessee……….	1	737.817	30.550	339.174	78.461	628.436
Total….	281	95.003.557	39.174.914	32.531.119	11.999.643	
Capital on which loans are not given. New-York 4.394.000 Delaware 830.000		5.224.000				
Capital on which loans are given…..		89.779.557				129.815.441

STATEMENT III.

Number and Capital of the State Banks, of the situation of which returns have not been obtained.

STATES.	First of January, 1811 No.	1811 Capital	1815 No.	1815 Capital	1816 No.	1816 Capital	1820 No.	1820 Capital	1830 No.	1830 Capital
Massachusetts. . .			1	100.000	1	75.000				
Maine					3	450.000				
New-Hampshire .	8	815.250								
Connecticut.	5	1.933.000	10	3.655.750	10	4.017.575	6	3.221.400	3	792.600
New-York	7	7.253.000	22	16.533.088	23	16.493.756	27	16 919.984	7	4.446.000
New-Jersey	3	739.740	11	2.121.932	11	2.072.115	13	1.916.209	13	1.172.725
Pennsylvania ...			5	3.390.580	5	2.504.200	1	1.800.000	1	1.800.000
Delaware			5	966.990	5	974.500			*1	not known
Maryland							13	6.621.841	4	725.000
Dist. of Columbia			3	811.838	3	982.469				
Virginia			2	92.000	10	421.415				
North Carolina ..	3	1.576.600	3	1.576.600	3	2.776.600				
South Carolina ..	4	3.475.000	5	3.730.900	5	3.832.758	2	2.000.000	4	3.475.000
Georgia	1	210.000	2	623.580	3	1.502.600				
Louisiana	1	754.000	2	677.400	2	697.400	2	1.673.420	1	1.000.000
Alabama							1	148.000	1	148.000
Mississippi			1	100.000	1	100.000				
Tennessee	1	100.000	2	212.962	4	815.281	5	573.915		
Kentucky	1	240.460	2	959.175	2	2.057.000	24	4.500.000		
Ohio	4	895.000	12	1.434.719	21	2.061.927	1	100.000	11	1.454.386
Indiana.........										
Illinois										
Missouri										
Michigan									1	100.000
Florida									1	75.000
	38	17.992.050	88	36 987.514	112	41.834.596	95	39.474.769	48	15.188.711
* And Bank of Wilmington, not included									1	
									49	

STATEMENT IV.

A List of the Banks which have failed, or discontinued their business, from 1st January 1811, to 1st July 1830.

MASSACHUSETTS.	Capital.
Essex	300.000
New-Bedford..............	150.000
Northampton..............	75.000
Farmers, (Belchertown)......	100.000
Brighton..................	150.000
Sutton....................	75.000
6 Banks....	850.000

MAINE.	
Maine....................	300.000
Penobscot	150.000
Wiscasset...............	100.000
Hallowel	150.000
Kennebeck	100.000
Passamaquoddy	50.000
Castine	100.000
Lincoln and Kennebeck	200.000
8 Banks....	1.150.000

RHODE ISLAND.	Capital.
Farmers and Mechanics, Pawtuxet ...	200.000
Far's. Exchange, Gloucester..	
1 Bank....	200.000

NEW-HAMPSHIRE.	
Coos	100.000
Concord	29.600
2 Banks....	129.600

CONNECTICUT.	
Eagle	500.000
Derby	100.000
2 Banks....	600.000

STATEMENT IV.—*Continued.*

NEW-YORK.

	Capital.
J. Barker's Exchange	495.250
Utica Insurance Co.	100.000
Columbia	167.650
Hudson	110.000
Niagara	108.000
Plattsburgh	300.000
Washington and Warren	400.000
New-York Manufacturing Co.	700.000
Franklin	510.000
Middle District	487.776
Catskill Aqueduct Association	
10 Banks	3.378.676

NEW-JERSEY.

	Capital.
Jersey City Bank	200.000
Patterson	160.000
State Bank, Trenton	92.400
Protection and Lombard	200.000
Franklin	300.000
Monmouth	40.000
Manufacturing	150.000
Salem and Philadelphia	
Hoboken	
7 Banks	1.142.400

PENNSYLVANIA.

	Capital.
Washington	92.070
Farmers and Mechanics of Greencastle	74.485
Do. do. of Pittsburgh	65.337
Juniata	164.478
Marietta and Susquehannah Trading Co.	239.430
Pennsylvania Agr'l. and Man'g. Bank	110.102
Delaware Bridge	99.715
Allegheny	144.807
Beaver	78.985
Swatara	75.075
Centre	159.610
Huntingdon	123.122
Northumberland, Union and Columbia	116.980
North-Western Bank	77.688
Union of Pennsylvania	124.792
Silver Lake	64.882
Fayette, New-Salem	
Harmony	
Wilkesbarre Branch	
16 Banks	1.811.558

DELAWARE.

	Capital.
Farmers and Mechanics of Delaware	45.000
1 Bank.	

MARYLAND.

	Capital.
Elkton	110.000
Conococheague	157.500
Cumberland	107.862
Somerset and W.	90.000
Somerset	195.850
Caroline	103.045
Havre de Grace	132.075
City	838.540
Planters, P. George's County	86.290
9 Banks	1.821.162

DISTRICT OF COLUMBIA.

	Capital.
Columbia	901.200
Union of Alexandria	340.000
Central	252.995
Franklin	163.265
4 Banks	1.657.460

VIRGINIA.

	Capital.
Ohio Co.	60.000
Charleston M. and C. Co.	32.580
Winchester	122.930
Monongalia	25.000
Farmers and Mechanics, Harper's Ferry	19.480
South Branch	25.000
Farmers, Merchants, and Mech's. Jefferson Co.	26.425
Warrentown	60.000
Leesburg Union	20.000
Loudon Co.	30.000
10 Banks	421.415

NORTH CAROLINA.

	Capital.
Fayetteville	
Bertie	

SOUTH CAROLINA.

	Capital.
Cheraw	20.000
Hamburg	
1 Bank	20.000

GEORGIA.

	Capital.
Darien	480.000
1 Bank.	

LOUISIANA.

	Capital.
Planters Bank	200.000
Bank of Louisiana	724.000
2 Banks	924.000

STATEMENT IV.—*Continued.*

	Capital.
ALABAMA.	
Planters and Merchants	164.175
Tombeckbe	156.937
Steamboat	16.000
3 Banks....	337.112
TENNESSEE.	
Fayetteville Transfer........	110.000
Farmers and Mechanics of Nashville ...	180.200
Nashville and Branches	994.560
Tennessee Bank, (old).......	371.107
3 Branches of do.	300.000
Nashville Branch of do.	206.775
Rogersville Branch do.	67.140
4 Banks and 5 Branches .	2.229.782
KENTUCKY.	
Farmers and Mechanics of Lexington, (*stock & notes at par*) ...	489.700
Versailles..................	111.180
Kentucky and Branches	2.756.220
Flemingsburg	61.626
Limestone	135.825
Shepherdsville	55.880
Hinkston Exporting Co.......	50.120
New-Castle	40.520
Cynthiana	47.900
Centre Bank of Kentucky....	120.000
Union of Elizabethtown	39.400
Farming and Commercial Bk.	37.219
Greenville	46.640
Newport..................	54.700
Southern Bank of Ky.	117.222
Farmers of Harrodsburg	81.000
" " Somerset	22.379
Lancaster Exporting Co......	39.900
Insurance	
Barboursville	
Cumberland Bank of Burkville	
Burlington	
Bank of Columbia	
Frankfort	
Georgetown........................	
Greensburgh	
Green River	
Christian Bank	
Bank of Henderson	
" of Washington	
Commercial Bank of Louisville........	
Mount Sterling.....................	
Morgantown	
Monticello	
Farmers Bank of Jessamine...........	
Owingsville	
Petersburg Steam Mill	
Farmers Bank of Gallatin	
Far's. and Mechanics of Logan	
Do. do. of Shelbyville	
Amount carried forward	2.307.431

	Capital.
Amount brought forward	2.307.431
Far's. and Mech's. of Springfield	
Winchester Com'l..................	
Commonwealth Bank	2.000.000 (*nominal.*)
18 Banks....	4.307.431
OHIO.	
Miami Exporting Co. Cincinnati ...	468.966
Columbia, New Lisbon	50.000
Granville Alex'n. Soc.	12.002
Farmers Bank of New Salem.	57.000
German of Wooster	25.000
Muskingum	97.800
Farmers and Mechanics of Cincinnati ...	184.776
Cincinnati	216.430
Dayton Manufacturing	61.622
Lebanon Miami Bank'g. Co...	86.491
Urbana Banking Co.	49.685
Farmers and Mechanics Man'g. Chilicothe ...	99.575
Hamilton	22.707
Zanesville Canal and Manufacturing Co. ...	79.125
West Union...............	100.000
Lake Erie	100.000
Steubenville	100.000
Muskingum of Zanesville....	100.000
Jefferson Co.	
Bank of Xenia......................	
18 Banks....	1.911.179
INDIANA.	
Farmers and Mechanics Bk...	130.000
Bank of Vincennes..........	127.624
2 Banks....	257.624
ILLINOIS.	
Illinois	105.720
Edwardsville	57.190
2 Banks....	162.910
MISSOURI.	
Bank of Missouri	250.000
" " St. Louis..........	150.000
2 Banks....	400.000
MICHIGAN.	
Munroe	10.000
1 Bank.	

RECAPITULATION.

129	Banks.............	$24.212.339
36	do.	not known.
165		

STATEMENT V.

Depreciation, per cent., of Bank Notes, during the suspension of specie payments.

	Balti-more.	Philadel-phia.	New-York.
1814. September .	20	–	10
October....	15		10
November .	10		11
December .	14		11
1815. January ...	20		15
February ..	5		2
March.....	5		5
April......	10		5½
May	14	5	5
June	16	9	11½
July	20	11	14
August....	19	11	12½
September.	20	15	13
October ...	21½		16
November.	15	16	12½

	Balti-more.	Philadel-phia.	New-York.
1815. December	18	14	12½
1816. January ...	15	14	12½
February ..	13	14	9
March.....	18	12½	12½
April......	23	14½	10
May	20	14	12½
June	20	17	12½
July.......	15	15	6
August	12	10	5
September .	10	7½	3
October....	8	9½	2
November .	9	7	1¾
December .	9	7	2¼
1817. January ...	3	4½	2½
February ..	2½	4	2½

STATEMENT VI.

Average amount, for the years 1819—1829, *of the principal items of the Situation of the Bank of the United States.*

	Discounts.	Domestic Bills.	Funded Debt.	Total on Interest.	Real Estate.	Specie.	Deposits.	Gross amo't of Notes.*
1819	32.211.674	336.760	7.236.153	39.784.587		2.743.834	5.734.682	5.056 829
1820	28.808.267	1.526.600	8.258.701	38.593.568		5.214.773	6.581.628	4 410.332
1821	27.099.050	1.598.473	11.859.296	40.556.619	245.846	6.469.224	6.990.073	5 609.220
1822	28.574.893	2.394.688	13.116.004	44.085 785	579.152	3.711.145	6.365.570	5.562.335
1823	30.584.919	2.588.245	10.911.700	44.084.864	736.370	4.899.686	10.401.786	4 671.271
1824	29.478.255	2.563.672	13.373.095	45.415 022	1.393.193	5.909.351	12.918.108	5.935.496
1825	29.327.219	3.270.699	19.807.665	52.405.583	1.566.728	4.686.557	12.885.829	8.836.646
1826	29.592.103	3.592.145	17.885.210	51.069.458	1.745.566	5.174.643	12.578.523	10.235 528
1827	27.948.592	4.568.297	17.724.192	50.244.081	2.118.560	6.327.758	13.727 274	10.808.244
1828	30.820.944	6.018.784	17.127.077	53.966.805	2.298.352	6.205.107	14.454.169	12.414.390
1829	32.703.280	8.417.021	13.925.701	55 046.002	2.474.750	6.411.998	15.172.164	15.011.352

* The actual amount of circulation is generally four-fifths of the gross amount, the rest being notes in transitu, or accumulated in offices where they are not payable.

STATEMENT VII.

Actual circulation of the Bank of the United States in September, 1830, *showing where the Notes were payable.*

Where payable.	Notes in circulation.
Bank United States	1.367.180
Portland	79.280
Portsmouth	101.985
Boston	271.180
Providence	113.920
Hartford	171.532
New-York	834,733
Baltimore	528.638
Washington	647.602
Richmond	469.440
Norfolk	532.400
Fayetteville	713.760
Charleston	835.840
Savannah	522.605
Amount carried forward	7.190.095

Where payable.	Notes in circulation.
Amount brought forward	7.190.095
Mobile	940.825
New-Orleans	2.623.320
St. Louis	228.700
Nashville	1.235.275
Louisville	662.375
Lexington	908.625
Cincinnati	647.240
Pittsburgh	554.102
Buffaloe	258.130
Burlington	96.595
Agencies Cincinnati and Chilicothe	2.375
	15.347.657

A great advantage of this work is its liberal and impartial character; and there can be no doubt that a book like the ENCYCLOPÆDIA AMERICANA will be found peculiarly useful in this country, where the wide diffusion of the blessings of education, and the constant intercourse of all classes, create a great demand for general information.

In the preparation of the work thus far, the Editors have been aided by many gentlemen of distinguished ability; and for the continuation, no efforts shall be spared to secure the aid of all who can, in any way, contribute to render it worthy of patronage.

The American Biography, which is very extensive, will be furnished by MR. WALSH, who has long paid particular attention to that branch of our literature, and from materials in the collection of which he has been engaged for some years. For obvious reasons, the notices of distinguished Americans will be confined to deceased individuals: the European biography contains notices of all distinguished living characters, as well as those of past times.

The articles on Zoology have been written expressly for the present edition by DR. JOHN D. GODMAN; those on Chemistry and Mineralogy, by a gentleman deeply versed in those departments of science.

In relation to the Fine Arts, the work will be exceedingly rich. Great attention was given to this in the German work, and the Editors have been anxious to render it, by the necessary additions, as perfect as possible.

To gentlemen of the Bar, the work will be peculiarly valuable, as in cases where legal subjects are treated, an account is given of the provisions of American, English, French, Prussian, Austrian, and Civil Law.

The Publishers believe it will be admitted, that this work is one of the cheapest ever published in this country. They have been desirous to render it worthy of a place in the best libraries, while at the same time they have fixed the price so low as to put it within the reach of all who read.

Those who can, by any honest modes of economy, reserve the sum of two dollars and fifty cents quarterly, from their family expenses, may pay for this work as fast as it is published; and we confidently believe that they will find at the end that they never purchased so much general, practical, useful information at so cheap a rate.—*Journal of Education.*

If the encouragement to the publishers should correspond with the testimony in favor of their enterprise, and the beautiful and faithful style of its execution, the hazard of the undertaking, bold as it was, will be well compensated; and our libraries will be enriched by the most generally useful encyclopedic dictionary that has been offered to the readers of the English language. Full enough for the general scholar, and plain enough for every capacity, it is far more convenient, in every view and form, than its more expensive and ponderous predecessors.—*American Farmer.*

The high reputation of the contributors to this work, will not fail to insure it a favorable reception, and its own merits will do the rest.—*Silliman's Journ.*

The work will be a valuable possession to every family or individual that can afford to purchase it; and we take pleasure, therefore, in extending the knowledge of its merits.—*National Intelligencer.*

The Encyclopædia Americana is a prodigious improvement upon all that has gone before it; a thing for our country, as well as the country that gave it birth, to be proud of; an inexhaustible treasury of useful, pleasant and familiar learning on every possible subject, so arranged as to be speedily and safely referred to on emergency, as well as on deliberate inquiry; and better still, adapted to the understanding, and put within the reach of the multitude.. * * * The Encyclopædia Americana is a work without which no library worthy of the name can hereafter be made up.—*Yankee.*

The copious information which, if a just idea of the whole may be formed from the first volume, this work affords on American subjects, fully justifies its title of an American Dictionary; while at the same time the extent, variety and felicitous disposition of its topics, make it the most convenient and satisfactory Encyclopædia that we have ever seen.—*National Journal.*

If the succeeding volumes shall equal in merit the one before us, we may confidently anticipate for the work a reputation and usefulness which ought to secure for it the most flattering encouragement and patronage.—*Federal Gazette.*

The variety of topics is of course vast, and they are treated in a manner which is at once so full of information and so interesting, that the work, instead of being merely referred to, might be regularly perused with as much pleasure as profit.—*Baltimore American.*

We view it as a publication worthy of the age and of the country, and cannot but believe the discrimination of our countrymen will sustain the publishers, and well reward them for this contribution to American Literature.—*Baltimore Patriot.*

We cannot doubt that the succeeding volumes will equal the first, and we hence warmly recommend the work to the patronage of the public, as being by far the best work of the kind ever offered for sale in this country.—*U. S. Gazette.*

SUGGESTIONS

ON THE

BANKS AND CURRENCY

OF

THE SEVERAL UNITED STATES,

IN REFERENCE PRINCIPALLY TO THE

SUSPENSION OF SPECIE PAYMENTS.

BY ALBERT GALLATIN.

NEW-YORK:

WILEY AND PUTNAM.

1841.

Printed by J. P. Wright, 18 New Street, N. Y.

TABLE OF CONTENTS.

	Page
PRELIMINARY OBSERVATIONS,	9
Presumed Advantages of a Paper Currency,	9
Tendency to degenerate into Irredeemable Paper,	20
Fatal Consequences,	22
CAUSES AND INCIDENTS OF THE BANK SUSPENSIONS,	25
Suspension of 1837,	25
Resumption of 1838,	37
Subsequent Suspensions,	41
REMEDIES,	46
By the States,	46
State Debts—Pennsylvania,	47
Restrictive System—Chartered Banks of New York,	54
Free Banking—Law of New York,	67
By the United States,	86
Specie Treasury,	86
A National Bank,	88
A Bankrupt Law,	96
APPENDIX.	
Documents relating to the Resumption of 1837,	101
Letters of the Author, written in April and May, 1830,	120
I. Situation of the Banks in May 1837 and May 1838,	123
II. Approximate View of the Population, Banking Capital, and Debts of the several States and Territories,	124

PRELIMINARY OBSERVATIONS.

All the Banks of the United States are joint stock companies, generally incorporated by the special laws of the several States; in a few late instances established in conformity with the provisions of a general law. In neither case are the shareholders responsible beyond the amount of the capital subscribed. All these joint stock companies are banks of deposit, discount and issue; they all discount negotiable paper, purchase and sell domestic and occasionally foreign bills of exchange, receive deposits, or open cash credits to individuals, and issue bank notes, always, nominally at least, payable on demand in specie (*a*). These notes have become the local and sole currency of the several places or sections of country where they are respectively made payable. Banking in America always implies the right and the practice of issuing paper money as a substitute for a specie currency.

On the 1st of January 1830 and 1840, respectively, the capital, liabilities payable on demand, and resources, of all the chartered banks in the United States, were, as far as can be ascertained, nearly as follows, viz.:

	1830.	1840.
Number of Banks	322	659
Capital	$145,000,000	$343,000,000
Actual Circulation and Deposits, payable on demand,	100,000,000	158,000,000
Other liabilities	not great	44,000,000
	245,000,000	545,000,000
Discounted Paper, Stocks and Securities, altogether	216,000,000	513,000,000
Specie	20,000,000	32,000,000
	236,000,000	545,000,000

(*a*) Post-notes, not payable on demand, may be sold and purchased, as other negotiable paper, vary in value, and do not form part of the currency proper.

There can be no doubt that, in their origin, the Banks were instituted for the purpose of affording accommodations to the commercial interest, and of supplying the want of a capital proportionate to the extent of the legitimate commerce of the country. The prodigious increase of banking capital and accommodations within the last ten years, so much exceeding that which might be actually wanted for promoting the productive industry of the country, has been attended with consequences affecting all classes, and so fatal, in reference to the currency, that it appears proper, in the first place, to ascertain what are the benefits actually bestowed on the community at large by the substitution of a paper for a specie currency: and these advantages must be reduced to their true value, by distinguishing those which belong exclusively to the issues of paper money, from those which might be equally enjoyed with banks and bankers issuing no paper currency and carrying on every other species of banking operations.

These advantages appear to be, commercial punctuality, and the facilities afforded in effecting payments, collecting debts, and making remittances; the conversion of unproductive into productive capital; the saving of a capital tantamount to the enjoyment of an additional capital, and bearing a certain proportion to the amount of paper issues. All but the last might be equally attained with banks or private bankers who issued no paper currency.

Punctuality in fulfilling engagements should be practised by all; but it is essentially a commercial virtue. Credit, at least to a certain extent, is absolutely necessary to commerce. Every merchant must, for the fulfilment of his own engagements, depend principally on the punctual payment of the debts due to him. This punctuality is so necessary, and the advantages derived from it have become so habitual, that the memory of its origin may be lost. It was indubitably due to the establishment of banks. At the close of the war of Independence, Philadelphia was the only place in the United States where commercial punctuality was general, and that city was indebted for it to the Bank of North America. The same effect was successively produced, as banks were established, in New-York, Boston, Baltimore, and the other commercial cities; and finally almost universally, or wherever country banking has penetrated.

It must be observed, that a very small banking capital was sufficient for that purpose, since that object was attained, in each of the several commercial cities, by a single bank, with a capital of not more than five to eight hundred thousand dollars. The merchant who did not pay his discounted note could no longer receive accommodations from the bank; and the protest of a note, either discounted or placed in the bank for collection, became soon sufficient to prostrate his credit. But the result would have been the same, had the bank been only one of deposit and discount, and not of issue. Commercial punctuality is as indispensable and universal in all the cities of continental Europe as in America, though no banks of issue existed there, except in Amsterdam, in Paris, and very lately in some other towns of France. This great advantage, though it had its origin here in banks of issue, is not one which belongs exclusively to such banks.

The same observation will apply to the conversion of unproductive into productive capital, which has been effected by our banks. Every merchant, every person, who enjoys or earns a certain income, always keeps on hand a certain amount of currency proportionate to his engagements, to his wealth, and to his wants. So long as it remains in his possession, it is altogether unproductive. Deposited in bank, it becomes a part of the funds applied by the banks to discounts, or in other words, to advances made to the commerce, manufactures, and generally to the productive industry of the country. But, in order to produce that effect, it is sufficient that the bank should be one of deposit, and not that it should issue bank notes. Throughout Europe, the same description of persons who here make deposits, or, which is the same thing, who keep an account with our banks of issue, do deposit or keep an account with private bankers who issue no bank notes. And those bankers give the same facilities in effecting payments, collecting debts, and making remittances, which are afforded by the American banks of issue.

It is therefore principally, if not exclusively, in the substitution of a paper currency, which costs little or nothing, for one in gold and silver, which has an intrinsic value, that the benefit derived from the paper issues does consist. The actual circulation of all the banks in the United States does not, when in a healthy situation, much exceed eighty millions of dollars. Deducting twenty millions in specie, which the banks must keep, on an average, to meet demands on that part of their liabilities, there remain sixty millions, which, instead of being applied to the purchase of gold and silver currency, are applied to productive purposes, and add as much to the productive capital of the country. It may already be inferred that the deposits must not be included in the computation, and that the profit consists only of the difference between the actual issues and the specie kept to meet demands on that account: but this branch of the subject requires further explanation.

The exchange of the commodities produced in different countries, or in different districts of the same country, is the basis of all the commercial transactions between those countries or districts. As that commerce becomes more extensive and regular, the principle of the division of labor is applied; the purchase and importation of the foreign, and the exportation and sale of the domestic commodities given in exchange, become distinct branches of business; masses of respective credits and debits are created; and by far the greater part of the actual payments is effected by the transfer of those credits, through the medium of foreign or domestic bills of exchange.

A small portion only is paid in currency; for when the balance of indebtedness is large, an extension of credit is generally granted. In large transactions, even not of a commercial nature, such as the purchase of land, it will be found that the payments are also principally made by the transfer of credits accumulated for that purpose, and rarely to a large amount in specie.

The deposits in banks are but occasionally made in specie. They generally consist of transfers of credit from banks, or arise from a note owned by the party, and discounted in his favor. Whatever their origin may be, they are credits opened in the books of banks, in favor of individuals to whom they are payable on demand. And as payments between country and country, or district and district, are effected by the transfer of credits through the medium of bills of exchange, so also payments in all the transactions of any importance, between inhabitants of the same city or district, are effected by checks on the banks, that is to say, by the transfer of those bank credits which are called deposits.

These checks, like bills of exchange, may be considered as a substitute for currency; or, as a special currency, between dealers and dealers, when the credit in bank (deposit) is in favor of a dealer; between consumers and dealers, when the deposit has been made by a person not in active business. They differ from bank issues, in that they are not received, as bank notes are, as a full payment of a debt; and that, if not paid by the bank, the drawer is still responsible. The bank note is taken in payment solely from the general confidence reposed in the bank; the check, from the special confidence placed in the drawer.

But the deposits, or cash credits on the books of a bank, are a liability of the bank payable on demand like bank notes. In reference to such bank, the actual issues and deposits, though not always pressing on it at the same time and to the same extent, are liabilities of the same nature, and for which provision must be equally made.

Of the great benefits derived from these deposits, considered as substitutes for currency, and effecting payments with much greater facility than can be done with the precious metals, there can be no doubt. The perpetual transfers of twelve millions of dollars of individual deposits, that is to say, of credits in favor of individuals, in the several banks of the city of New-York, together with one or two millions of notes of a large denomination, which pass daily from bank to bank, and make no part of the general circulation, are sufficient to effect annually payments amounting to about twelve hundred millions. It appears by the late statements of the Bank of France, that although the private deposits of that institution do not exceed seventy millions of francs, the transfers (*mouvemens*) of these were sufficient to effect, in six months, payments (*liquidations*) amounting to seventeen hundred and forty-two millions. By an analogous, though not perfectly similar, process, the actual daily payment of an ultimate balance of two or three hundred thousand pounds in specie or in notes of the Bank of England, effects daily payments of four or five millions sterling in the clearing-house of the London bankers. The same benefits were derived from the ancient

Bank of Amsterdam ; and the Bank of Hamburg is founded on the same principle. Neither of these institutions ever issued paper money, or was even a bank of discount. It was only as banks of deposit, and solely by the transfers of credits substituted for payments in specie, that they accomplished the purpose of discharging, with increased facility, almost all the engagements growing out of the commercial transactions of those two cities.

It is important to observe that, if all our State banks were converted into banks only of discount and deposit, but not of issue, the failure of one or more of them could affect only the depositors, and not the community at large ; and that, if even the supposition of a general failure by all such banks were admissible, it would only derange the beneficial system of transfers of credit, but would not affect the standard of value, which, since no paper currency had been put in circulation, would, for the community, continue to be the legal coin of the country, and nothing else ; whilst, under the existing system, the deposits, blended, as liabilities payable on demand, with the issues of the banks, contribute to endanger their safety, and may occasionally, in our great cities, cause a suspension of specie payments.

On the other hand, since those deposits would still exist and produce the same beneficial effects, if there were no other banks but only of discount and deposit, it does not appear correct to reckon their amount as part of the additional capital acquired by the establishment of our banks of issue. It may, however, be objected, that in rejecting, as not belonging to banks of issue, the advantages which might have been obtained by banks only of discount and deposit, it has been taken for granted that such private banks or joint stock banking companies, issuing no paper currency, might be established and sustained in America. This position may be denied ; and it may be asserted, that banks giving sufficient accommodation to the productive industry of the country could not exist here, unless they had the right to issue bank notes.

This assertion might have been quite correct fifty years ago, and is partly true even now. It must be admitted in the first place, that there are, as yet, but few men in the United States, with a sufficient capital to carry on with safety banking operations, and fewer still who do not find more profitable employment for that capital. The necessity of concentrating for that purpose small capitals, and of forming banking associations, is obvious: and although the shareholders in such companies are satisfied with dividends generally not exceeding the ordinary rate of interest, and always falling short of the profits of a private banker, the machinery of such institutions is much more expensive, and their gross profits must at least be sufficient to pay the interest, to defray those expenses and to cover contingent losses.

An examination of the statements of the State banks will show, that the resources of those of the commercial cities, particularly of those with a large capital, consist principally of their deposits; and that, though their profits would be somewhat diminished, they would be still sufficient to enable the banks to continue their legitimate operations.

On the 1st of January, 1841, the twenty-two chartered banks of the city of New York, with a capital of little more than twenty millions of dollars, had more than twelve millions of individual deposits, besides near two millions deposited by country or foreign banks, and a gross circulation of apparently about five, but in fact of less than three millions (*b*). Their loans and discounts exceeded twenty-seven millions, and the stocks owned by them were less than three millions. Had they been only banks of discount and deposit, the aggregate of their assets bearing interest, and amounting to thirty millions, would have been lessened about three millions, or ten per cent. This would, in the aggregate, have reduced their dividends from $6\frac{3}{4}$ to 6 per cent. But those returns embraced several banks which have incurred heavy losses, and made no dividend. The sound

---

(*b*) They had in their possession on the same day more than three millions, in notes of each other or of other banks. The returns of the city banks are made before they have exchanged the notes of each other received during the day. On the 19th February, 1834, the apparent circulation of nineteen city banks amounted to 4,740,000, and the actual circulation after the exchanges, to 3,040,000. (Report of Union Committee.)—The daily payments in notes and checks into the several city banks amount to about 4,000,000, in ordinary times.

banks would still have divided at least seven per cent. which is amply sufficient; and, by converting the stocks owned by them into discounts, there would have been no diminution in the amount of their commercial loans.

On the other hand, the country banks, under which denomination must be included those of all the interior States and of the interior parts of the other States, depend principally on their circulation; and although, in many places, the dividends have been extravagant, yet it must be acknowledged that, if the bank notes were altogether suppressed, the banking capital now employed in the country would be considerably reduced, and become confined to those towns which are the principal centres of its commercial transactions.

Strong reasons might be adduced to show that such a reduction would ultimately be beneficial. It is extremely doubtful whether the banking system, with its indispensable strict punctuality, can, under any circumstances, be beneficially applied to purely agricultural purposes. The only material improvement which has during the last fifty years taken place in Virginia, her having become one of the first wheat-growing States, cannot be ascribed to her banks. In every other respect, what has she gained by the circulation of bank notes; and what progress has she made, since the introduction of banks, in agriculture, manufactures, commerce, or population? The situation of the planters who cultivate the fresh and fertile soil of Alabama and of Mississippi, affords an irrefragable proof of the calamities inflicted on an agricultural country by an exaggerated banking system, and by excessive issues.

The inquiry might be pursued farther. Yet as those evils may be ascribed to the abuse and not to the temperate use of banks and bank paper, and as the advantages of banking are now considered independent of the evils it produces, it may for the present be conceded that banks purely of discount and deposit could not, in the interior parts of the country, be generally substituted for banks of issue; and that, in computing the additional capital acquired by the banking system, the deposits in country banks may be added to the amount of issues. This would make the whole addition to the capital ninety instead of sixty millions. The estimate is founded on the present reduced amount of issues and deposits, and not on that of the years 1836–37, when they were, together, fifty per cent. greater (*c*).

The increase of capital, be it more or less, appears to be, if not absolutely the only, at least the principal advantage derived from a paper currency. It has been denied by some, that even this did confer any benefit on the community at large. It has been asserted that the whole profit was engrossed by the issuers, or, at best, shared only by those whom the issues of paper enabled to obtain additional loans of money; that this profit, instead of being in any way advantageous to the community, was made at its expense; that it made the rich richer, and the poor poorer; and that the whole system was one of fraud and iniquity.

It is not perceived on what ground the charge can be sustained, unless it be insisted that the state of society, in its present civilization, is so unjust and nefarious that every addition to the capital of a nation, every increase of national wealth, produces the same baneful effects, and is a positive evil. That such increase, when effected by the introduction of a paper currency, is always dangerous, and may be attended with most calamitous consequences, is fully admitted. But if a complete guarantee could be obtained that the paper currency would always remain equal in value to gold and silver, the danger would be avoided. And so long as this is the fact, the additional capital, thus supplied, operates in the same manner, and is attended with the same effects, as any other increase of national wealth.

The immediate benefits of any acquisition of wealth or capital

---

(*c*) In the report of the Secretary of the Treasury, of April, 1840, Statement JJ, page 1374, it is thus estimated:

	1st January, 1837.	1st January, 1840.
Actual Circulation	112,652,000	86,170,000
Deposits	127,397,000	75,696,000
	240,049,000	161,866,000

Our estimate is as follows:

Actual Circulation	86,000,000
Country Deposites	37,000,000
	123,000,000
Deduct Specie in Banks	33,000,000
Additional Capital gained by our Banking system	90,000,000

most certainly accrue to those who have acquired it. This acquisition makes the rich richer, or, to speak more correctly, particularly in this case, it increases the number of those who become rich or independent. But this is not done at the expense of the community: the process does not make the poor poorer. On the contrary, every increase of capital puts in activity a greater quantity, and, all other things remaining equal, has a tendency to enhance the wages of labor. This is consistent with theory, and confirmed by experience. Production is always increased in proportion to the increased wealth of a country, labor is better paid, commodities are rendered cheaper, and more comforts brought within the reach of the poor. In America, the quantity of uncultivated land, a dormant capital which perpetually calls for labor in order to render it productive, is the primary cause of that greatest of all the worldly blessings this nation enjoys. Manual labor is better remunerated in America than in any other country. But even here, circulating capital, that capital which consists of accumulated consumable commodities, is necessary before labor can be employed. The agricultural laborer, who, without any capital, migrates westwardly to a new settled country, is immediately employed, and receives competent wages. Yet the product of his labor does not become available till after the ensuing crop: he must in the meanwhile be fed and clothed; and this would be impossible, and he would have no means of existence, had not the farmer who employs him an accumulated capital sufficient for that purpose.

Since the principal advantage of a paper currency consists in the additional capital it supplies, such currency is most useful, above all most wanted, but unfortunately a more dangerous expedient, in those countries and places where there is the least amount of circulating capital as compared to the demand for it. This is eminently the case in newly settled countries, with a rapidly increasing population. We find accordingly the local governments of America perpetually resorting to emissions of paper money under the colonial regimen; and that, at this moment, the excess of issues occurs principally in the Western States, and generally wherever country banks have been established.

The converse of the proposition would seem to be equally true, and that, in countries saturated with capital, the addition to it by the issue of bank notes does not compensate for the perpetual fluctuations and alarms growing out of that system. There may be substantial reasons, why Great Britain perseveres in it: they have not been fully explained, and are not understood by the writer of this essay. But wherever a paper currency has been introduced, the permanency of its value should be the indispensable condition of its existence.

The unanimous assent of all civilized nations has made gold and silver their universal circulating medium and standard of value. By forbidding any other legal tender in payment of debts, the constitution of the United States, without absolutely excluding every other circulating medium, has imperatively rendered the precious metals the only standard of value. The substitution of a paper for a gold or silver currency is therefore admissible, only on the express condition, that it shall always be equal in value to the legal coin of which it is the representative; and that equality cannot be maintained, unless the paper be at all times convertible, on demand, into such coin, at its nominal value. Any deviation from that principle is unjust in itself, and an evasion of the constitutional provision. It is a violation of existing contracts, renders all subsequent engagements uncertain, destroys confidence, and impairs private and public credit.

Banks of issue, deposits and discounts have therefore a double duty to perform; first, to be at all times ready to pay their notes and deposits in specie, so as to preserve the constitutional standard of value; secondly, to give accommodations by advances to the productive industry of the country; for which purpose, indeed, they were instituted. But the first duty is positive and absolute: they are bound in the first instance to fulfil their engagements: it is the express condition on which the banks were permitted to issue paper: they have no right whatever to issue a depreciated currency. The second duty is discretionary and subordinate to the first: it can be exercised rightfully, only so far as can be done without running the risk of placing themselves in a situation that would put it out of their power to fulfil their engagements.

These two duties are therefore to some extent contradictory;

and the question has been agitated in England, whether they ought not and might not be separated. This will not be now discussed, as it is believed that, at least for the present, such separation would, as a general measure, be impracticable in the United States.

The present situation of the banking system has proved, but too conclusively, the general inclination to increase immoderately the banking capital and the number of banks; and also the general tendency of all the banks to extend their loans and discounts beyond what prudence and their primary duty would dictate; and it is believed that this defect is inherent to all joint stock banking companies.

Not only is it the interest of the shareholders, so long as they are not personally responsible beyond the amount of their shares, to obtain as large a dividend as possible, but the evil grows out of the manner in which joint stock companies must be governed. The direction must necessarily be placed in the hands of a few men, who have comparatively but little interest in the bank. Most of them are selected amongst men in active business, in order that they may be able to judge of the solidity of the paper offered for discount; and as they are not paid, it is impossible to expect that they should attend without deriving some compensation for the sacrifice of a portion of their precious time. This may consist in part from the discounts they obtain for themselves, which may always be kept within reasonable bounds. But the power and consideration attached to the office can be obtained only by granting favors; whilst, on the contrary, a refusal renders the directors unpopular. To this may be added a want of sufficient moral responsibility. The honorable merchant, who would feel disgraced by his own individual failure, is not affected by that of the bank of which he may be a director. It is well known that this general observation does not apply to bank directors alone, but to all public bodies. Of all the causes, however, which contribute to an improper extent of discounts, the most general and efficient, the most prolific source of the errors of bank directors, is the natural sympathy which they feel for men who are engaged in similar pursuits to their own. It may, upon the whole, be affirmed, that banks, though money lenders, are in fact governed rather by the borrowers than by the lenders.

It is known to every body, that the liabilities payable on demand, of the best conducted banks, are always necessarily much greater than their immediately available resources. In order to be sustained, not only must they enjoy general confidence, but their existence depends on the will of the commercial community. If, in a time of extraordinary pressure, those who are deeply embarrassed should, under great excitement, either from selfish motives, or rather from error in judgment, think it desirable to shelter themselves under a general relaxation, they may, if sufficiently numerous and influential, force, and have in fact occasionally lent their aid in forcing, banks to suspend, or to persevere in suspending specie payments.

Such a general suspension is therefore the natural general disease of the banking system; it is that to be most guarded against, as it is also in its consequences the most fatal; much more so than the occasional failures of some individual banks, which, though an evil, are rare (*d*), local, and not contagious.

The example of the suspension by the Bank of England, which continued more than twenty years, has sometimes been adduced in proof that such an event was a very tolerable evil, and an expedient to which resort might occasionally be had.

What were the inducements of the British Government for resorting to that expedient in the year 1797, after having, during the next preceding one hundred years, carried on several wars without having found such measure necessary, and what actual advantages, political, financial, or commercial, she derived from it, it is not necessary or perhaps proper to discuss in this place. But it cannot be doubted that that act dissolved the charm; and that, since the resumption, the alarms and inconveniences connected with paper issues have been increased and aggravated by the feeling that, as the bank had once, so it might again suspend its specie payments. The effect in America has been, to familiarize the idea that a continued suspension might become

---

(*d*) This will be adverted to hereafter. Not one of the city banks of New York has failed since the year 1829.

the ordinary state of things, and that banks might fail without becoming bankrupts.

But the situation of the United States is very different from that of Great Britain, when a general suspension of the banks takes place. Great Britain is governed by one, and the United States by twenty-six independent legislatures. There a single bank controls the whole system ; here it is left at the mercy of an indefinite number of banks, independent of each other. Accordingly, the issues of the irredeemable notes of the Bank of England were at first kept within reasonable bounds, and the depreciation for several years was almost insensible. It increased gradually ; and during the years 1811–1815, the notes of the Bank had sunk from 20 to 25 per cent. below their nominal value. Even under more favorable circumstances, the evils which follow a departure from sound principles could not ultimately be averted.

The great difference, however, between the effects of a general suspension in the two countries respectively, is the uniformity of the depreciation in England, whilst the reverse is the case in America. The notes of the Bank of England were alone substituted there for the precious metals, as a legal tender. All the other banks of issue, the private bankers of England, and the joint stock companies of Scotland, were still obliged, when called upon, to redeem their own issues in notes of the Bank of England, or, which was the same thing, in drafts on London. Whatever the depreciation might be, whatever evils might be caused by its fluctuation, still that depreciation was at the same time the same throughout every district of Great Britain and of Ireland : it affected in a direct manner all foreign exchanges and transactions : it had no immediate and direct effect on domestic exchanges.

In the United States the depreciation is different at the same time in the different States, in different districts of the same State, and occasionally in the different banks of the same district. The effect is not confined to foreign exchanges; the different and fluctuating depreciation affect domestic exchanges, and every species of domestic transactions. Those evils have increased with the protracted continuance of the suspension, and the effect on the moral feeling of the community has been most lamentable.

When banks suspend specie payments, their debtors have a right to discharge the debt in the depreciated paper of those institutions. But, because the banks offer to pay their own debts with the same paper, it is not perceived whence the right accrues to individuals to pursue the same course towards each other. They have not the legal right, since, in case of a suit, the debt can only be discharged in the legal coin of the country: nothing but gold or silver is by the constitution a legal tender. Morally, every debtor is still bound to pay his creditors, the suspended banks only excepted, in coin, or at least in the depreciated currency at its market price in gold or silver. It happens, however, that the great mass of merchants, who reside in the same place, being at the same time debtors and creditors, find it more convenient still to pay each other by the transfer of bank deposits, or to take and pay the bank paper at its nominal value. This, whilst confined to those who have a common interest in pursuing that course, may not be improper, and is convenient. But it is utterly unjust towards those who are creditors at home and debtors abroad, towards all those who have only debts to collect and none to pay, or who, if they have payments to make as consumers, are obliged to purchase at enhanced prices. The loss falls, heavily and most unjustly, on those who live on wages, which do not advance with the enhanced prices of articles of consumption, but which, on the contrary, generally fall during a period of universal derangement.

The injustice is still greater between those different cities and States where the depreciation is not the same. When the parties have failed or are unable at once to meet their engagements, amicable arrangements must take place; and the creditors, in such cases, are satisfied to receive what the debtor can pay. But those debtors, residing in States or places where the local currency is most depreciated, who can pay, now begin to think that, because they pay and are paid at home with that currency, they are absolved from the obligation to pay in any other way their creditors who reside in other places or States. It amounts to this; you must receive this depreciated paper at par, or you may institute a suit, and the creditor, who knows the expenses and delays of the law, and who must realize his active debts in order to meet his own engagements, is compelled to submit. In process of time, the people generally acquiesce ; the banks seem to forget altogether in what consists their primary duty, and, under pretence of alleviating the distress, consult only their own convenience. The same feeling at last penetrates into the legislative halls ; and the State legislatures, which at first had appeared disposed to enforce a prompt return of the banks to their duty, yield and authorize, sometimes even encourage, an almost indefinite continuance of the suspension.

It would be painful to pursue the subject any farther, and to advert to the recklessness, gross neglect, inconceivable mismanagement, amounting to a breach of trust, to the disgraceful and heretofore unheard-of frauds, which have occasionally occurred, or to that which is perhaps still worse, the apathy or lenity with which those enormities are viewed.

It may with truth be affirmed, that the present situation of the currency of the United States is worse than that of any other country. The value even of the irredeemable paper money of Russia has, during the last forty years, been more uniform ; and in its fluctuations, the tendency has been to improve and not to deteriorate that value. No hesitation is felt in saying that, whatever may be the presumed advantages of a moderate use of a paper currency, convertible into specie on demand, to have no issue of paper would be far preferable to the present state of things. The object of this essay is to inquire whether any practicable remedies can be applied to the system.

CAUSES AND INCIDENTS OF THE BANK SUSPENSIONS.

All active, enterprising, commercial countries are necessarily subject to commercial crises. A series of prosperous years almost necessarily produces overtrading. Those revolutions will be more frequent and greater in proportion to the spirit of enterprise, and to the extension or abuse of credit. But, however prices may be affected, and whatever may be the evils growing out of the crisis, there will be no violation of contracts, and the standard of value will not be affected in countries where there is no paper currency. The danger of a suspension of specie payments, which immediately deranges that standard, is necessarily increased in proportion to the amount of issues of paper of that description; and that amount depends, in a great degree, on the denomination of the bank notes permitted to be issued as currency, on the number of the banks of issue, and, in the United States, on the capital invested in bank stock (*e*).

All these dangerous elements are found united in a greater degree in the United States than in any other commercial country. The large field opened for enterprise, the free institutions of the country, and the indomitable energy of the people, have produced results astonishing and without parallel in the history of other nations. A wilderness has within forty years been converted into the abode of six millions of civilized and most industrious people. Expensive communications have been opened, superior in extent and importance to those of continental Europe. The American commerce and navigation extend to every quarter of the globe, and are inferior to those of no other country but England. But there are evils which, to a certain extent, appear to be the necessary consequence of a state of high commercial prosperity, and which in America are much

(*e*) The capital of the banks is, in the United States, universally loaned to traders: generally speaking, the European banks and bankers lend only the amount of their circulation and deposits. The capitals of the Bank of England and of the Bank of France are vested in public securities.

increased by the want of a capital proportionate to the extent of commercial and other undertakings.

Overtrading has been the primary cause of the present crisis in America. Abundant proofs of the fact are found in the immoderate use of foreign credit, as well as in the excessive importations and sales of public lands in the years 1834–37.

Of imports—

During the	nine years,	1822–1830,	the average	annual	amount	was	$59,000,000
"	three "	1831–1833,	"	"	"		83,000,000
"	four "	1834–1837,	"	"	"		130,000,000
	In "	1836 alone,	"	"	"		168,000,000

The average annual excess of imports over the exports amounted to four millions during the first nine years; to eighteen millions during the three next ensuing; to thirty-four millions during the four last, and to sixty-one millions in the year 1836 alone.

The average annual sales of public lands, which, during the first nine years, did not exceed 1,300,000 dollars, and which during the years 1831–35, had reached 4,500,000, amounted in 1835 to seventeen, and in 1836 to twenty-five millions. Speculations in unimproved town lots, mines, and every description of rash undertakings, increased at the same rate.

The fault, or error, originated with the people themselves. The traders and speculators have attempted to ascribe their disasters altogether to legislative acts; to those of the Administration or to other collateral causes, which have indeed aggravated the evils, but the effects of some of which have been exaggerated. Still, although it would be improper to abridge the freedom of action which all individuals should be permitted to enjoy, it is certain that the spirit of enterprise did not require any artificial stimulus.

The prodigious increase of State banks was the result of State legislation. From the 1st of January 1830 to the 1st of January 1837, three hundred new banks were created, with a capital of one hundred and forty-five millions of dollars. This increase was undoubtedly due to the eagerness for capital applicable to commercial accommodations or other purposes. It may be ascribed in part to the expiration of the charter of the Bank of the United States, and to the anticipation of that event. It was thought necessary, in some places, to fill the chasm in capital and commercial accommodations that must follow the dissolution of that institution. The same effect had been produced in the years 1810–16, on the occurrence of the expiration of the charter of the former national bank; and in both cases the increase far exceeded the apprehended loss and the wants of the country.

The great increase of banks took place accordingly in the Western States, where capital was most wanted. During the years above mentioned, the increase in the banking capital of the North-Western States amounted to near twenty, and that of the South-Western to almost fifty-five millions of dollars (*f*).

But that increase was far beyond what might have been wanted for useful purposes. Near three-fifths of the foreign merchandize imported into the United States are imported into New York. That city is also the principal place of deposit for the sale of the domestic manufactures of the country; and it is also the centre of all the monied transactions of the United States. In the year 1837, the capital of all the banks of that city hardly exceeded twenty millions of dollars; and it was sufficient for all the legitimate operations of commerce. When an unexpected increase of the public deposits enabled and induced those banks to expand their discounts beyond their ordinary rate, that excess excited over-trading, and was applied to extraordinary and dangerous speculations.

In order to obtain or to assist in obtaining the capital wanted for the new banks, for internal improvements, and for some other miscellaneous purposes, debts were incurred by several States, amounting from 1830 to 1838 to near one hundred and fifty millions of dollars. The debt contracted by the Atlantic States was almost entirely for internal improvements; no part of it for banking purposes, and it fell little short of sixty millions. That contracted by the North-Western States amounted to about thirty-eight millions, of which thirty-one millions five hundred

---

(*f*) The designations of the Secretary of the Treasury of the United States are adopted here, as convenient for reference. According to these, Ohio, Indiana, Illinois, Michigan, Missouri, and Kentucky, are the North-Western; and Tennessee, Alabama, Mississippi, Louisiana, and Arkansas, the South-Western States.

thousand dollars were for internal improvements, and the residue for banking capital. That incurred by the South-Western States was about fifty-two millions, of which more than forty-four millions were for banking capital, and the residue for internal improvements.

The population of the United States, by the census of 1840, exceeds seventeen millions, of whom ten millions seven hundred and sixty thousand are in the Atlantic, four millions one hundred and thirty thousand in the North-Western, and two millions two hundred and thirty thousand in the South-Western States.

It may be observed, that the reason why so much more capital was applied in the South-Western than in the North-Western States to banking purposes, is to be found in the difference of capital wanted for the employment of slave and free labor respectively. The northern farmer advances no more than twelve months wages to the laborer he employs. The southern planter, who wishes to increase the product of his land, must advance the price of the slave himself, which amounts perhaps to five or six times the net product of his annual labor. The application of banking accommodation to purely agricultural purposes has accordingly been much greater, and has been attended with far more fatal effects, in the South-Western States, than in any other section of the Union. But even the State debts, created for internal improvements, have co-operated in aggravating the evils under which we now labor. Not only were their proceeds applied to purposes of which the returns were slow and uncertain, but they also supplied the means of paying balances or obtaining credits abroad. Thus, extravagant importations were encouraged, whilst, at the same time, some of those stocks became objects of speculation at home, in which individuals and banks were involved, and which proved injurious to all the parties concerned; to the States, as well as to the purchasers. Several of the States neglected to provide a revenue sufficient to pay the annual interest accruing on their debts. Additional loans were resorted to for that purpose; and occasionally forced loans were required by the States from the banks, which lessened their resources, and had a tendency to produce or to protract the suspension of specie payments.

It has ever been the opinion of the writer of this essay, that a public debt was always an evil, to be avoided whenever practicable; hardly ever justifiable except in time of war; to be resorted to even then with sobriety, and never to be incurred without providing at the same time an additional revenue, sufficient to pay the interest and ultimately to discharge the principal of the debt. A long life of experience and observation has produced an intimate conviction of the soundness of those principles. Independently of the great, manifest and permanent evils inflicted by the abuse of public credit, every public debt absorbs a capital which otherwise would have been applied to purposes as least as productive as those for which the debt was incurred. It has a tendency, perhaps, more than any other cause, to concentrate the national wealth in the hands of a small number of individuals. The interest must at all times be paid by taxes extracted from the proceeds of the productive labor of the community; and it feeds the drones of society.

These considerations do not by any means justify the suggestion, that a nation is not bound to discharge the engagements contracted, even perhaps improvidently, by its Government. A son who inherited a large estate might, with as much propriety, think himself under no obligation to discharge the liens on his inheritance. In the United States, where such engagements have always been contracted by the immediate representatives of the people, and those representatives elected by universal suffrage, there is not even the color of a pretence for the supposition, that the people are not bound by the acts of those representatives. Any such suggestion should at once be indignantly dismissed as dishonest and disgraceful. The errors of legislation may be regretted; but they bind the nation.

The early agitation of the question respecting the renewal of the charter of the Bank of the United States, the veto of the bill passed by the two Houses of Congress for that purpose, and the removal of the public deposits long before the expiration of the charter, are the principal acts of the executive branch of the General Government which may have affected the state of the currency.

Previous to any of these, there had been an improper interference, on the part of the Treasury Department, in the choice of some of those officers whose appointment did by the charter belong exclusively to the directors of the mother bank. This, instead of strengthening, had a tendency to weaken the natural and legitimate influence of that department over the general management of the bank: it was an unfortunate and novel introduction of party feelings into the fiscal concerns of the nation.

The President had an undoubted right to put his veto on a law which renewed the charter of an institution which, in his opinion, was not constitutional. But there was no necessity for the early attack on an institution, the charter of which did not expire till two years after the end of the term for which the President had been elected.

The currency of the country was as sound in the year 1829, as may probably be expected under any system which admits the substitution of paper for the precious metals. It seems to have been unwise to interfere with this, without having previously weighed the probable consequences and without having prepared a proper substitute. The President indeed suggested the possibility, not of dispensing altogether with a national bank, but of establishing one founded on different principles. It appears, however, that he entertained only general views on the subject, and had not adopted any determinate plan of action. In point of fact, no such plan or substitute was ever offered; and the final result was to leave the currency at the mercy of State banks and State legislation.

The immediate consequences were, to encourage the creation of new State banks, to place the Government and the Bank of the United States in an unnatural hostile attitude to each other, to change the character of that institution, which could not previously be justly charged with any wilful misconduct, and to convert every discussion connected with the subject into pure party questions.

The early removal of the public deposits seems to have been unnecessary; and the reasons alleged for it were altogether insufficient. On a similar previous occasion, those deposites had been removed only a week prior to the expiration of the charter of the former Bank of the United States. Not the slightest inconvenience was felt on that account. And it may be generally observed, that the course pursued at that time by all parties, was such that the bank expired quietly without agitating the public mind. The subject did not, as of late, absorb every other public consideration, and become the great political or party question of the country.

The specie circular, issued at a subsequent date, and which directed the payments to the Treasury for public lands, and only for public lands, to be made in specie, appears to the writer of this essay to have been improper. The order was issued several months before the suspension of specie payments by the banks. Whether the President thought the practice of paying in notes of specie-paying banks, generally acquiesced in for a period of more than forty years, to be consistent with or contrary to the constitution, the rule should have been general. It is not seen on what principle two different rules were established, and a distinction made between payments into the Treasury, on account of duties on importations, and those for purchases of public lands; between those who claimed lands, by entries according to law, or by actual settlement.

The only effect of that measure, so far as it has been ascertained, was to cause a drain of specie on the banks of New York, at a time when it was important that that point should have been strengthened. It transferred specie from the place where it was most wanted in order to sustain the general currency of the country, to places where it was not wanted at all. It thus accumulated so much in Michigan, that, whilst it was travelling from New York to Detroit, the Secretary of the Treasury was obliged to draw heavily on Michigan, in favor of New York and other sea-ports. Had no interference taken place, and had the transactions of individuals been left to their natural course, it is clear that the lands would have been paid for in Eastern funds, and that the double transmission of specie, where it took place, would at least have been avoided.

Independently of the objections to which premature and intermediate measures may be liable, the charges against the President, for having interfered in the currency, resolve themselves into the single fact of having prevented the renewal of the charter of the Bank of the United States. The direct and immediate effects cannot be correctly ascertained; but they have been greatly exaggerated by party spirit. That he found the currency of the country in a sound, and left it in a deplorable state, is true: but he cannot certainly be made responsible for the aberrations and misdeeds of the Bank under either of its charters. The unforeseen, unexampled, accumulation of the public revenue was one of the principal proximate causes of the disasters that ensued. It cannot be ascribed either to the President or to any branch of Government; and its effects *might* have been the same, whether the public deposits were in the State banks, or had been left in the national bank, organized and governed as that was.

By the provisions of the act, respecting the tariff, generally called the Compromise Act, the reduction of the duties, to the amount deemed sufficient, after the final payment of the public debt, to meet the national expenditures, was made gradual and could at first operate but slowly. But in order to prevent the accumulation of monies in the Treasury, every foreign article which did not compete with domestic industry was made duty free; and this measure seems to have been deemed sufficient by all parties to effect the purpose. This proved to have been a mistake. It may be that the repeal of the duties on certain articles encouraged too large importations in that respect; but all the causes which excited overtrading were in full operation. And it is probable that the danger of an accumulated revenue did not sufficiently attract the attention of the legislature.

A revenue, consisting exclusively of duties on importations and of the proceeds of the sales of public lands, must necessarily be subject to great fluctuations; and such had been experienced in the year 1817, and at other times. But they were not felt, and therefore not particularly attended to, so long as, in addition to an annual fixed appropriation, all the surplus revenues were appropriated and applied to the payment of the principal of the public debt. That payment was the safety-valve which prevented any dangerous accumulation of monies in the Treasury. Whether any systematic arrangement, connected with such of the expenditures for the defence of the country, as may be lessened or increased according to circumstances, might not have been devised, is an important question which will hereafter well deserve the consideration of Government. No such prospective measures, however, had been deemed necessary; and more than forty millions of accumulated revenue became deposited in the State banks, thus affording a new extraordinary fund for bank accommodations and expansions. These were unfortunately encouraged by the Treasury Department, which seems, on this occasion, to have yielded to the general clamor of those who represented the withdrawal of the capital and loans of the Bank of the United States as threatening ruin to commerce. Apprehensive that the deposite banks of the city of New York could not, on account of the limitations in their charters, sufficiently extend their discounts, the Secretary of the Treasury had, before the Act of June 1836, directed those institutions to lend a part of the public deposits to the other city banks.

This course was sanctioned by that act, which directed that the public deposits in any bank should not exceed three-fourths of its capital; and the law, by directing that the banks should pay interest whenever those deposits exceeded a certain sum, rendered their partial application to discounts actually necessary.

But Congress, justly alarmed at that great increase of the public moneys in the Treasury, thought proper to distribute it among the several States. The propriety of this measure, and its consistency with the spirit of the constitution, may be questioned. Subsequent events have shown that the amount intended to be withdrawn from the Treasury was too large, and that, as might have been anticipated, the revenue of the next ensuing years fell short of the current expenditures. But, viewed in reference only to the banking system and to the paper currency of the country, the process, though protracted and spread over fifteen months, was much too prompt. The Legislature was not, and could not indeed be aware, how slow and gradual the diminution of discounts must be, in order that universal distress may not ensue.

The public deposits in the city banks of New York amounted to fourteen millions of dollars. At the same time that they were ordered to be withdrawn, the state of the money market in England arrested the progressive and exaggerated credits heretofore granted to the American merchants, and on the continuance of which they had relied. The consequent necessity of making large remittances to England, whilst those expected from the South-West began to fail, and the simultaneous withdrawal of the public deposits, may be considered as the principal proximate causes of the suspension of specie payments in 1837. In the city of New York the great destruction of capital by the fire of December 1835, frauds committed on one of the principal banks, and some other local incidents, co-operated in producing that result. The Bank of the United States had but little share in it.

It would be idle to inquire whether, if the charter of that institution had been renewed, and if it had been the sole place of deposit of the forty millions of public moneys, the suspension might have been prevented. That would have depended entirely on the manner in which the bank might have been administered.

That institution had ceased to be a regulator of the currency as early as the years 1832–33, when its discounts and other investments were increased from fifty-five to sixty-five millions, that is to say, at the rate of 85 per cent. beyond its capital; whilst those of the sound banks of our great commercial cities did not exceed the rate of 60 per cent. beyond their capital. It is not necessary to inquire whether this expansion was the natural consequence of the course of trade, whether the Bank of the United States was in any degree influenced by considerations connected with its own existence, or whether the machinery carried away the directors instead of being governed by them. It is obvious, 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. A contrary course will induce the State banks to enlarge their own discounts, and will engender excessive issues, followed by necessary contractions and unavoidable distress.

But a great change had taken place in the situation of that bank. On its dissolution in March 1836, it accepted a new charter on onerous conditions from the State of Pennsylvania, and, contrary to what had been anticipated, the greater part of its circulation was almost immediately returned to it for redemption. It now appears, by a statement of its affairs dated 1st Feb. 1836, and laid at the time before the stockholders, that its actual circulation amounted on that day to $24,360,000, and its deposits to $4,400,000. On the 1st Jan. 1837, the actual circulation was reduced to $11,450,000, and the deposits to $2,330,000. Those funds on which, in addition to its capital, the bank must rely for making or continuing its discounts, were in ten months reduced from near twenty-nine to about fourteen millions, or more than one half. It was impossible to have, within that short period, reduced the discounts to the same extent. Accordingly the bank had already incurred other liabilities not payable on demand, amounting to near seven millions of dollars; its specie had been lessened from $7,650,000 to $2,640,000; and it was as powerless and as unable to prevent the suspension as the other State banks. Its situation was not known to the banks of New York, when application for relief was, at the moment of the crisis, made by that city to that institution. The manner, however, in which the relief was granted did not weaken it.

It must be acknowledged that, great as was the distress during that winter, and notwithstanding all the ominous circumstances of the times, the danger of a general suspension was not anticipated by the banks or the merchants of New York, nor indeed, it seems, any where else, before the month of March 1837. From that time, the city banks made the most strenuous efforts to avert the event, and so successfully as to arrest the drain of specie, the amount of which in their vaults was not lessened between the first and the last day of April. The Comptroller of the State and the other Commissioners of the Canal Fund, on being applied to and made acquainted with the imminent impending danger, had also agreed to lend to the banks three millions five hundred thousand dollars of State Stocks, which they were authorised to issue, but the proceeds of which were wanted only gradually within the two or three ensuing years. The loan was on the express condition, that the Stocks of the State, which were then above par in England, should be used as remittances, and to that extent lessen the intense demand for specie for the same purpose. The necessity of a law, authorising the banks to purchase the Stock, caused an unavoidable delay, which prevented the execution of the agreement: for, on the very day on which the law was passed, the drain on the banks, which had gradually increased, became so intense, that they concluded the same night to suspend their specie payments. It cannot be affirmed that this drain was any thing more than the result of a general panic. Yet there were symptoms of combination in the manner in which it was conducted. Such were the situation and feelings of the banks throughout the whole country, that they all, without any exception, and almost without deliberation, instantaneously suspended, as fast as the mail could convey the intelligence of the suspension in New York.

The Legislature of New York was on the eve of adjourning when the suspension took place. Under the excitement of the moment, and without sufficient deliberation, a law was passed, commonly called the Suspension Act, altogether unnecessary, and in some respects mischievous.

By the general laws of the State, or by the charters of the several banks, it was already enacted, 1st, that whenever a bank suspended specie payment during ten days (*g*), it should thenceforth cease its operations, save only the collection and payment of its debts, unless, on application to the Chancellor or Circuit Judge, and an examination of its affairs, it was permitted by that officer to continue its operations; 2dly, that if, at the expiration of one year, the bank did not resume its payments, it should be deemed to have surrendered its rights, and be adjudged to be dissolved.

The Suspension Act released, for the term of one year, the banks from any forfeiture of their charters incurred on account of a suspension of specie payment. It left the general law to operate at the expiration of the year as before provided. Its only effect, in that respect, was to release the banks from the obligation of submitting the statement of their affairs to the Chancellor, and to allow them to continue their operations without his permission; reserving, however, the power already vested in the Bank Commissioners, to apply for an injunction in any special case, when the situation of the bank appeared to require it. This alteration was quite unnecessary. It would have been far more eligible to allow the general law to operate; and this special provision conferred no real benefit on the banks (*h*).

(*g*) The term for the old banks, whose charters were renewed about the year 1831, was three months.

(*h*) One bank alone, wishing to rest on the general, without any aid from a special law, applied to the Vice-Chancellor, and continued its operations by virtue of

The only other enactment of the law, intended to favor the banks, was that which placed them on the same footing as individuals, by allowing no costs in suits under fifty dollars. But nothing was more easy than to institute suits on ten five-dollar notes together, and the result was the same as if the enactment had not taken place. The city banks were compelled silently to withdraw their five-dollar notes from circulation: and the only effect was a substitution in the city circulation of notes worse than theirs.

In another respect the special law was injurious to the city banks, by compelling them to take in payment of their debts, the notes of the country banks.

But the moral effect of the law was bad. Though it had in reality made no alteration in the existing law, it had the appearance and was generally considered as sanctioning the suspension: and the act was quoted in other States, and used as a pretence for passing suspension laws of a very different character.

As soon, however, as the first shock was over, the banks of the city of New York adopted a course of action preparatory to an early resumption: and in the month of August, they addressed a circular letter to the principal banks of the other States, requesting their co-operation, and proposing a convention of delegates from the banks of the several States, for the purpose of agreeing on a uniform course of measures and on the time when the resumption should take place. The South-Western States were not ready for any immediate action. Encouraging answers were received from the other Western and from the Southern banks, as well as from some other quarters. The Boston banks would not commit themselves, but at the last moment appointed delegates. The banks of Philadelphia adopted a resolution, that it was inexpedient at that time to appoint delegates; and the banks of Baltimore followed the same example.

---

his order to that effect. But the proof, that the banks did not want the act, is found in the fact that the Manhattan Company, which did not comply with any of its provisions, continued its operations, and passed through the ordeal with the same facility as the other banks.

The principal reason alleged by the Philadelphia banks for their refusal was ominous. They declared their belief that the general resumption of specie payments depended mainly, if not exclusively, on the action of Congress, without whose co-operation all attempts at a general system of payments in coin throughout this extensive country must be partial and temporary.

What was the action and co-operation of Congress which was then alluded to? The only subject of complaint at that time against Congress, in reference to the currency, was its refusal to renew the charter of the Bank of the United States. No other action on its part had been asked than a renewal of that charter, or the creation of a new bank. The employment of the old bank under its new charter, as the fiscal agent of Government, was perhaps contemplated. Whatever the object might be, any attempt, or appearance of an attempt, to coerce Congress by a wilful continuance of the suspension, was highly improper. The banks of New York insisted that, whatever might be the action of Congress on the currency, the duty of resuming remained the same, and must be performed by the banks. The Philadelphia banks ultimately appointed delegates to the convention, which met at New York on the 27th November 1837.

At that meeting, though allusion was still made to some expected action of Congress, it was principally urged, not that the banks were unprepared for resuming, but that the state of the country generally rendered a resumption inexpedient for the present, that the time had not yet come when a day for that purpose could be designated; and that the continuance of a hasty resumption would be precarious.

The banks of New York insisted, that it was monstrous to suppose that, if the banks were able to resume and to sustain specie payments, they should have any discretionary right to discuss the question, whether a more or less protracted suspension was consistent with their views of the condition and circumstances of the country. Numerous facts were adduced to prove the ability of the banks to resume, that the British debt was settled or postponed, that the danger of an extraordinary exportation of specie was now out of question, and that no other known causes existed, which could prevent a general, though not universal, resumption of specie payments within a very short period.

In allusion to the action of Congress, and in reply to the complaint, that the banks of New York had improperly persisted in calling the convention contrary to the opinion of those of Philadelphia, it was answered with frankness, that the objections of the Philadelphia banks, or, to speak more correctly, of the United States Bank of Pennsylvania, were viewed as nothing more nor less than as an intended protracted suspension for an indefinite period of time. In corroboration, the extraordinary conduct of that bank was alleged, in having put in circulation, since the suspension, a large amount of the notes of the late Bank of the United States, thus substituting the paper currency of a dead and irresponsible body for its own.

Although the convention was nearly divided, nothing more could be obtained than general professions, and a resolution to meet again in April, for the purpose of considering, and, if practicable, determining upon the day when specie payments might be resumed.

The conflict was clearly between the United States Bank of Pennsylvania and those of New York. The other banks of Philadelphia, though divided in opinion and sound, had yielded, and Baltimore had thought proper to follow the same course. On the other hand, the disposition of the North-Western and Southern States was generally favorable to an early resumption, though they seem to have apprehended that they might not be able to sustain specie payments, if Philadelphia and Baltimore persisted in suspending. No such apprehension was felt in the Eastern States. Yet the banks of Boston, though earnestly desirous that the resumption might be effected without delay, and ready to co-operate, did, in the two conventions, and to the last moment, sustain by their votes and influence the views of the United States Bank. Such were the baneful effects of party applied to the fiscal concerns of the nation, and such the consequence of that institution having become, or been generally viewed as, the great antagonist of the Administration and the rallying point of its opponents.

The banks of New York, determined in their course, had persevered in measures which would have enabled them to resume nearly two months earlier than they did. The exchanges had become decidedly favorable: and the agreement with the Comptroller for a loan of the residue of the State Stocks, which was renewed and concluded in November 1837, enabled them, according to the express terms of the contract, to replenish without difficulty their vaults with specie. Aware, however, of the importance of a co-operation on the part of the other banks, they had, in the first convention, in vain asked that an earlier day should be appointed for the adjourned meeting, and then waited for its result. It was soon ascertained, when that assembly met, that a simultaneous resumption could not be obtained: and it was then only requested, that the convention should recommend an early day for that purpose. Fair as was the prospect at first, the vote to recommend so late a day as the 1st of January 1839, was carried; and the banks of New York were left to resume alone and without any assurance of an earlier co-operation.

But the circumstances of the times were eminently propitious. Not only had the foreign debt been settled or postponed, and all the exchanges, whether domestic or foreign, become decidedly favorable, but one million sterling in specie had been imported, under the auspices of the Bank of England, through the agency of a commercial house. The city banks resumed with more than seven millions of dollars in specie; their gross circulation reduced to three millions, and their other liabilities payable on demand considerably diminished. The public deposits of the United States, which on the 1st of January 1837 exceeded ten millions of dollars, had all been paid. Their loans and discounts, amounting on the 1st of January 1837 to forty-six millions, had been reduced to thirty-two. They had been admirably seconded by the country banks of the State, whose specie and city funds had been increased, and the circulation and discounts reduced in the same proportion. Much credit is due to the Bank Commissioners for their efforts in promoting that result.

Above all, the sound and most powerful portion of the commerce of New York had now taken an active part in promoting an immediate resumption. The Debtor Interest, which, combined with that of the United States Bank of Pennsylvania, and with the mistaken views of some and the unfounded apprehensions of others, had constantly attempted to impede the course pursued by the banks, was silenced. They resumed, sustained by that general support of the commercial community and by that general confidence which are indispensable for the maintenance of specie payments. They resumed in good faith and in full, redeeming the country paper which, during the suspension, had become the general currency of the city; freely substituting their own circulation, and paying without distinction, when required, all their liabilities. The resumption was effected without the slightest difficulty; and it is but just to add, that no attempt was made to impede it, either by the United States Bank of Pennsylvania, or from any other quarter.

The banks of Boston, and generally of New England, were the first to adopt the same course. Public opinion, operating first on the Governor of Pennsylvania, compelled the United States Bank to resume in the month of July; and the example was soon followed South and West throughout almost all the States. That happy state of things was of short duration. In October 1839, the United States Bank again suspended its payments; and again the South and the West adopted, or were obliged to pursue, the same course. After a short and vain attempt on the part of that institution to resume in January last, we are again reduced to the same situation. Boston and the Eastern States, New York and the adjacent part of New Jersey, and of late Charleston, sustain specie payments. Every where else, with perhaps some insulated exceptions, there is no other currency but irredeemable paper, more or less depreciated; and the suspension is almost everywhere sanctioned by the State legislation.

The facility with which specie payments had been resumed had produced, in some quarters, the erroneous belief, that the country had entirely recovered from the injuries inflicted by years of overtrading and inflated prices. Commercial business was revived too early, and bank facilities were too easily granted. The foreign importations of the year 1839 again amounted to one hundred and sixty-two millions, the exports to one hundred and twenty-one, and the excess to forty millions. But the suspension of October 1839, and its consequences to this day, must be ascribed almost exclusively to the United States Bank.

It has already been seen that, before the 1st of January 1837, and within the first ten months of its new position as a State bank, its legitimate means of discounting, other than its capital, that is to say, its circulation and deposits, had been reduced from twenty-nine to fourteen millions. Deducting the necessary amount of specie, its available means applicable to discounts or other investments, did not, including its capital, exceed forty-seven millions. Indeed, the onerous conditions imposed by the State charter and the purchase, at an advance of fifteen per cent., of the seven millions held by the United States in the stock of the old bank, made the truly available means considerably less. In that situation, its loans and profits, under a wise and cautious administration, should have been reduced to the amount corresponding with the actual means.

Instead of pursuing that course, a bold attempt was made, as soon as the suspension of May 1837 had taken place, to take advantage of that state of things for commencing a system of operation, foreign to the ordinary and legitimate transactions of any bank, and which might eventually, according to the sanguine expectations of the projectors, control the whole commerce of the country, reinstate the circulation of the Bank, and restore its pristine preponderance. It is obvious that this could not be carried into effect, even if the result had been as propitious as it has proved to be fatal, without prolonging the general suspension of specie payments. It became the interest of the Bank that this should be the case; and here may probably be found the principal cause, not at the time suspected, of the course pursued in that respect by that institution.

As early as the month of June 1837, a considerable portion of the available funds of the Bank was diverted from their legitimate object, and, instead of being applied to the gradual reduction of its liabilities, was loaned to the president and other officers or directors of the Bank, in order to be employed in advances on cotton shipped to Europe. A special agency, in reference to that object, was established in London in the ensuing month of November. The advances were greatly increased, and continued during a period of near two years. Although no loss may have been incurred by the Bank, the gross impropriety of loans to such an amount to officers of the Bank, is not the less evident. The sequel is well known. Other improvident loans were made. The Bank over-loaded itself, by purchase, or otherwise, with stocks of every possible description. It has been alleged that it was not the fault of the administrators of the Bank, if those stocks subsequently fell in value. The fault consisted in having converted the Bank into a stock-jobbing association. In the meanwhile, as other means were wanted, an enormous debt was contracted abroad.

On the 1st of April 1839, the foreign debt of the Bank amounted to twelve millions eight hundred thousand dollars, and the various stocks owned by it to near twenty-three millions (*i*). Its credit had indeed been artificially sustained; and its stock was selling at a considerable advance. It was nevertheless on the verge of destruction. In August of the same year, it was compelled to issue post notes, which soon fell to a discount of more than one per cent. a month. In September, the Bank drew largely on Europe without funds, and partly without advice. In order, if possible, to provide funds for that object, and also, as has been acknowledged, for the purpose of breaking the banks of New York, payment of the bills thus sold in that city was suddenly required in specie, and the amount shipped to Europe. The attempt was a failure in both respects; the banks stood, and the bills were dishonored. On the 9th of October, the United States Bank suspended its payments; and it is not improper to observe that, a fortnight later, another attempt was made, under its auspices, by the debtor interest of New York, to compel the banks to expand their discounts and thus prepare the way for another general suspension. The banks, as might well be expected, unanimously refused to yield.

From that time, the fate of that institution was considered as sealed by every impartial observer. Nevertheless, the other banks of Philadelphia still persevered in sustaining it, and suffered it to become largely indebted to them. The State protracted its existence, and, as an equivalent, exacted new

(*i*) $6,300,000 of which, consisting principally of Mississippi and Michigan stocks, and previously contracted for, were not yet entered on the ledger.

loans from it. In the meanwhile, it could no otherwise meet its liabilities abroad than by new loans, obtained on onerous conditions; and in order to sustain its expiring credit, a resumption was at last deemed absolutely necessary.

For that purpose, the other banks of Philadelphia agreed to return five millions of its circulation held by them, and to take in lieu thereof, post notes, payable in about twelve months after date. They thought that a loan of two millions and a half would be sufficient to enable them to grant that accommodation, and that with such aid they would be able to resume and maintain specie payments. The loan was obtained principally in Boston, partly in New York. As it was principally paid in checks upon Philadelphia and in Baltimore funds, it added but little to the available resources.

Besides this postponement of five millions of its debt, the United States Bank was, rather unexpectedly, assisted by a further loan obtained abroad, which added more than three millions of dollars to its immediately available resources. The attempt to resume nevertheless failed; and it was impossible that it should not have failed. The element indispensable for sustaining any bank, *confidence*, was utterly lost. It seems incredible that it should not have been foreseen, that, as soon as the United States Bank paid in specie, every person who held its notes would instantaneously seize the opportunity of converting them into cash (*k*).

The principal liabilities of the United States Bank, payable on demand, consisted of more than thirteen millions and a half of bank notes and post notes, which, by the arrangement with the other Philadelphia banks, were

Reduced to about	7,650,000
Due to banks of the several States	3,250,000
Due to individual depositors	2,970,000
Guarantee of bonds of Planters Bank, &c	240,000
	$14,110,000

(*k*) The opinion of the writer of this essay was asked, at the time when application was made in behalf of the Philadelphia banks for the loan mentioned in the text. It was decidedly against a compliance with the request; and the reason assigned, was the total impossibility, on the part of the United States

During the three weeks that the Bank paid in specie, its payments amounted to about five millions six hundred and thirty thousand dollars, viz.:

Bonds of Planters Bank,	240,000
To individual depositors, only	176,000
To State banks.	1,044,000
And, redemption of bank notes	4,170,000

Of this last item, one million and a half were for notes in the hands of the other banks of Philadelphia beyond the five millions included in the agreement; five hundred thousand for post notes over-due, and eleven hundred thousand for accumulated notes which had been protested and sued for. The drain, instead of being extraordinary, and such as could not have been anticipated, was in reality less than, under all the circumstances of the case, might have been expected.

In the preceding sketch, the acts of the Bank have been considered only in reference to their effect on the currency of the country. It may be affirmed that, in this respect, that bank, subsequent to the first general suspension of May 1837, has been the principal, if not the sole, cause of the delay in resuming, and of the subsequent suspensions. In every respect it has been a public nuisance. The original error consisted in the ambitious attempt to control and direct the commerce of the country; in the arrogant assumption of a pretended right to decide on the expediency of performing that which was an absolute duty; and in a manifest and deliberate deviation from the acknowledged principles of sound and legitimate banking.

It is not intended here to investigate the facts of a more culpable nature which are laid to the charge of the administrators of the Bank. The application of nine hundred thousand dollars secret service money, should be made public. The mismanagement and gross neglect, which could in a few years devour two-thirds of a capital of thirty-five millions, are incomprehensible, and have no parallel in the history of banks. The catastrophe has had an injurious effect abroad on the securities of the several States,

---

Bank, of sustaining specie payments now that confidence was entirely lost. The writer added that, if the other Philadelphia banks would discard that of the United States and resume alone, not one, but three millions ought to be advanced for that purpose by the banks of the city of New York.

impaired commercial credit, and shaken confidence between man and man. It is natural that the shareholders, so deeply injured, should cling to the hope of preserving the institution, and of thus partly repairing their losses. Every facility consistent with the public good should be granted, every forbearance practised, every delay allowed, which may enable them to save the remnants of the wreck. But it is due to the moral feeling of the country, not less than to the security of its fiscal concerns, that this disgraced and dangerous corporation should not be permitted any longer to exist. How, after so many violations of its charter, its existence has been so long protracted, is indeed unintelligible!

REMEDIES.

STATE LEGISLATION.

It can hardly be expected that twenty-six independent States should all adopt such systems of legislation, as may secure a sound and uniform currency. But there are some great centres of commerce, which necessarily control the banking operations of the greater part of the country. In the present course of trade, the great importing sea-ports are generally creditor places; and the principal centres alluded to will be found to be, Boston, New-York, Philadelphia and Baltimore, Charleston, and New-Orleans. Providence, on account of its manufactures, Savannah and Mobile, on the sea-coast, Cincinnati, Louisville, and St. Louis, in the interior, are the next most important points. Some approximation of the relative importance of the great centres may be derived from the aggregate of the foreign imports and of the exports of each of them respectively. Supposing the whole to consist of one hundred parts, Boston has about *twelve*, New-York *forty-seven*, Philadelphia and Baltimore *fourteen*, Charleston and Savannah *seven*, New-Orleans and Mobile *twenty.* The influence of domestic manufactures, of mines, and of other considerations, must of course vary the result.

Of those great centres, the two first are secure; and Charleston appears to have adopted a correct course. The banking system of New-Orleans is founded on principles so different from those of the Atlantic States, particularly in reference to the large amount loaned on real estate security, that it is difficult to form a correct opinion of it. But the elements of wealth are so great, and the interest of sustaining a sound currency so obvious, that, notwithstanding the embarrassed situation of the adjacent States, great hopes are entertained of an ultimate favorable result in that quarter. Under all the circumstances of our present situation, it seems that, provided a correct course should be adopted by the banks of Philadelphia, and by the Legislature of Pennsylvania, an early and nearly general resumption of specie payments would naturally take place.

The first step that appears absolutely necessary does not apply to Pennsylvania alone. All the States which have incurred debts, and which have not yet adopted efficient measures in that respect, must provide for the punctual payment of the interest and the gradual extinguishment of their debt. This must be done by providing an actual revenue, by taxes whenever necessary, and not by any new loans, or any other temporary expedient. The States must rely on their own resources, neither on any direct or indirect assumption of State debts by the General Government, nor on any assistance to be derived from the banks: neither must the banks depend on the aid of the States for carrying on their operations. The difficulties are greater in some States than in others. A great error has been committed by those which have advanced their credit for the especial purpose of establishing banks, in places where a very moderate banking capital was sufficient for all legitimate purposes. Sanguine expectations have induced others to undertake premature, and far too extensive, internal improvements, which, in their unfinished state, are nearly or altogether unproductive. The honor and interest of every State require, and justice demands, that its credit should be restored. Public and private credit are intimately connected. That of individuals is impaired when public faith is not preserved. A resumption of specie payments, on the part of banks and of individuals, will at once inspire a greater confidence in the stocks of the States where it may take place. There is none whose resources are not adequate to the object in view.

Philadelphia had a sound capital, greater in proportion to its commerce than that of New-York, or of almost any other city in the Union; its banks proper were sound and cautiously administered: not one of them had ever failed. But they have for several years been pressed by two great evils, the United States Bank and the State Legislature. They have at last got rid of the first burthen, from which they ought to have detached themselves long ago. Their available means are undoubtedly impaired by the efforts they made to sustain the Great Bank, and by the debt due to them on that account. Still, provided they are sustained by the commercial community and by public opinion, and provided the State Legislature ceases to oppress them under color of granting them relief, there does not seem to be any real obstacle to their soon resuming their former wonted and honorable situation.

The suspension of specie payments of October 1839, was legalized by the Legislature of Pennsylvania, on condition that the banks, thus indulged, should make certain loans of money to the State, and resume their payments in January 1841. To take from them their most available resources, had a direct tendency to put it out of their power to resume their payments within the prescribed time. Those resources, which should have been applied to the reduction of the liabilities of the banks, and to the measures necessary for a resumption, were diverted from their legitimate object, in order to defray the annual expenditures, or to pay the interest on the debt of the State.

The two last General Assemblies of Pennsylvania have, however, adopted efficient measures to arrest the progress of the debt, and to provide for the payment of the interest. A new annual revenue, derived from taxation alone, and which is expected, according to the most correct estimates, not to fall short of two millions two hundred thousand dollars, is specifically pledged to the maintenance of the public credit; and the interest on the public debt cannot exceed two millions, and will probably fall short of that sum. The ordinary expenses of Government, and the repairs of the public works, appear to be nearly, if not altogether, provided for by the tolls and other revenues of the State. Thus far, great praise is due to the Legislature for having extricated the State from the difficulties in which it had been involved, and for having fearlessly resorted to those direct means which alone could effect the purpose.

After having accomplished the principal object, nothing else remained than to provide for the payment of arrears, and the ordinary annual expenditures of the current year, amounting together to three millions one hundred thousand dollars. It is deeply to be lamented that, instead of also pursuing the simplest and most direct course for this object, the Legislature should have resorted to a novel, complex, and most condemnable plan.

A loan for the sum thus wanted is authorised, for which a five per cent. stock will be issued, to be redeemed at the end of five years, or earlier at the pleasure of the Legislature. To that loan, certain banks (*l*) are alone authorised to subscribe, to an amount bearing, according to their respective capitals, a ratio varying from eight to twenty-five per cent. to the capital. And, on paying into the State Treasury the amount subscribed in their bank notes of one, two and five dollars, they are credited on the Treasury books for an equal amount of the stock.

The notes thus issued are payable only in the same stock, and in the following manner. The holder of the notes to an amount of one hundred dollars, on surrendering the same to the issuing bank, receives an order on the Auditor General for a certificate of an equal amount of the stock, and the notes surrendered are cancelled. The State, until the notes are thus redeemed, pays to the banks interest, at the rate of one per cent. a year, on the stock for which they are credited on the Treasury books. And after the notes have been thus redeemed and funded, the State pays, through the agency of the banks, the interest of five per cent. to the holders of the stock which has been issued in payment of the notes. That interest is paid out of the proceeds of the tax on bank dividends; and if this should not be sufficient, the deficiency is paid out of the revenue provided by the act.

All the notes issued under the provisions of the act, are

(*l*) Viz., as appears from the subsequent provisions, those banks which are subject to a tax on their dividends.

receivable for debts due to the commonwealth and to the issuing banks respectively, and also on deposit, by the said banks respectively, payable in like currency, special contracts for deposits excepted. All the notes may be re-issued from the Treasury and from the issuing banks respectively; and the banks generally may receive and issue any of the notes created by the act.

All the banks, except that of the United States, which own any portion of the funded debt of the State, may, on transferring the same as security to the Auditor General, issue notes to an equal amount, of the same denomination, and receivable and redeemable in the same manner as the notes before described. But the banks which are exempted from a tax on their dividends shall not issue a greater amount of notes, than in the aforesaid ratio to their respective capitals; and the banks subject to that tax shall not, under this section of the act, issue a greater amount than seven per cent. of their respective capitals. The interest on the stock thus transferred is suspended, during the time the said stock remains in the hands of the Auditor General (*m*).

17th Sect. No bank, which shall comply with the provisions of this act, shall be subject, by way of penalty or otherwise, to a greater rate of interest than six per cent. per annum. The resolution of April 1840, which provided for the resumption of specie payments, is repealed. And all the provisions of any act of incorporation, or of any law of the State, which provided for the forfeiture of any charter, by reason of the non-payment of any of the liabilities of the bank, or which prohibited the banks from making loans and discounts, issuing their own notes, or declaring dividends during the suspension of specie payments, are suspended, until further legislative action, *and* until the Legislature shall provide for the repayment of the loan of three millions one hundred thousand dollars authorised by the act. But the dividends are limited to five per cent. during the suspension.

(*m*) It appears, therefore, that all the banks, whether subject to, or exempt from a tax on their dividends, are authorised to issue notes in the ratio to their capitals fixed by the law; and that, in addition thereto, the banks subject to that tax may issue notes to an amount not exceeding seven per cent. of their capital.

The banks subject to a tax on their dividends, which shall not take their due proportion of the loan, according to the ratio fixed by law, (not including, it seems, the seven per cent. additional which appears to be optional,) and the other banks, which shall not deposit at least five per cent. on their capitals respectively, shall remain subject to the provisions of the laws now in force, and be excepted from the benefit of the provisions of the 17th section of the act. Nor shall the United States Bank be entitled to the said benefits, unless the stockholders consent to be subject to any general laws to be *hereafter* passed for the regulation of the banks of the commonwealth. There are other provisions authorising and facilitating the dissolution and liquidation of that bank, with the consent of the stockholders.

The residue of the act provides, for raising an additional revenue, and for appropriating the proceeds of the loan of three millions one hundred thousand dollars, viz. about two millions two hundred thousand for repairs and arrears on account of the internal improvements, and about eight hundred thousand for schools and the other ordinary annual expenses of Government. Those objects were evidently blended in the same law with the provisions respecting the banks, in order to ensure the adoption of these provisions.

Viewed simply as a fiscal operation, it makes the banks only the agents of the State. They sign the notes *pro forma*, and redeem them in its behalf. The State puts the notes in circulation, uses them for its own benefit, redeems them with its own stock, pays the interest, and is bound at the end of five years to pay the principal, in specie, with its own funds. The banks, for their agency, receive the compensation of one per cent. a year on the notes, so long as they remain in circulation. The notes are substantially an emission of bills of credit, by the State and for the use of the State. How far this operation may in itself be proper, or consistent with the Constitution of the United States, are questions which do not come within the scope of this essay. The measure, considered only in reference to its effect on the currency and on the resumption of specie payments, hardly requires to be discussed. It is almost sufficient to have stated the provisions of the law.

The banks of Philadelphia, notwithstanding the difficulties which they had to encounter, had succeeded in keeping their currency, their deposits, their liabilities payable on demand, all which is generally called "Philadelphia funds," at a discount, compared with specie, of less than five per cent. An emission of a new species of currency is now authorised, which, being only a promise to issue a State stock to the same amount, is, on the day when it is issued, worth intrinsically no more than that stock, or less than eighty per cent. of its nominal value. It may be, that the demand created by having made that currency receivable in payment of debts to the commonwealth and to the bank, may enhance that value. This is altogether conjectural: and it cannot certainly be expected that it will become equal to that of the actual currency at this moment of the Philadelphia banks. Under the most favorable aspect, it is still a legalized emission of a depreciated, fluctuating and irredeemable paper, analogous to a falsification of the legal coin of the country. And in order to carry this plan into effect, it has been deemed necessary to compel the banks to receive that paper in payment of the debts due to them, and to give a solemn legislative sanction to a protracted suspension of specie payments; that is to say, to a continued immoral and illegal violation of engagements and contracts, for a term which may be not less than five years.

Had there been no other object in view, than that of providing for the discharge of the arrears and necessary expenses of the year, for which a loan was indispensable, the simple and direct course was to borrow the money on the best terms on which it could be obtained. This is the cheapest and wisest, as it is the most honest mode. Every other complex, and, as it is called, ingenious contrivance is nothing but quackery, if not something worse. There is indeed much difficulty, when heavy taxes become necessary, in selecting those which will be most equal and productive, least oppressive and arbitrary. But there is no more mystery in directing, in ordinary times, the finances of a nation, than in arranging the fiscal concerns of a commercial house. In both cases, if it becomes necessary to borrow, you must pay for the money, according to its market price, and to the credit of the borrower. Indeed, in that respect, the State has the advantage of not being trammelled by its own absurd usury laws, which may compel the individual to pay a dearer price for the loan than he otherwise would.

In the year 1798, the United States borrowed five millions at eight per cent. per annum. During the last war, they gave their six per cent. stock for money, at the rate of eighty per cent. of its nominal value. Which was the most eligible mode is a debatable question. But, on both occasions, they were obliged to give, and gave without hesitation, their stock for the highest price it could command. It is what every Government, which has any regard for its credit, always does. The State of New York wanted also three millions of dollars for the service of this year. The market price of her stocks is higher than that of those of Pennsylvania. Yet she did not attempt to borrow at five per cent., but has authorised a *voluntary* loan at the rate of six per cent. It is probable that a similar stock, issued by Pennsylvania, could not, at this moment, have been negotiated at par. But, with the knowledge that efficient provision had been made for the payment of the interest of the public debt, and that a course of measures had been adopted which would prevent its increase, had the Legislature only taken measures for hastening, instead of protracting, the resumption of specie payments, the effect on the public credit of the State would have been immediate; and a direct loan at six per cent. might have been negotiated on favorable terms.

There is, indeed, no other remedy, so far as it depends on the State, for the evils inflicted by the act of the late General Assembly. For, if the banks accept the proposal, they may claim, as a condition of the contract, that all the suspending clauses of the act shall continue in force, until provision shall have been made for the re-payment of the loan. This cannot be done otherwise than by negotiating a money loan in the ordinary way. Whether this shall be done by the next Legislature, depends on the will of the people. At this time, and had it not been for that most unfortunate impediment, there would have been no more difficulty in resuming specie payments in Philadelphia within sixty days, provided the commercial community of that city required it, than there is now in sustaining those payments in New York. New England and New York should, at all times, give every possible aid in promoting that object. It is a national concern, on account both of the importance of that city, and of its great influence over the commercial transactions and currency of the West and of the South.

The dangers of a paper currency are such, that it becomes necessary to inquire whether the banking system adopted, in those States where the result has been most favorable, may not be susceptible of improvement. For that purpose the laws which govern the banks of New York will now be examined. They are better known to the writer than those of any other State; the system has been at least as successful here as in any other part of the Union; and it now embraces both restricted chartered banks, and free banking associations established under a general law.

The various legal provisions, by which the banks of the State of New York are governed, consist principally of general laws respecting monied corporations, partly of clauses inserted in the several charters and nearly the same in all, but which it would have been better to have included amongst the general laws.

The privileges granted by the charters are, 1st, the Act of Incorporation itself, which enables the bank to contract, to sue and be sued, and generally to act, in reference to the object for which it is incorporated, in the same manner as might be done by a natural person; 2dly, the limitation of responsibility to the capital of the bank, thus rendering the shareholders irresponsible in their personal capacity; 3dly, the monopoly, till lately, of carrying on banking operations.

Those operations are not expressly defined by the general laws of the land, but by the charters themselves, and substantially as follows, viz.: that the bank shall have power to carry on the business of banking, by discounting bills, notes, and other evidences of debt; by receiving deposits; by buying and selling gold and silver bullion, foreign coins, and bills of exchange; by issuing bills, notes, and other evidences of debt; and by exercising such other incidental powers as shall be necessary to carry on such business.

It might be inferred by implication, that the banks could not legally carry on any other species of business. For greater security, it is further expressly provided in all the charters: 1st, that no bank shall hold any real estate but such as is requisite for its immediate accommodation, or such as may be mortgaged, conveyed or purchased in satisfaction of debts, or for the purpose of securing debts; 2dly, that it shall not, directly or indirectly, deal or trade in buying or selling any goods, wares, merchandizes, or commodities whatsoever, or in buying or selling any stock created under any act of the United States, or of any particular State, unless in selling the same when truly pledged, by way of security, for debts due to the said corporation.

The location, duration, and capital of each bank respectively, are also determined by its charter. The other provisions refer to the following objects, viz.:

1. *Capital.*—No bank can commence its operations until the whole of its capital has been paid in specie or current bank bills; nor until an affidavit to that effect, and stating that no stockholder has paid any part of his shares by a discounted note, or directly or indirectly with any loan from the bank, has been made by the President and Cashier of the bank and filed with the Comptroller. False swearing in that respect is deemed perjury, and punished as such.

For the purpose of preserving the capital, the banks are forbidden, besides other provisions, to make any dividend except from their surplus profits. In calculating the profits, all the expenses, the interest due on debts contracted by the bank, and all the losses, including therein all the debts due to the bank on which no interest has been paid for one year, must be deducted; and if the amount of losses should exceed that of the profits then possessed, the deficiency must be charged as a reduction of the capital; and no dividends can be paid until the deficit of the original capital shall be made good. That capital cannot be reduced without leave of the Legislature.

2. *Restrictions on Banking Operations.*—The banks are forbidden to have an amount of bank notes in circulation exceeding a rate which varies according to their respective capitals, so as not to exceed once and a half its amount when that capital is not more than one hundred thousand dollars, nor sixty

per cent. of that amount, when the capital is, or exceeds, two millions; to extend their loans and discounts beyond twice and a half the amount of their respective capital; to issue notes not payable on demand, or bearing interest (post notes); to issue notes of a less denomination than one dollar; to purchase their notes for less than their nominal value; to lend or discount on the security of their own stock; to charge more than six per cent. interest on discounted notes payable within sixty-three days; to make, directly or indirectly, any loans or discounts to their directors respectively, to an amount exceeding in the aggregate one third of their capital.

3. *Directors.*—Besides the limitation on their own discounts, they are made personally liable, if consenting to any act in violation of the laws respecting monied corporations. Every director must have a number of shares determined by the charter. No director or officer of the bank is permitted to purchase, discount, or loan money on a note which has been rejected by the bank.

4. *Inspection and Publicity.*—It is the duty of three bank commissioners, appointed by the Governor and Senate, to inspect, once at least in every four months, the affairs of every bank; to examine all their books, papers, notes, bonds, and other evidences of debt; to ascertain the quantity of specie on hand, and generally the actual condition of the banks and their ability to fulfil their engagements. The commissioners are authorised to examine upon oath all the officers of the banks, or any other person, in relation to their affairs and condition; and they must report annually to the Legislature abstracts from the report made to them, and such other statements as they may deem useful.

5. *Suspension and Dissolution.*—All the banks created subsequent to the year 1828 are, by provisions inserted in their charters, directed, as has already been stated, to discontinue their operations, unless permitted by the Chancellor, if they shall neglect or refuse, for ten days, to redeem in specie any evidence of debt issued by them. This special provision has not been inserted in the charters of the old banks which have been renewed since that time. During a suspension of specie payments, the suspending banks are obliged to pay damages, at the

rate of ten per cent. a year, on every evidence of debt, the payment of which has been demanded and refused.

It is provided by the general laws, that, if any bank shall have lost one half of its capital stock, or shall have suspended the payment of its bills in specie for ninety days, or shall refuse to allow its officers to be examined upon oath by the commissioners, the said commissioners may, and, if they ascertain that the bank is insolvent, or has violated any of the provisions binding on such bank, they shall, apply to the Court of Chancery for an injunction against such bank and its officers. The Attorney General, and every creditor, director, and, in some cases, stockholder of the bank, may also apply for an injunction.

The Chancellor, upon any such application, may, according to circumstances, suspend or dismiss any of the officers of the bank, restrain it from exercising its corporate powers, sequestrate its property, dissolve it as an insolvent corporation, and appoint a receiver for the liquidation of its affairs.

It is further provided by the act of 3d December 1827, which sanctioned the first part of the Revised Statutes, that "the charter of every corporation, that shall thereafter be granted by the Legislature, shall be subject to alteration, suspension, and repeal, in the discretion of the Legislature" (*n*).

Finally, it is enacted by the third part of the Revised Statutes, passed as one act on the 10th December 1828, that "whenever any incorporated company shall have remained insolvent for one whole year; or for one year shall have neglected or refused to pay and discharge its notes or other evidences of debt; or for one year shall have suspended the ordinary and lawful business of such corporation; it shall be deemed to have surrendered the rights, privileges and franchises granted by any act of incorporation, or acquired under the laws of this State, and shall be adjudged to be dissolved" (*o*).

6. *Safety Fund.*—Every bank chartered, or the charter of which has been renewed subsequent to the act of April 2d 1829, pays annually, during six years, to the Treasurer of the State, a

---

(*n*) Revised Statutes, Part I., Chap. xviii., Title 3d, Section 8.

(*o*) Revised Statutes, Part III., Chap. viii., Title 4th, Art. 2d, Section 38.

sum equal to one half of one per cent. on its capital. These payments, called the "bank fund," are appropriated to the payment of such of the debts of any of the said banks which shall become insolvent, as shall remain unpaid, after applying the property and effects of such insolvent bank. And whenever the fund shall be reduced, by the payment of such debts, to less than three per cent. upon the aggregate capital of the banks, every bank shall again renew its annual payments of one-half of one per cent. on its capital, until the fund shall again amount to three per cent. on the aggregate capital.

It cannot be denied that the banking system of the State of New York, since it has been subject to these regulations, has proved superior to most, and inferior to none, of the plans adopted in other States. The banks, though they did suspend, were the first to resume, and have ever since maintained specie payments. Since the year 1830, only two banks subject to the regulations, have been dissolved. One of these, having a capital of one hundred thousand dollars, was for some irregularity dissolved by act of the Legislature. It paid all its debts, and the whole of its capital to the stockholders. The other (the City Bank of Buffalo) was dissolved by process of law; and its entire capital of four hundred thousand dollars is sunk. During the same period of ten years, and under a regimen till lately much less severe, not less than nine banks in Boston, with a capital of three millions six hundred thousand dollars, have failed, or been dissolved; but in five of those cases, the creditors suffered no ultimate loss.

The provisions, which define and limit the legitimate operations of the banks, as well as those which ensure the actual payment of the capital, or are intended to preserve it entire, have proved efficient and do not seem to require any alteration. It has been often suggested, and instances have been adduced to prove, that provisions for ensuring the actual payment of capital might be evaded. The instances adduced have occurred when the provisions were inadequate. None has taken place amongst the New York banks subject to the present system. It will not be asserted that such instances may not occur; but when they are so extremely rare, to argue thence, that the provisions are unnecessary or inefficient, is as illogical as an attempt to prove that, because some criminals escape, laws for the punishment of crimes are unnecessary and inefficient.

For the enforcement of those provisions and of the other restrictions on banking operations, an inspection and thorough investigation of the affairs of the banks, by officers unconnected with those institutions, were necessary; and those investigations by the Bank Commissioners, as well as the publicity given to their statements, have proved eminently useful. No further provision in this respect seems necessary.

Two additional regulations only, of primary importance, will be suggested. The first relates to the restrictions on the amount of loans and discounts; the other to the provisions in case of suspension of specie payments.

The restriction on the amount of issues was originally almost nominal, inasmuch as it far exceeded the amount which any bank might or did issue. The amount now permitted is still too great, at least for banks which have but a small capital. This condition may still be retained; but it will lose much of its importance, provided the restriction upon the loans and discounts shall be modified.

All the debits and credits of a bank may, for the sake of perspicuity, be reduced, on the one side, to the capital, circulation and deposites; on the other, to the real estate, the amount of loans, discounts, and other investments bearing interest, and the specie. For all the other items, of which the principal are the notes of other banks on hand, and the balances due to and from other banks, may be included under some of the general heads above mentioned. Thus, for instance, all the balances due to other banks are deposits; and all the notes of other banks, or balances due by them, should, if the bank has been properly administered, be available resources, tantamount to specie. It is obvious, that the maximum of the investments bearing interest will regulate all the other varying items.

Supposing, for instance, that the maximum of discounts, loans, and other investments, bearing interest, should never exceed once and three-fifths of the capital of the bank, and that the statement of a bank, having a capital of one million, should on any given day be as follows, viz.:

Capital	$1,000,000	Real estate	$ 100,000
Circulation and deposits	1,000,000	Loans, discounts, stocks, &c.	1,600,000
		Specie	300,000
	2,000,000		2,000,000

—it is evident that, since the capital and real estate are constant quantities, and the amount of loans, &c. is at its maximum, any increase in the circulation and deposits, or any other liabilities of the bank, must necessarily produce a corresponding increase of specie or available resources of the bank. And the effect of this would be to strengthen instead of weakening the bank; since the ratio of available resources to liabilities payable on demand would thereby be increased. The efficiency of the provision depends entirely on the reduction of the maximum of loans and discounts, so that they shall not exceed the amount necessary to ensure a sufficient dividend.

That maximum is now fixed at twice and a half the amount of the capital, which would yield a gross profit of at least fifteen per cent.; and, after deducting three per cent. for expenses, tax, and contingencies, leave a dividend of twelve per cent. on the capital; and a dividend of even fifteen per cent. has accordingly been sometimes realized by country banks with a small capital. Considered as a whole, the excessive and fatal expansions of the years 1836–1837, could not have taken place, had the maximum been properly regulated. On the 1st of January 1837, the loans, discounts and stocks of the ninety banks subject to the bank-fund law, and having a capital of thirty-two millions five hundred thousand dollars, amounted to sixty-nine millions, that is to say, to twice and one-eighth of their capital. The consequence was, an amount of circulation and deposits of forty-five millions, with less than six millions in specie (*p*).

As the legal interest of New-York is seven per cent., the average interest on discounts may, independent of occasional profits on exchange, be estimated at six and a half per cent. If, therefore, the maximum of loans, discounts, and all other investments

(*p*) The Manhattan Company, which was not subject to the law, with a capital of $2,050,000, had extended its loans and discounts to $5,450,000; and its circulation and deposits amounted to $4,920,000.

bearing interest, was reduced to once and a half the amount of the capital, the gross profits would amount to nine and three quarters per cent., and, after deducting three per cent. for expenses, &c. leave a dividend of six and three quarters per cent. on the capital. In point of fact, a reference to the numerous bank statements of different States, which have been lately published, will show, that the average amount of the loans, discounts, &c. of well-administered banks, is nearly in that ratio.

On the 1st January 1840, the loans, discounts and stocks of the ninety banks of the State of New-York, subject to the bank-fund law, and having a capital of thirty-two millions five hundred and fifty thousand dollars, amounted to fifty-three millions four hundred and twenty thousand dollars, that is to say, in the ratio of *one hundred and sixty-four* to *one hundred* of their capital. The capital of the eighteen city banks, of the same description, amounted to sixteen millions six hundred thousand dollars, and their loans, discounts and stocks to twenty-five millions and forty thousand dollars, that is to say, in the ratio of *one hundred and fifty-one* to *one hundred* of their capital. The aggregate dividend of the eighteen city banks was 6·87 per cent., and that of the seventy-two country banks 8·82 per cent. on their capital. The great importance and practicability of a provision fixing that maximum are obvious. The ratio, at most, of *one hundred and sixty* to *one hundred* of the capital may be proper, as, under that, banks will hardly ever exceed *one hundred and fifty* to *one hundred.*

With respect to suspensions, the provision which compels all the new banks to discontinue their operations, except the securing and collecting of debts, whenever they shall decline for ten days to redeem in specie any evidence of debt issued by such banks respectively, should, in the first place, be expressly extended to all their liabilities payable on demand, and be made applicable to all the banks without exception.

This being done, and in case the Chancellor should permit any bank thus suspended to proceed in its business, the alteration proposed is that, notwithstanding the leave thus given, the bank should, until it had resumed payments in specie, be prohibited to issue any of its notes, to increase the aggregate of its loans and discounts, or to increase the amount of loans previously obtained by any of its officers or directors. For the purpose of rendering the first of these provisions efficient, it would be further necessary to prohibit any bank whatever to issue the notes of any bank which had suspended specie payments. The following advantages would ensue.

In the first place, it is a natural remedy. Since the banks have been permitted to issue a paper currency on the express condition of its being at all times redeemable in specie, the permission should cease whenever the condition is not performed. The prohibition would also have a direct tendency to enable the solvent banks to resume within a short time. And finally, it would make it the interest of all the parties immediately concerned, and of the whole community, to prevent a suspension, or to make it of the shortest possible duration.

Experience has shown, that persons laboring under embarrassments, or from some temporary, selfish or erroneous motives, may promote, or protract, a general suspension. If they are made certain, that such a measure will make money more scarce, as it is called, instead of more abundant, and that their situation will be worse instead of being improved, one of the causes which most seriously endangers the banking system will be removed.

Other improvements of less importance might be suggested.

The amount discounted for any one director might be limited; the banks might be prohibited from making any loans to the president or cashier; and these two officers should not be permitted to deal in stocks.

The annual tax of one half per cent., imposed under the name of "safety fund," is unjust towards the banks which are well administered, and injurious to the community at large. To make a bank responsible for the misconduct of another, sometimes very distant, and over which it has no control, is a premium given to neglect of duty and to mismanagement, at the expense of the banks which have performed their duty and been cautiously administered. That provision gives a false credit to some institutions, which, not enjoying perfect confidence, would not otherwise be enabled to keep in circulation the same amount of notes; and it therefore has a tendency unnecessarily to increase the amount of paper money. The fund would be inadequate in case of any great failure; and it provides at best only against ultimate loss, and not at all against the danger of a general suspension.

It has been suggested that, although every legislative attempt to make a paper currency payable at different places, a general and uniform currency for an extensive country, is improper and must fail (*q*), yet the safety fund tax might be rendered less improper, by applying it to each county, or other district of country prescribed by law, respectively. Thus the banks would each be made responsible, to the extent of the tax, for the banks only within the same county or district. They would all thereby be induced to watch and regulate those in their own vicinity.

In connexion with this branch of the subject, there is a measure which, though belonging to the administration of banks rather than to legal enactments, is suggested on account of its great importance. Few regulations would be more useful, in preventing dangerous expansions of discounts and issues on the part of the city banks, than a regular exchange of notes and checks, and an actual daily or semi-weekly payment of the balances. It must be recollected, that it is by this process alone that a Bank of the United States has ever acted, or been supposed to act, as a regulator of the currency. Its action would not, in that respect, be wanted in any city, the banks of which would, by adopting the process, regulate themselves. It is one of the principal ingredients of the system of the banks of Scotland. The bankers of London, by the daily exchange of drafts at the clearing-house, reduce the ultimate balance to a very small sum; and that balance is immediately paid in notes of the Bank of England. The want of a similar arrangement amongst the banks of this city produces relaxation, favors improper expansions, and is attended with serious inconveniences. The principal difficulty in the way of an arrangement for that purpose, is the want of a common medium other than specie for effecting the payment of balances. These are daily fluctuating; and a perpetual drawing and redrawing of specie from and into the Banks is unpopular and inconvenient.

(*q*) This subject will again be adverted to in reference to a Bank of the United States.

In order to remedy this, it has been suggested, that a general *cash office* might be established, in which each bank should place a sum in specie, proportionate to its capital, which would be carried to its credit in the books of the office. Each bank would be daily debited or credited in those books for the balance of its account with all the other banks. Each bank might at any time draw for specie on the office for the excess of its credit beyond its quota; and each bank should be obliged to replenish its quota, whenever it was diminished one half, or in any other proportion agreed on.

It may be, that some similar arrangement might be made in every other county, or larger convenient district, of the State. It would not be necessary to establish there a general cash office. Each of the banks of Scotland has an agent at Edinburgh, and the balances are there settled twice a week, and paid generally by drafts on London. In the same manner the balances due by the banks, in each district, might be paid by drafts on New York, or any other place agreed on; and the notes of the several banks in the same district would be received by all, and be a common and uniform currency for the whole district. But the process, which is practicable for a country of no greater extent than that portion of Scotland where banks are established, cannot be extended beyond certain limits. It cannot certainly be applied to the whole of the United States, nor, it is believed, to the whole State of New York, so as to make the notes issued by all the banks a uniform currency for the whole.

Paper money is from its nature a local currency, confined to the place where it is made payable and to its vicinity. The selection of the place or places where it is made payable may be left to each bank respectively; but they should not be compelled by law to make it payable or redeemable at more than one place. In order to obviate this difficulty, the country banks of the State of New York have been enjoined, by a late law, to redeem their notes at New York or Albany, at a certain fixed discount. This is, in fact, an attempt to regulate the rate of exchange; which is not a proper object for legislation, and should be left to be regulated by the course of trade.

Although the former general laws prohibited only notes under one dollar, a subsequent act did, for a short time, extend the prohibition to all notes under five dollars. This is in itself a proper measure; inasmuch as it lessens the gross amount of issues; contributes, as far as it goes, in making the wages of labor and the articles of consumption which are daily retailed, payable only in specie; and protects the poor classes of the community against the contingency of a depreciated currency. The prohibition would be still more useful and efficient, if it could be extended to all notes under twenty dollars. But there has been a universal demand for notes under five dollars, not only in this, but in many other States; and the issue of notes of that description has again been permitted by a law of this State.

It is believed that this demand may be principally ascribed to the act of Congress, which has rated silver under its true value as compared with gold. It seems to be at all times improper to give a legal relative value to the two precious metals, different from their respective market price. This indeed varies according to the variations, in the respective demand and supply in different countries. But these variations are small, and an average ratio may be assumed sufficiently correct for all practical purposes during a number of years. If a contrary course be pursued, the precious metal which is underrated will cease to circulate freely, and will become a merchandise. It may also be observed, as regards the United States, that gold is imported from countries where it is not produced, and can therefore be naturally imported only when exchanges are favorable; whilst silver is imported directly from Mexico and other parts of America, of which it is the natural annual product, and must, as the cotton of the United States, be necessarily exported annually, without regard to price or rate of exchange. Before the act of Congress alluded to, the silver crop of Mexico did naturally flow into the United States; it now seeks the more favorable market of England.

But the immediate effect of that act on the currency of the country, has been to give to the silver, necessary for change or small payments, a legal nominal value less than its actual worth. It is believed that a similar experiment had never before been attempted in any country. Everywhere else, as well as in America, the silver coins, daily wanted for exchange, had been made either to correspond, or to be inferior in value, to gold coins, or to silver coins of a higher denomination. The necessary result is to drive silver from circulation; and that inconvenience has been in part obviated, only by permitting small foreign silver coins, though depreciated from five to ten per cent., to pass at their nominal value. Hence, the demand for notes of one and two dollars was so urgent, that foreign notes of that denomination became a general circulating medium, in open violation of the laws of this State. To permit its banks to issue small notes, became in fact a measure necessary, in order to protect the community against a worse description of paper.

There seem to be but two remedies for that evil, and they depend on the action of Congress. The first, and, it is believed, the most proper, would be to alter the ratio of gold to silver, according to their true relative value. This would render a new gold coinage necessary, and might cost about three hundred thousand dollars, in order to redeem the existing coinage at its nominal value. The other mode would be, to adopt the British plan, and to issue as tokens, not as a legal tender, but as a voluntary currency, a silver coinage depreciated by alloy five to ten per cent. In that case the coinage must, like that of copper coins, be made by Government, and not for individuals; and it is necessary, in order to prevent any excess beyond the amount actually requisite for the wants of the community, that the Mint should at all times, when required, redeem such coinage at its nominal value.

According to a return made to the State's Senate, the amount of the different denominations of the notes issued by the several banks of this State was on the 1st of January 1836, as follows:

Under five dollars	$2,589,714
Of five do.	6,029,933
Of ten and twenty	5,687,004
Of fifty and one hundred	3,131,175
Of above one hundred	3,451,100
	$20,888,926

The country banks had in circulation only twenty-five thousand dollars in notes of a higher denomination than one hundred dollars.

FREE BANKING.

Notwithstanding the comparatively favorable result of the New York restrictive system of chartered banks, it has been strenuously assailed; and the attempt has been made to substitute for it that which has been called *free banking.*

A monopoly, embracing all the ordinary banking operations, had in this State been created in favor of the chartered banks. By an act passed in 1818 and confirmed, as included in the first part of the Revised Statutes, by the act of December 3d, 1827, it was enacted that, "no person, association of persons or body corporate, except such bodies corporate as are expressly authorised by law, (the chartered banks,) shall keep any office for the purpose of receiving deposits, or discounting notes or bills, or issuing any evidences of debt, to be loaned, or put in circulation as money; nor shall they issue any bills or promissory notes or evidences of debt as private bankers, for the purpose of loaning them, or putting them in circulation as money, unless thereto specially authorised by law."

So much of that law as forbade any person or association of persons to keep offices for the purpose of receiving deposits or discounting notes or bills, was repealed by a law passed February 4th, 1837 (*q*). It is not believed that any such prohibition, that of receiving deposits or discounting notes or bills, has ever existed in any of the other States, or in any other country. It was denounced by the writer of this essay more than ten years ago. And it must be well understood, that, in the discussion respecting free banking, the only question at issue relates exclusively to the power of substituting bank notes, or paper money, for a specie currency. It is now universally agreed, that with that single exception, every other species of banking operations, not only must be open to all, but requires no more restrictions than any other species of commerce.

(*q*) But any corporation, created by the laws of any other State or country, is still forbidden to keep any office for the purpose of receiving deposits, discounting notes or bills, or issuing bank notes.

The term "free banking," or, to speak more correctly, free issuing of paper money, embraces two distinct propositions; first, that all persons, or associations of persons, should be permitted to issue paper money on the same terms; secondly, that paper money may be issued by all persons, or associations, without any legislative restrictions.

The exclusive right of issuing a paper currency, granted to the chartered banks, was a monopoly; and monopolies can never exist without violating, to a certain extent, individual rights. But the actual evils produced by that particular monopoly have been greatly exaggerated, and should be reduced to their true value.

The right of issuing paper money as currency, like that of issuing gold and silver coins, belongs exclusively to the nation, and cannot be claimed by any individuals. If it be insisted that Government has no right to part with it, unless it be granted to all, it must be recollected that a right which from its nature cannot be exercised by an individual, is for him a nullity. The right in question can be exercised only by men of wealth, or by impostors. The poor classes cannot enjoy it: the right claimed is only, that all wealthy persons should be placed on an equal footing.

The monopoly also is in that case limited to the formation of the banks. The favored or original subscribers expect to make a profit of about five per cent. upon their shares; and thus far the monopoly extends. From the moment the bank has been organised, the monopoly ceases; every person may participate and become an associate in the banking business who can purchase bank shares; and these, being generally of twenty-five or fifty dollars each, are within the reach of almost all the sober and industrious members of the community.

Competition amongst the monopolists had also rendered the privilege valueless. There is not a single city bank, chartered subsequent to the year 1833, the stock of which is not below par. The small profit anticipated by the original subscribers has not been realised. On the other hand, the partiality exhibited by the Legislature in granting charters, had prevented any immoderate increase of the banking capital of this city, and that was a beneficial result; for the permission of issuing paper money, when given to all, has a tendency to increase its quantity, and the dangers to which such issues are always liable.

The opposition to the banking system was originally, in this State, as much against paper currency, by whomsoever issued, as against the monopoly enjoyed by the banks; and the preceding observations have been introduced principally because, in pursuing too eagerly that which was almost a shadow, the opponents seem to have lost sight of the principal object, and to have remained satisfied that there should be a dangerous excess of paper money, provided every body should be permitted to issue it.

But, even if it should be satisfactorily proved that the monopoly of chartered banks has been attended with favorable results as regards the soundness of the currency, the dangers of special, substituted for general, legislation are a paramount objection. The very essence of law consists in its being equal and general; and, although there are some necessary exceptions, special legislation should never be resorted to whenever it can possibly be avoided.

The danger of special laws is greatest when they relate to monied institutions, or to special appropriations of money. It is generally believed, that the original charters of some of the city banks were, about thirty years ago, obtained by direct corruption. Although, in latter years, nothing more has been alleged against the Legislature than the influence of party spirit, or yielding to personal solicitations, yet the danger, and even the suspicion, of being controlled by more degrading motives should be avoided. The fatal consequences of the baneful influence of the banking interest in other States are but too well known. In the case now under consideration, it is believed that a general law may be substituted for special legislation. The principal object will be obtained, provided the law be equal, that is to say, provided that all may be permitted to issue a paper currency on the same terms. But it is at the same time the firm conviction of the writer, that it is necessary, in order to secure a sound currency, that restrictions should be imposed upon all those who do issue the paper.

The proposition, that a paper currency may be issued by all, without any legislative restrictions, appears to be founded on an erroneous application of the principle of free trade. Free competition, in producing or dealing in any commodity, causes a reduction in the cost, or an improvement in the quality of the commodity. In money dealings, the same competition furnishes the use of money, and procures discounts of negotiable paper on the cheapest possible terms. But, issuing a paper currency is not dealing in money, but making money. The object, with respect to such currency, is not to produce a commodity cheaper, or varying in value, but, on the contrary, to furnish a substitute perfectly equal to gold or silver, and therefore of comparatively invariable value. Competition cannot make a cheaper currency, unless by making it worse than the legal coin of which it is the representative. In that case, it becomes analogous to a debased coin; and, if permitted to circulate, the bad generally drives away the faithful currency.

The general currency is always the standard of value of the country. To fix that standard, is as important and necessary as to fix the standard of weights and measures. Both are preliminary enactments which regulate and govern the freest possible trade. Gold and silver are the only standard of value recognised by the constitution. The power to regulate the value of gold and silver coins, as well as that of fixing the standard of weights and measures, is vested in the General Government. If any State Legislature permit the substitution of a paper for a gold or silver currency, it is bound so to regulate that currency, that it shall not alter the constitutional standard of value. The unrestricted right of coining gold or silver might be claimed with as much propriety as that of coining a paper currency.

No restrictions should be imposed on the acts of individuals, or associations, but such as are necessary to secure the rights of others, or to protect the whole community. But thus far the restrictions are proper and necessary. It will not be denied, that the evils of a depreciated currency, and those resulting from either the failure or the suspension of payment of those who issue a paper currency, universally fall most heavily on the poorer classes, and the most ignorant members of society. Restrictive laws are necessary for their immediate protection, as well as in order to guard against the general evils of an irredeemable currency.

It has been asserted, but not a single argument has been adduced in support of the assertion, that an indefinite number of unrestricted banking associations, or private bankers, would secure the community against the dangers of depreciation, suspension, or failure. If we appeal to experience, we find that the attempt to introduce that system in Michigan has been a complete failure, and has been the source of innumerable frauds. In some States, banks have been so unrestricted, and charters so liberally granted, that the result differed but little from complete free banking. Indeed, what more unrestrained system can be devised, than one which has produced nine hundred banks and branches, and, under which, all the restrictive laws are suspended in one half of the States. The evils under which we labor are principally due to the want of proper restriction upon the banks. The result has been favorable in proportion as the restraints have been most efficient.

Abroad, the privilege of issuing bank notes or private negotiable paper as currency, has nowhere, except in the British dominions, been considered as belonging of right to private individuals, or to joint stock associations. The experiment of free banking has been made only in Great Britain. With respect to the country bankers, the experiment may be considered as a failure. The number of bankruptcies and the amount of losses have been as great as under the former loose system of the banks of the several States; and, in proportion, far greater than in New York, under its better regulated system (*r*). The establishment of joint stock banking associations in England is of too recent a date, to form any definitive opinion of their eventual success. As yet, the example of the banks of Scotland can alone be appealed to in favor of free banking.

These banks cannot be compared to those of our large cities. They are, in fact, subordinate to the Bank of England; dependent for the payment of their balances on their London funds, hardly ever called on for specie, and suspending their specie payments

(*r*) The commissions of bankruptcy in England against bankers amounted to ninety-two during the years 1814–16; to sixty-five during the year 1825 and the three first months of 1826. The annual average was eight, from 1817 to 1824 inclusive.

whenever the Bank of England does suspend. But there must be a difference of habits between Scotland and even England, such as to have induced Parliament not to include the first in the general regulation which prohibits the issue of notes of a less denomination than five pounds. The difference is still greater between Scotland and America.

The spirit of enterprise will always be proportionate to its field, to the prospects open to it by the extent, geographical situation, and other circumstances of the country. The Scotch are an enterprising people; but the great and indeed extraordinary progress they have made in agriculture, manufactures and commerce, has been gradual and regular, obtained by persevering industry, and accompanied by a degree of prudent caution and of frugality altogether unknown in America. The population of Scotland is so far stationary, that it consists almost exclusively of natives of the land. The property, standing and character of every member of the commercial community are generally known. All persons may nominally establish banks; but their notes could not circulate unless received by the old banks; and these perfectly check each other by the regular payment of their respective balances. There is another ingredient, belonging to all the free banks of Great Britain, which will be immediately adverted to, and which would, it is believed, present an insurmountable obstacle to the introduction of unrestricted banks in America.

It would not be fair to draw general inferences against free banking, from the consequences of the defective system of New York. It will be perceived that the preceding observations have no reference to that system, and apply generally to the most perfect plan which might be devised. The provisions of the free banking act of New York will now be examined.

That law was passed in April 1838, at a time when the general prejudice against chartered banks, growing out of the warfare waged against them, had received additional strength from the suspension of specie payments, and when their monopoly was generally deprecated. Unfortunately no substitute, or rational plan of free banking, had been prepared by its advocates. The act bears internal evidence, that it was prepared by speculators, who took advantage of the opportunity for procuring a law that would suit their purpose.

There was, however, an intrinsic difficulty in passing a law founded on correct principles. The condition alluded to, as common to all private bankers who have ever been permitted to issue a paper currency, and to all the free banking associations of the same description which have ever existed, is the personal responsibility, to the whole extent of their fortune, of the private bankers and of all the shareholders in the banking associations. That responsibility is and has always been deemed essentially necessary. But whilst there were in existence ninety chartered banks spread over the whole State, whose shareholders were not subject to that responsibility, it would have been a mockery to authorise nominally free banks, with that responsibility attached to the associates. We may go farther, and say that such a plan would not be practicable, even if banks of a different description had not existed.

That degree of reciprocal confidence does not and cannot exist here, which would induce men of property to risk the whole of it, for the sake of obtaining the interest, or very little more than the ordinary interest, on their share in the association. That which is actually the fact in Scotland, is not practicable here. The laws, habits, and public opinion are not the same. American merchants, indeed, give large, and often indiscreet credits, but always in the expectation of a large profit. The shareholders of the Bank of Commerce, consisting of some of the most wealthy and respectable merchants and other men of capital of this city, aware of the greater confidence placed in chartered banks than in the new banking associations, have authorised the directors to accept a charter, if it could be obtained; but with the express condition, that it should not impose personal responsibility on the shareholders. No stronger proof can be given of the insurmountable reluctance to such a provision.

It is evident that some other guarantee is necessary, when there is no personal responsibility. That guarantee has heretofore always been that of the actual payment in specie of a capital fixed by law. This is the substitute which has always been required from the chartered banks, and which should have been the essential condition imposed on the contemplated banking associations. The omission of any efficient provision for that purpose is the fundamental error of the law. It declares, indeed, that the capital shall not be less than one hundred thousand dollars, but does not specify of what that capital shall consist, nor when or how it shall be paid. The principal provisions of the act are the following.

The persons associated must file, in the office of the Secretary of State, a certificate specifying the name, place, duration, and capital of the association; and they may provide, by their articles of association, for an increase of their capital.

The banking business, which the associations may carry on, is defined nearly in the same words used in the charters of the old banks; and they are in the same manner forbidden to hold real estate otherwise than as is provided in the same charters.

No association shall, for the space of twenty days, have less than twelve and a half per cent. in specie on the amount of its circulation; nor, if its capital should be reduced, make dividends until the deficit shall have been made good; nor issue bank notes of a denomination less than one thousand dollars, payable at any other place than that where its business is carried on. By a subsequent amendment to the law, the associations are forbidden to issue post notes; and the provision respecting specie is repealed.

The associations shall pay damages at the rate of fourteen per cent. per annum, for non-payment only of every note in circulation, the payment of which shall have been demanded and refused.

The bank notes, which any association may issue, must be prepared and countersigned by the Comptroller of the State; and he is not to deliver to any association, notes to a greater amount than that of State stocks, or of mortgages, previously deposited with him by the associations respectively. The stocks, &c. thus deposited are pledged for securing the payment of the notes put in circulation, and shall be sold accordingly, whenever required for that purpose. By a subsequent law, mortgages and the stocks of the State alone are receivable.

Semi-annual statements of the affairs of every association, verified by the oath of the president or cashier, must be transmitted to the Comptroller and published by him.

Upon the application of creditors or shareholders, the Chancellor may order a strict examination to be made of all the affairs of any association; and the result of such examination, together with his opinion thereon, shall be published in such manner as he may direct.

If any association shall neglect to transmit to the Comptroller the statements required, or if it shall have made dividends in violation of the provision above stated, or if it shall violate any of the provisions of the act, such association may be proceeded against and dissolved by the Court of Chancery.

The shares of the associations shall be transferable on their books; and every person, to whom such transfer shall be made, shall succeed to the rights and liabilities of prior shareholders. No shareholder shall be liable in his individual capacity for any contract or debt of the association, unless declared to be so liable by the articles of the association; and no association shall be dissolved by the death, or insanity, of any of the shareholders.

All contracts made and notes issued by any such association shall be signed by the president, or vice-president, and cashier. All suits, actions, and proceedings brought or prosecuted, in behalf of such association, may be brought or prosecuted in the name of the president; and all persons, having demands against the association, may maintain actions against the president. Such suits or actions shall not, in either case, abate by reason of the death, resignation, or removal from office of such president, but may be continued and prosecuted to judgment, in the name of, or against his successor in office, who shall exercise the powers and enjoy the rights of his predecessor.

All judgments and decrees rendered against such president, for any liability of the association, shall be enforced only against the joint property of the association. No change shall be made in the articles of association, by which the rights, remedies, or security of its existing creditors shall be weakened or impaired.

The original certificate filed with the Comptroller affords no security that the capital has been paid. It does not appear to require the sanction of an oath; and there is no penalty for making a false certificate. There is no provision, declaring of what the capital shall consist, or in what manner it shall be paid. The only provision, in that respect, is the obligation to deposit the stocks or mortgages, equal in amount to that of the bank notes issued by the association. Beyond that deposit, which by the supplementary law must amount to one hundred thousand dollars, no provision whatever is made for the residue of the capital. This may be nominal or real, consisting, at the will of the parties, of specie, mortgages or stocks of any description, of nominal debts, or of nothing at all. There is no provision to prevent the shareholders from paying their shares by giving their own notes. Even the minimum of securities deposited with the Comptroller, and intended as a guarantee for the payments of the issues, was not determined by the original law. An association depositing ten thousand or one thousand dollars, in stock of the most equivocal character, and announcing a capital of some millions of dollars that did not exist, was permitted to begin its operations. Heretofore, it had been deemed essential that the whole capital should be paid in specie. An honest institution, with a capital consisting of nothing but mortgages, has nothing to lend, and must necessarily begin its operations by contracting a debt. And those mortgages afford no available resources to meet the liabilities to which a banking association must necessarily be liable.

The dangers of an excessive capital, concentrated in associations invested with the attributes and privileges of a corporate body, are undeniable, and have been lately sufficiently exemplified. That danger is greatly increased, if the duration of such associations is indefinite. This had always been attended to. No bank had ever been chartered in this State with a capital exceeding two millions of dollars; and none could either increase or reduce it without the consent of the Legislature. With the exception of two institutions, incorporated for other objects, the duration of a bank did not exceed twenty-five years. No provision was made in either respect by the free banking law; and as a specimen of the expectations of the first projectors, we annex a statement of the applications made during the first six months after the law had gone into operation.

Name and Style of Company.	*Where located.*	*Capital subscribed.*	*May be increased to*	*Chartered for*
		Dollars.	Dollars.	Years.
Bank of Western New York . .	New York city	500,000	500,000	100
Bank of Western New York . .	Rochester	180,000	180,000	100
North American Trust & Banking Co.	New York city	2,000,000	50,000,000	463
Bank of the United States in New York	New York city	200,000	50,000,000	62
Mechanics' Banking Association .	New York city	128,175	10,000,000	99
Staten Island Bank . . .	PortRichmond	100,000	5,000,000	100
Erie County Bank	Buffalo	100,000	100,000	112
Lockport Bank and Trust Company	Lockport	500,000	2,000,000	262
Bank of Central New York . .	Utica	100,000	2,000,000	4050
Bank of Syracuse	Syracuse	100,000	1,000,000	500
American Exchange Bank . .	New York city	500,000	50,000,000	100
Farmers' Bank of Orleans . .	Gaines	200,000	500,000	25
St. Lawrence Bank . . .	Ogdensburgh	100,000	2,000,000	100
Merchants' and Farmers' Bank .	Ithaca	150,000	2,000,000	201
Willoughby Bank	Brooklyn	100,000	100,000	100
Stuyvesant Banking Company .	New York city	300,000	2,000,000	199
New-York Banking Company .	New York city	1,000,000	20,000,000	100
EastRiverBankoftheCityofNewYork	New York city	100,000	25,000,000	152
Chelsea Bank.	New York city	1,000,000	10,000,000	150
Farmers' Bank of Ovid . . .	Ovid	100,000	1,000,000	112
Tenth Ward Bank . . .	New York city	100,000	10,000,000	462
Bank of Waterville . . .	Waterville	100,000	1,000,000	1000
Millers' Bank of New York . .	Clyde	300,000	1,000,000	1000
Albany Exchange Bank. . .	Albany	100,000	10,000,000	602
Exchange Bank of Genesee . .	Alexander	100,000	500,000	162
Farmers&MechanicsBankofGenesee	Batavia	100,000	1,000,000	162
Genesee County Bank . . .	Le Roy	100,000	1,000,000	161
United States Bank of Buffalo .	Buffalo	100,000	5,000,000	200
Bank of Kinderhook . . .	Kinderhook	125,000	300,000	50
Merchants' Exchange Bank of Buffalo	Buffalo	200,000	5,000,000	100
Le Roy Bank of Genesee . .	Le Roy	100,000	1,000,000	161
Mechanics' and Farmers' Bank .	Ithaca	100,000	1,000,000	362
Genesee Central Bank . . .	Attica	100,000	1,000,000	300
WoolGrowers'BankoftheStateofNY.	New York city	100,000	2,000,000	100
Bank of Lowville	Lowville	100,000	500,000	463
Erie Canal Trust&Banking Company	Buffalo	200,000	10,000,000	300
Hudson River Bank . . .	New York city	100,000	20,000,000	150
Powell Bank	Newburgh	130,000	1,000,000	100
Patriot Bank of Genesee . . .	Batavia	100,000	1,000,000	161
Bank of Brockport	Brockport	150,000	1,000,000	160
Ithaca Bank	Ithaca	250,000	1,000,000	662
Deposite Bank of Albany . .	Albany	100,000	5,000,000	161
Bank of Waterford . . .	Waterford	100,000	5,000,000	161
Silver Lake Bank of Genesee . .	Perry Village	100,000	1,000,000	161
Bank of the City of New York .	New York city	100,000	50,000,000	500
Fort Plain Bank	Fort Plain	100,000	500,000	161
Troy Exchange Bank . . .	Troy	100,000	10,000,000	661
United States Trust & Banking Compy	New York city	1,000,000	50,000,000	500
Railroad Bank of Coxsackie . .	Coxsackie	100,000	1,000,000	161
James Bank	Jamesville*	106,000	1,000,000	661
North Bank	New York city	100,000	10,000,000	462
Bank of Warsaw	Warsaw	100,000	1,000,000	161
Bank of North America . . .	New York city	100,000	50,000,000	200
State Stock Security Bank . .	New York city			
	* Saratoga co.	12,319,175	487,680,000	

It is sufficiently apparent, from the provisions of the act, that the free banking associations, though not designated by the obnoxious name of corporations, and though organised under a general law, and not by a special charter, have all the essential and necessary attributes of a corporation. From the moment they are organised, they are in character assimilated with the chartered banks. They are, as joint stock companies, governed in the same manner, and with the same defects inherent to such companies which have already been mentioned. They have the same power and privileges, are liable to the same abuses, and differ only in name, and in that they are exempted from the restrictions imposed on the chartered banks (*rr*).

It must be kept in mind, that all the arguments in favor of banking, not simply free to all, but free also of any restriction, are founded on the presumption that the character and personal responsibility of the banker or bankers afford a sufficient security, and preferable, as is asserted, to any derived from restrictions. It is evident that, when the shareholders are not personally responsible, as was the case in every system of free banking ever attempted anywhere prior to the New York experiment, some other permanent guarantee, and not depending exclusively on the character of directors, who are not always the same, must be provided. It is on that account that precautions are necessary, not only for the payment, but also for the preservation of the capital, which is the guarantee substituted for that responsibility. This is, in fact, the object of the restrictions imposed on the chartered banks.

(*rr*) The free banking law is, at least, so generally understood. The new associations have, by the judgment of the Court for the Correction of Errors, been declared, not to be bodies politic or corporate within the spirit and meaning of the constitution. The decision thus expressed might seem to leave it doubtful whether they were not, however, monied corporations within the spirit and meaning of the Revised Statutes: in which case, they would be subject to all the general laws respecting such corporations. But it was provided by the act of 14th May 1840, that no such association should issue notes not payable on demand and without interest, and that all those associations should be subject to the inspection of the bank commissioners; which would have been unnecessary had those institutions been considered as monied corporations; since all of those having banking powers were made subject to both those provisions by the Safety Fund act.

The original free banking act did not forbid the issuing of post notes; it has in that respect been amended; but the law, as it now stands, contains no provision forbidding the dealing in stocks, nor in relation to the amount either of loans, discounts and other investments, or of the debts, which the new banking associations may contract. They are authorised to loan money on real security, and are generally, with respect to their operations, left still more free than the United States Bank of Pennsylvania. Those restrictions might, by the ardent friends of free banking, be deemed useless, if the shareholders were personally responsible; they become necessary when there is no such responsibility. There are other provisions now in force with respect to chartered banks, the propriety of which, in reference to the new associations, cannot, it is believed, be disputed.

Although the law was passed during the general suspension of the banks, no efficient provision is found in it to guard against the recurrence of the same catastrophe. The only penalty, in that respect, is the obligation to pay damages, at the rate of fourteen per cent. per year on bank notes, the payment of which is demanded and refused. And experience has proved that a similar provision was, in case of a general suspension, almost nugatory. But there is none in the act, either for constraining the associations, which shall have suspended their payments, to discontinue their operations, nor for a dissolution, as the necessary consequence of not resuming specie payments within a year. The Chancellor is authorised to dissolve the institution, only in case it shall have violated some of the provisions of the act; that is to say, in case it should not have the amount of specie required, or should have made dividends with a reduced capital, or have failed in transmitting the semi-annual statements to the Comptroller (*s*). But, under the law, as it now stands, there is nothing to prevent associations, which have suspended their payments, from continuing their operations during an unlimited term of years.

(*s*) Even those statements are complex, partly unintelligible, and differently understood and prepared by the several associations.

The only object which seems to have attracted the attention of the Legislature, is, not the danger of a suspension, but the ultimate redemption of the notes put in circulation. The provision in reference to that object is the only condition, not imposed on the chartered banks, to which the new associations are subject. They must deposit with the Comptroller certain securities, equal in amount to that of the bank notes which they are permitted to issue.

This provision, even as now amended, secures the ultimate redemption of about nine-tenths of the circulation; it is no protection against the immediate depreciation of the notes whenever the banking association fails or suspends. Those only who can wait realize that portion which is ultimately recovered by the sale of the securities. In the meanwhile, the notes dispersed in very small sums, amongst a number of persons, generally those who are least able to discriminate, are sold at a lower price than even their actual worth; and the loss falls on those least able to bear it and who require protection. It is the belief of the writer, that this provision is in fact injurious; inasmuch as it gives an unmerited credit to institutions which do not deserve it, and inspires a general unfounded confidence, on the part of those who from their situation cannot have the information necessary to discriminate between a good and a doubtful bank note (*t*). On one point, at least, there can be but one opinion: nominal restrictions or provisions which do not fulfil the object for which they were intended, ought to be repealed.

The consequences of the act have been nearly such as might have been expected. Several respectable associations have been formed under the law, with the intention of carrying on honestly legitimate banking business. Three such are now in operation in this city, one of which has committed the error of having part of its small capital paid in mortgages. All three carry on their business, and are governed on the same

---

(*t*) It would be extremely desirable, that the people might be persuaded to adopt as a general rule, never to receive or offer in payment a bank note not payable at the place where it is offered.

principles and in the same manner, as the chartered banks. It may be added, that they have also been formed in the same manner. A number of persons unite themselves, in order to establish a bank, take a part of the capital, invite afterwards others to unite with them, and generally preserve the control of the bank. Whether it be the chartered Bank of the State of New York, or the free Bank of Commerce, the process in the formation of both is the same. The only difference in that respect is, that the founders of the one were obliged to obtain the special leave of the Legislature, and that those of the other were enabled to make their arrangements under the auspices of a general law. There can be no doubt that, under such a law, if new, real and honest banks are wanted, they will be formed, and that, when they are found not to be profitable, there will be no desire to increase their number. Under the present imperfect system of free banking, there is, however, this difference between the two species, that the confidence placed in the new associations rests exclusively on the personal standing and character of those who control them ; whilst that which is placed in the chartered banks is founded, not only on the personal character of the directors and officers, but also on the guarantee offered by the restraints imposed on them by law. Limited confidence only can be placed in joint stock companies, which are not laid under efficient restrictions, and subject to strict inspection and examination. The character of the president and directors of the Bank of the United States was as irreproachable, as that of the directors and officers of any of the banking institutions of New York.

But if some banks, formed and governed on sound principles, have been established under the free banking law, it may also give birth to associations of a different character. Some have their origin in ignorance, others in the sanguine expectations of bold speculators; occasionally they may be founded in fraud. One of the most common errors has been the belief, that an association, the capital of which consisted exclusively of mortgages, could carry on profitably ordinary banking operations. It is clear, that such an institution has nothing to lend but the notes which it may be authorised to issue, and the deposits which it may receive ; and that, whatever confidence may be placed in its ultimate means, there can be none in its available resources. The largest association of this description has hardly attempted to put its notes in circulation ; it has hardly been known as a banking institution, properly so called. But, whatever may have been the nature of its operations, and although it is hardly possible that its mortgages should be worth less than one half of their nominal value, the market price of its stock is not more than ten or twelve per cent. In this case the loss, so far as is known, falls only on the shareholders. But the conclusive proof of the unsoundness of the system is found in the fact that, out of about eighty associations, formed under the law, more than twenty have failed in the course of two years and a half (*u*) ; whilst, as has already been stated, two only, out of the ninety chartered banks, have failed during a period of ten years.

The numerous failures of country bankers in England, in particular years, have already been alluded to. A more correct view of the subject will be obtained by taking the average of a number of years. The number of commissions of bankruptcy issued, during the twelve years, 1814 to 1825, against bankers, amounted to one hundred and ninety-four ; the number of bankers was estimated to amount to about one thousand. The ratio of failures to the number of bankers was, therefore, sixteen per cent. in ten years. The ratio of failures to the number of chartered banks, in the State of New York, has been less than two and a quarter per cent. during the last ten years. Here, we compare personally responsible private bankers with banks, in which the capital actually paid has been the guarantee substituted for personal responsibility, and which have been regulated by efficient restrictions. The assertions, that the community will be better protected, and individuals of all classes less likely to be imposed upon, under a system in which there is neither personal responsibility, nor any assurance of a sufficient and real capital actually paid, nor any legal restrictions that

---

(*u*) The securities of twelve of these, which had been deposited with the Comptroller, are at this moment advertised for sale by him, in order to pay their circulation.

may prevent the dilapidation of that capital, is a pure theoretical opinion wholly unsustained by experience.

Whenever an application is made, either for the reduction of the capital of a chartered bank, or for the renewal of the charter, or even for changing the location of a bank from one street to another, these banks continue to be represented as privileged bodies; and they are invited to surrender their charters, and to convert themselves into free associations under the general law.

It is extraordinary that intelligent men should still consider the chartered banks as enjoying exclusive privileges. The monopoly is now destroyed; and all persons, or associations of persons, may now establish banks on more easy terms than those imposed on the chartered institutions, and with all the privileges enjoyed by them. If any importance be attached to the obligation of depositing an amount of State stocks or mortgages, equal to that circulation, though useless and even injurious, it may easily be extended by a legislative act to the chartered banks. But, if the enemies of monopolies will only take the trouble to examine the general laws respecting monied corporations and the special charters of the banks, they will find that these banks do not enjoy a single privilege which is not common to the free banking associations; and that what they are pleased to call privileges, consists, on the contrary, altogether of restrictions. There is not now the slightest foundation for the assertion, and it has become quite senseless.

Two things are requisite, in order that the chartered banks may convert themselves into free associations; first, that a law should be enacted for that purpose; secondly, that the free banking law should be so modified as to make the conversion proper.

There is not now any oth r legal mode, by which the conversion can be effected, than by a dissolution of the corporation, and a subsequent association of the shareholders. The manner in which a corporation can be voluntarily dissolved, is prescribed by law. The process would last one or two years, during which the bank must suspend all its active operations; and, in order to accomplish the object, it must pay all its liabilities before the shareholders can have access to the capital, and either divide it, or form with it a new association. It must therefore, in the first instance, lose all its deposits and redeem all its circulation, and then, at the end of two years, begin anew without either. Every person practically acquainted with banking, knows that, under this process, five or six years would elapse before the bank could recover its former situation.

But, even if a law were passed authorising the immediate transmutation, no sound bank would, or at least ought to, avail itself of the provision; for if it did, it would immediately lose the public confidence. It would at once be presumed, that a bank pursuing that course wanted to be free of restrictions, to launch into some speculative operation, and to escape responsibility. The fact is, that the greater confidence, placed in the chartered banks, is entirely due to the restrictions imposed by law upon them.

It is at the same time highly desirable, that all the banks and banking associations should be placed under the same regimen, and by virtue of a general law, instead of special charters or any special legislation. It seems that this might have been done with great facility, at the time when the free banking law was enacted. Nothing more was necessary, in order to destroy the monopoly, than a short act authorising the forming of free associations, with all the corporate attributes given by the present law, but precisely on the same terms, which are imposed on the chartered banks by the general laws of the State. This would at once have placed all on an equal footing. This having been done, an examination of those laws and the lessons of experience would have enabled the Legislature to select and modify such of the existing restrictions, and to add such new conditions, as in its opinion were proper and necessary. Whether the system, thus adopted, had embraced few or many restrictions, or had repealed them altogether, that which was proper and necessary for the new associations was equally so for all the chartered banks carrying on the same business. The power reserved by the Legislature, to modify and alter any charter, extended to all the chartered banks, with the single exception of the Manhattan, and perhaps of the Dry Dock Company. The four other banks, not under the Safety Fund, are understood to have assented, in conformily with the Suspension Act, that the Legislature might modify or repeal their charters.

There does not seem to be, at present, any serious obstacle to the same course of proceeding. No special act, affecting singly any one of the new banking associations, can be passed; but the Legislature may at any time *alter* or repeal the act itself. Vested interests must be respected; and for that purpose, it would be sufficient to limit the duration of all such existing associations to a limited term of years, and their capital to the amount actually paid at the time when the new amended law did pass. The restrictions, deemed necessary and proper by the Legislature, would then be extended to all the existing free associations and chartered banks, as well as to all other free associations which might thereafter be formed. The object should be, that all the charters should merge in the general law; and that the law should be precisely the same for all those engaged in the same pursuit. What restrictions should, in the opinion of the writer, be preserved or added, have already been fully stated.

It is believed, and the belief is corroborated by the result of private banking in England, and by what is known respecting the new joint stock companies of that country, that there is danger in granting the unrestricted power of issuing a paper currency, even when accompanied by the personal responsibility of those who issue the paper. But this applies only to notes of a certain denomination. Notes of one hundred dollars, and of a higher denomination, circulate almost exclusively between dealers and dealers, and might, like bills of exchange, be permitted to circulate without any restrictions, or other guarantee than the personal responsibility of the persons or associations by whom they were issued.

ACTION OF CONGRESS.

The objects to which, in reference to currency, the powers vested in the General Government may, it is believed, be applied, and which will probably become, at this time, subjects of discussion, are the Sub-Treasury, a Bank of the United States, and a Bankrupt Law.

The Government of the United States has the undoubted right to entrust the custody of the public monies to its own officers; and this is sometimes necessary. It may also, and every individual has the same right for debts due to him, require the payment of taxes, and other branches of the revenue, to be made exclusively in gold or silver. And it is bound to carry into effect the provision of the constitution, which directs that all duties, imposts and excises shall be uniform throughout the United States.

From the time when the Government was organised, till very lately, it had been thought safer, whenever it was practicable, to commit the custody of the public monies to banks, rather than to intrust them to the officers of Government; and there is no doubt in that respect, whenever the money can be deposited in sound and specie-paying banks. In that opinion the whole community coincides. The character of the late, as well as that of the present receiver for the city of New York, is irreproachable. Yet it would be difficult to find any individual in his senses, who would not deposit his money in a sound city bank, rather than in the hands of the receiver. The capital of the bank is a better security than the bonds of any private person; and the banks are answerable for contingent losses, such as fire or robbery, for which a public officer cannot be made responsible. So long, also, as the bank currency remains equivalent to the precious metals, it is much more convenient both for Government, for those who have duties to pay, and for all the parties concerned, to conform to the general usage rather than to require payments in specie.

But the depreciated currency of banks, which have suspended specie payments, cannot be received in payment of duties and of other taxes, without a violation of the principles of justice, and of the positive injunction of the constitution. And instances may occur in some sections of the country, where it would be unsafe even to make a special deposit of the public monies in any bank in that section. At a time when one half of the public revenue is collected in places where all the banks have suspended specie payments, Treasury notes appear to afford the most convenient means of complying with the constitution, and of rendering the duties uniform throughout the United States (*v*). Some other means of accomplishing that object must be devised, if it should please Congress to suppress the use of those notes, and to repeal altogether the Sub-Treasury act.

The specie clause, as it is called, of the act is, however, liable to serious objections. It had already been previously provided, that the Secretary of the Treasury should not employ any bank which had suspended specie payments. The new provision, which extended the prohibition to all the banks without exception, was in fact operative against those banks alone which continued to pay in specie. Those who had duties to pay might be annoyed; but it was quite immaterial to the banks which had ceased to pay any of their liabilities in specie, whether the duties were paid in coin; the demand for it did not fall upon them. It was quite otherwise in the places where specie payments were sustained; and the law in that respect, though probably not thus intended, was a warfare directed exclusively against those institutions which performed their duty, and, not without some difficulty, sustained a sound currency. It is true that, in the actual state of things, and whilst the revenue falls short of the expenses, the law, though occasionally annoying, does not produce any sensible effect; but this also proves that it was not necessary.

Whenever the revenue shall exceed the expenditure, the law

(*v*) The Treasury notes are a mere transcript of the English Exchequer bills. Used as soberly as they have been of late years by the Treasury Department, and provided they are kept at par, they are the most convenient mode of supplying a temporary deficiency in the revenue; as well as the most convenient substitute for currency, in the payment of duties, during a suspension of specie payments.

will operate, and, if the excess should again be considerable, the drain of specie this would occasion, might indeed break any bank, and render the suspension of specie payments universal. It cannot be perceived, in what manner the measure can, in any way whatever, have a tendency towards restoring a general sound currency. It is utterly impossible to substitute, otherwise than very gradually, a currency consisting exclusively of the precious metals, for that which now pervades the whole country.

Any great accumulation of the public monies is attended with such evils, that it must at all events be averted. If consisting of gold and silver accumulated in the Treasury chest, it is an active capital taken from the people and rendered unproductive. If deposited in banks, or consisting of bank paper, it may again produce a fatal expansion of the discounts and issues of the banks, attended by over-trading, and followed by contractions and a general derangement.

Another objection to the law was that, with the exception of Congress and of the officers of the General Government, it seemed as if the whole community was opposed to the measure. If necessary and proper for that Government, it was equally so for that of every individual State. And yet it was not adopted, or even proposed, by the Legislature of a single State. On the contrary, even in some of those most friendly, and to the last most faithful, to the late Administration, a direct and legal sanction was given to the collection of the State revenue in a depreciated and irredeemable currency, instead of requiring payment in specie, as was done by the act of Congress.

This country had a sound currency, and there was no general suspension of specie payments, so long as either of the two Banks of the United States was in existence. The refusal to renew the charters was, in both instances, followed by a large increase of State banks, and shortly after by a general suspension of payments. The resumption which took place in 1817, immediately followed, and has been generally ascribed to, the establishment of the second national bank. Notwithstanding the efforts of the banks of New York and of New England, subsequent to the suspension of 1837, a general resumption has not yet taken place. A considerable portion of the commercial community therefore hopes, that a new Bank of the United States will accelerate such resumption, and again secure a currency equivalent to gold and silver. This confidence, if sustained by a proper administration of the contemplated bank, might go far towards attaining the object in view. Confidence is certainly a most powerful element in sustaining any system of paper currency.

On the other hand, a national bank has ever been, and, from its nature, must be, generally unpopular. It will always be assailed by those who are opposed generally to banks; by many, as not warranted by the constitution; and at present, from considerations connected with the state of parties. It must also be admitted that great power is always liable to be abused; and it cannot be doubted, that the catastrophe of the United States Bank has shaken confidence, and given additional strength to the arguments against a bank of that name and character, and with such a large capital.

These considerations render it necessary to act with great caution and due deliberation; to form a just estimate of the advantages which may be expected from the intended bank; and to inquire by what provisions the substantial objections against the institution may be obviated.

The opinions of the writer respecting the constitutional powers of Congress, the great utility of a national bank as the fiscal agent of Government, and the aid which may be derived from it to regulate the general currency of the country, are the same as heretofore. The constitutional question has been so long and in so many shapes under consideration, that the subject appears to be exhausted; and nothing needs be added in that respect. Independently of the temporary accommodations which a Bank of the United States affords to Government, when required to supply a temporary deficiency in the revenue, and of the advances which it may, in extraordinary times, make to the contractors of public loans, there cannot be any doubt that, as regards the security and transmission of public monies and the general convenience of the Treasury, a national bank is far preferable to those of individual States. The experience of the writer, under both systems, permits him to make the assertion with perfect confidence.

The only way in which a Bank of the United States can regulate the local currencies, is by keeping its own loans and discounts within narrow bounds, and rigorously requiring a regular payment of the balances due to it by the State banks. The object might be attained without its aid, in places where the local banks will, by adopting the same course, check each other and regulate themselves. Where this does not take place, the interference of the National Bank is of great importance and highly useful. But the measure is practically difficult and generally unpopular; though it might be rendered more palatable, if the bank was forbidden to use the public deposits, beyond a certain amount, for its own benefit.

This favorable result may be reasonably expected whenever a general resumption shall have taken place. But doubts may be entertained, whether, under existing circumstances, the bank can cause a general resumption without the aid of State legislation, or the co-operation of the State banks; and it is perfectly clear, that it cannot act as a regulator of local currencies, in those places where the banks, from any cause whatever, continue to suspend their specie payments. It would seem necessary to ascertain in what places, and particularly in which of the great centres of commerce, a National Bank is desired, and, from the confidence it might inspire, would induce a resumption.

Some other advantages, of a more doubtful nature, seem to be expected from a Bank of the United States; such as an increase of commercial facilities; a greater uniformity in domestic exchanges; and a hope that its notes may, to a great extent, advantageously supersede those of the local banks.

An increase of the mass of commercial loans is not at all desirable. The number of banks and the amount of their discounts is already too great; and in order to be useful, the effect of the loans and of the circulation of the National Bank, should be to lessen, and not to increase, the gross amount of both.

The great inequality and fluctuations of the domestic exchanges, so far as they are the result of depreciated currencies, cannot be remedied by a Bank of the United States, as long as they continue to be the local circulating medium. After that evil shall have been removed by a resumption of specie payments, the bank cannot and ought not to interfere, any farther than as purchasers and sellers of exchange and drafts, in the same manner as other money dealers. It is only as an additional dealer, with greater funds and facilities than any other, that the bank may bring exchange nearer to par, or, in other words, transmit on cheaper terms funds from one place to another, as they may be wanted.

But it is a great error to suppose that it can afford a generally uniform currency; or one which shall, at the same time, be of the same value in all places. This is to confound exchange and currency, and to suppose that paper money may not only be a true representative of gold and silver, but can perform that which gold and silver cannot accomplish.

The fluctuations in the rate of exchange, like those in the market price of commodities, depend on the relative amount of supply and demand; and these again on the relative indebtedness and the actual means of making remittances. When American coins can purchase in New York bills on London, which will produce there an amount of British coins, containing as much pure gold as was contained in the American coins with which the bills were purchased, it is called the true par of exchange. If the amount of British coins, obtained in London for the bills, contain less pure gold than the American coins paid for the bills, it is a clear proof, that the same quantity of pure gold is worth less in New York than in London; and this cannot be altered by substituting in New York, for coin, a paper money which has no other property than that of being convertible into coin at New York at its nominal value. The case is precisely the same between New Orleans and New York, or between any two places whatever.

A National Bank may find it possible, and convenient, to give occasional facilities in that respect. But it can no more issue a currency necessarily payable, at the option of the holder, in several places, than a merchant can bind himself to be ready to pay a debt at five or six different places, at the option of his creditor and without notice.

If the bank should issue all its notes payable at one place, they would be currency at the place of issue; and, in every other place, they would be worth more or less than the local currency, or than gold or silver, according to the rate of exchange between such places respectively, and the place of issue where alone they were made payable. If the notes are, as heretofore, made payable at various places, such issues will make part of the local currency of the places where they are respectively made payable, and cannot pay debts elsewhere, any more than the notes of local banks.

It would seem generally to follow, that the circulation of a Bank of the United States cannot be otherwise extended, than in as far as it may supersede the local currencies of the several States. In former times, that circulation was principally in the South and in the West, as will appear by the following authentic statement of the places where the notes in actual circulation of the Bank of the United States were payable, in September, 1830:—

Payable in	New England	$834,492
"	New York	834,733
"	Philadelphia	1,367,180
"	Baltimore and Washington	1,176,240
"	the Southern States	3,074,045
"	the N.Western States, including Buffalo and Pittsburg	3,261,547
"	the South-Western States	4,799,420
		$15,347,657

It may be doubted whether a similar proportionate amount can now be circulated in quarters which have become saturated with paper money. It is not impossible that this may take place in those States where the evils of a depreciated currency have become intolerable.

An additional demand, to a moderate amount, for notes, principally of five dollars, payable at New York or Philadelphia, may also be expected on account of their great convenience in travelling, and for small remittances. Checks and bills of exchange are safer and more convenient than bank notes, for large remittances.

If a Bank of the United States can, notwithstanding the obstacles of conflicting opinions and interests, be again created by Congress, it will be necessary to guard against the evils which such an institution may produce. The views of the writer, such as they are, have already been stated in the preceding pages. Those provisions that seem most important, in reference to a National Bank, will be recapitulated.

The danger of an abuse of the power, which must necessarily be given, is increased in proportion to the magnitude of the capital. This should not be greater than is necessary for the object intended. The bank is not wanted in order to increase the amount of commercial accommodations. A small capital would suffice for its operations, in its character of fiscal agent of the Government. For the purpose of regulating, as far as practicable, the local currencies, it is not necessary that, at least at first, it should be extended beyond the great centres of commerce. The power hereafter, if found requisite, to increase the capital, might be reserved by Congress. A large capital is not wanted for the purpose of sustaining an adequate circulation; and this may be increased, without danger, beyond its ordinary limits, provided the amounts of loans and discounts be kept within narrow bounds. The Bank of England, with a capital of fourteen millions sterling, sustains a circulation of at least eighteen millions. The Bank of France, with a capital of sixty-eight millions of francs, (about thirteen millions of dollars,) has a circulation of two hundred and forty millions, and generally in its vaults two hundred and thirty millions of specie. It may be added, that, under existing circumstances, the plan may fail altogether, unless the amount required be moderate (*w*).

It is believed that a capital of fifteen millions of dollars, paid altogether in specie, or in bank notes equivalent to specie, would be amply sufficient. To this may be added, if deemed eligible, and to be viewed as an ultimate guarantee, five millions of dollars in a five per cent. stock of the United States. The bank should not be authorised to dispose of that stock, without the leave of Congress, or perhaps of the Treasury Department. No other description of stocks should be admitted as part of the capital.

Besides the restrictions imposed by the charter of the late

(*w*) The views of the writer have in that respect been modified since the year 1811, by observations abroad, by practical banking experience at home, and by the aberrations of the late Bank of the United States.

bank, the amount of loans, discounts, and all other investments bearing an interest, should be limited, so as not to exceed once and a half the amount of the capital, or, at most, sixty per cent. beyond it. It has already been shown, that, with that limitation, after the maximum of such investments has been reached, the amount of specie must necessarily increase with that of circulation and deposits. When such reciprocal increase takes place naturally, it produces no inconvenience. If it should be the result of a considerable increase of accumulated revenue, it will produce the same evils which, under any circumstances, are the consequence of such an increase. Taxes to a large amount would be intolerable, if they were not expended, and if the money drawn from the people was not immediately restored to circulation. But if, notwithstanding the measures which may be adopted by Government, in order to prevent an undue accumulation, this should occasionally take place, the restriction on the amount of loans and discounts will prevent the application to that object of the excess of public deposits. Whether the amount of specie in the bank should be increased from that cause, or by a natural extension of its circulation and individual deposits, that specie will afford an ample security for the payment of all the liabilities of the institution. In that case, the bank would be the great reservoir which might, if applied properly, supply sudden demands, and, at critical times, sustain the other banks, protect the local currency, and lessen the commercial distress.

It is presumed that the ordinary restrictions, forbidding to deal in real estate, merchandise or stocks, will be retained, and that the bank will be confined strictly to pure and legitimate banking operations.

The provisions which have been already suggested in case of a suspension of specie payments, appear indispensable, as well as one which will declare the bank to be necessarily dissolved, if the suspension continues more than a year.

Whether the bank should absolutely be forbidden to issue post notes; and whether a limitation on the amount of dividends, which in fact will be limited by the restrictions on the amount of loans and discounts, be necessary; are questions which may deserve consideration. But, in order to enforce the restrictions and conditions of the charter, whatever they may be, a rigorous and regular inspection by officers appointed by Government is absolutely necessary. The power to make occasional examinations by committees of either branch of the Legislature may be reserved, but is not adequate to the purpose. In that respect, the law of New York, for the establishment of bank commissioners, may serve as a model. It has been tested by the experience of ten years, and has been attended with none but beneficial results. The power given to them, to inspect all the books and papers, without excepting the accounts of individuals, and that of examining upon oath all the officers of every bank, and every other person, concerning its affairs, are both necessary and have never been abused. In the case under consideration, the commissioners would naturally be placed under the superintendence of the Treasury Department. The appointment of directors by Government may be useful, but is less important.

Amongst many suggestions that have been made, and which deserve consideration, there is one which appears important, principally in order that the bank may have a truly national character and not degenerate into a local institution. It is proposed that the general control of the bank should be separated from the local business of the place where it may be located. Nothing more is meant by this, than that the office of discount and deposit for that place should be as distinct from the general direction, as the branches which are located in other places; and that such office should be considered simply as one of the branches. In that case, the members of the general direction might be but few; no more than one or two from any one State; and it would, therefore, be necessary, in order to secure the constant attendance of those from other States than that in which the main bank was located, that they should receive a competent and even liberal salary. But this general board, though separated from the office of discount, must still necessarily sit in a great commercial city.

The constitution of the United States provides, that Congress shall have power to establish an uniform rule of naturalisation, and uniform laws on the subject of bankruptcies throughout the United States.

The true meaning of the word "bankruptcies" has been questioned. But whether, according to the sense in which the word was generally used and understood at the time when the constitution was adopted, it embraces all persons unable or unwilling to pay their debts, or is confined only to traders and dealers, it is conceded on all hands, that it is applicable to all who are universally admitted to be traders or dealers. And it cannot be denied that bankers, or dealers in money, are included within that description.

In other respects the power is given in express terms, and in the most general manner. It is, to pass laws *on the subject* of bankruptcies. Congress is not, therefore, bound by the specific provisions of the pre-existing laws, on that subject, of any country. It may define what acts shall constitute bankruptcy; what shall be the remedy in reference both to the creditor and to the debtor; and what shall be the mode of proceeding. The question to be examined is, whether the law shall apply to banking corporations. The intrinsic propriety of including those institutions can hardly be denied; and no act of Congress could be more useful and efficient, for the purpose of securing a general sound currency.

The general evil under which the whole country labors, is that, owing to the dissimilar, imperfect, fluctuating, or relaxed legislation of the several States, those institutions or corporate bodies which have been permitted to issue a paper currency, on the express condition that it should be at all times redeemable, on demand, in gold or silver, are suffered with impunity to break their engagements, and to pay their debts in a depreciated paper, not equivalent to that which, by the constitution, is declared to be the only tender in payment of debts. A law which shall declare it to be an act of bankruptcy, on the part of all those who issue notes or evidences of debt to be put in circulation as money (*y*), to continue, for a certain length of time, to decline or refuse to redeem in specie such notes or bills, would afford the most general and efficient preventive and remedy

---

(*y*) These are the technical words used in the law of New York, in relation to the issuing and circulation of bank notes.

that can be devised. It would alone be sufficient to arrest the evil, to place all the States on a footing of equality, and to restore and maintain the soundness of all the local currencies.

The laws of the same purport, enacted by New York, and by some other States, are in fact bankrupt laws applied to that special object. Those States, and all those which maintain, or are desirous of maintaining specie payments and a sound currency, are deeply interested in making the law general. It must also be observed, that incorporated banks enjoy already all the privileges which a bankrupt law can afford to debtors; that is to say, that, on surrendering all the property which belongs to the corporation, no further demand can be made either against it, nor, in their individual capacity, against its members. It is, therefore, strictly consistent with justice, that they should be made subject to the provisions of that branch of the bankrupt law, which is intended to protect the creditors. In point of fact, the whole, or almost the whole, banking business of the United States is carried on by incorporated banks. To exempt them from the operation of a general law is, not only the grant of a banking monopoly, but an exclusive privilege in favor of a special class of dealers; and the occupation of those dealers, that of substituting a paper for a specie currency, is of all others the most dangerous to the community, and that which requires to be most strictly restrained by legal enactments, instead of being exempt from the provisions of a law, which applies to every other description of dealers.

Although the great utility and strict justice of the application, of a general bankrupt law to incorporated banks may not be denied; it seems that the power of Congress in that respect has been questioned, by some persons, as an infringement of the rights of the States, and as not being warranted by the constitution. The object of this essay is to suggest such provisions as appear useful and practicable, on subjects which are familiar to the writer, rather than to discuss constitutional questions, which may be beyond his competency. But, in this instance, the objection seems so extraordinary, that some desultory observations may be permitted.

The power to establish uniform laws on the subject of bankruptcies throughout the United States, is not implied but express; and it is given in the most general and extensive terms that could be devised, without any other limitation than that which may be deduced from the meaning of the word "bankruptcies," and which does not apply to the question under consideration. The laws must be uniform. It may perhaps be said, that the condition of uniformity is not violated, by exempting from the operation of the law a certain class of dealers, provided all the dealers of that description are exempted. But this would be a dangerous principle. The power of passing laws on the subject of bankruptcies, like that to regulate commerce among the several States, of which it is in fact only a part, must be uniform in every respect. To permit every other species of property to be freely carried from one State to another, and to except slaves, by forbidding their being transported from one slaveholding to another slaveholding State, would certainly be considered as a direct violation of the constitution.

The power of the several States, to create corporations or artificial bodies is universally acknowledged. And, although the privilege may not be absolutely essential, yet as by usage it is almost universal, the power to confine the responsibility to the property owned by the corporation as such, and to make its members irresponsible, is also admitted. But it is not perceived, on what principle, those artificial bodies can in any other respect be, any more than natural persons, rightfully exempted from the legitimate general laws of the United States. Such exemption has not heretofore been claimed. The incorporated banks may, in many instances, be sued in the courts of the United States. Judgments may be obtained in those courts against them, and execution levied on their corporate property. Their real estate is liable to taxation, whenever the United States lay a direct tax on property of that description. Their notes were made liable to the stamp duty, in common with the notes of private individuals. The individual States might have claimed the right to exempt those institutions in all those respects, with as much propriety, as in reference to a bankrupt law. The claim might be extended to all other associations of persons, incorporated for establishing manufactures, or for any other enterprise whatever; and associations, not only for carrying on manufactories, but also fisheries, the fur trade, and other species of business, have actually been incorporated by some of the States.

A system of free banking has been introduced into the State of New York, by authorising associations for that purpose, which are not by law considered as corporations; and it is hoped that the system will become general and operate a conversion of all the chartered banks into free and not incorporated associations. Would it be just that they should be subject to the bankrupt law, whilst the chartered banks remained exempted from its operation?

It may perhaps be alleged that, inasmuch as the States have respectively passed laws ,providing for the manner in which the property of the incorporated banks may be sequestered, placed in the hands of trustees or receivers, and be distributed amongst the creditors, the United States have no right to interfere, and to provide other means for the same purpose. But it has been generally admitted, and the doctrine is sound and rational, that so long as Congress does not exercise a discretionary power given to it by the constitution, the laws of the States on such subjects are legitimate and obligatory; but that they are superseded by the laws of Congress, whenever that body thinks it proper to exercise such discretionary power. This has happened very lately in the provisions respecting pilots: the sanction of Congress has been given to the quarantine laws of the several States: it has been adjudged, that they had the right to naturalize aliens, until Congress had passed a general law on that subject, and that, from that time, the right ceased.

Some difficulties may be suggested respecting the practicability of applying the provisions of a bankrupt law to corporations; but it is believed that they may be easily surmounted.

There are some acts, considered by the English laws as acts of bankruptcy, which could not be done by a corporation. The only consequence would be that, since the act could not be done, the law in that respect could not be applied to the incorporated banks. But Congress is not at all bound by the special provisions of the English bankrupt laws. It is generally authorised to pass laws on the subject of bankruptcies; and it may therefore define what shall be considered as acts of bankruptcy, and adapt the definition to the object in view. It has already been suggested that nothing more was wanted in reference to banks, than to make it an act of bankruptcy for all those who issue paper money, to refuse for a certain length of time to redeem it in specie.

There are also some penalties, which are inapplicable to corporations, and from which they would of course be exempted. But there is a point which deserves consideration. No bankrupt law would be passed in this age, and in this country, which would condemn a bankrupt to death. By parity of reasoning, it may be insisted that the act of Congress, which will not inflict the pain of death on the natural person, ought not to kill, or, in other words, to dissolve the artificial body. This may be granted: the power of dissolving may be left to the State which created. The essential object of a bankrupt law, with respect to the creditor, is to preserve from dilapidation the property in the possession of his debtor, and to make an equal division of it amongst all the creditors. This may be attained, without putting to death the person, or dissolving the corporate body (*z*).

(*z*) The establishment of a Mint in New York would have a tendency to sustain the currency. Foreign coins are generally exported in preference to those of the United States. A very considerable proportion of the foreign gold and silver coins, which pass through the banks of the city of New York, would be converted into American coins, if it could be done without the expense, risk, delay, and inconvenience of sending them to Philadelphia. The practical injury is much greater than may be generally supposed. It must not be forgotten that New York is the principal place of importation, and still more so of the exportation, of the precious metals; and that it is also, as being the most exposed, that which it is most important to protect against the danger of a suspension of specie payments.

APPENDIX.

DOCUMENTS RESPECTING THE RESUMPTION OF SPECIE PAYMENTS IN THE YEAR 1838.

CIRCULAR.—*To the principal Banks in the United States.*

New York, August 18th, 1837.

Sir,—At a general meeting of the officers of the banks of the city of New-York, held on the 15th of this month, the following resolution was unanimously adopted, viz:

Resolved, That a committee be appointed to correspond with such banks in the several States as they may think proper, in order to ascertain at what time and place a Convention of the principal banks should be held, for the purpose of agreeing on the time when specie payments should be resumed, and on the measures necessary to effect that purpose.

Having been appointed a committee in conformity with that resolution, we beg leave to call your attention to the important subject to which it refers.

The suspension of specie payments was forced upon the banks immediately by a panic and by causes not under their control, remotely by the unfortunate coincidence of extraordinary events and incidents, the ultimate result of which was anticipated neither by Government or by any part of the community.

But it is nevertheless undeniable, that, by accepting their charters, the banks had contracted the obligation of redeeming their issues at all times and under any circumstances whatever; that they have not been able to perform that engagement; and that a depreciated paper, differing in value in different places, and subject to daily fluctuations in the same place, has thus been substituted for the currency, equivalent to gold or silver, which, and no other, they were authorised and had the exclusive right to issue.

Such a state of things cannot, and ought not, to be tolerated any longer than an absolute necessity requires it. We are very certain that you unite with us in the opinion, that it is the paramount and most sacred duty of the banks to exert every effort, to adopt every measure within their power, which may promote and accelerate the desired result; and that they must be prepared to resume specie payments within the shortest possible notice, whenever a favorable alteration shall occur in the rate of foreign exchanges.

We are quite aware of the difficulties which must be surmounted, and of the impropriety of any premature attempt. No banking system could indeed be tolerated which was not able to withstand the ordinary and unavoidable fluctuations of exchange. But the difference is great between continuing and resuming specie payments: and we do not believe, that the banks in the United States can, without running the imminent danger of another speedy and fatal catastrophe, resume such payments before the foreign debt shall have been so far lessened or adjusted, as to reduce the rate of exchanges to true specie par, and the risk of an immediate exportation of the precious metals shall have thus been removed.

The appearances in that respect have become more flattering; and it is not improbable that the expected change may take place shortly after the next crop of our principal article of exports shall begin to operate. Yet we are sensible that we must not rely on conjectures, and that the banks cannot designate the time when they may resume, before the ability to sustain specie payments shall have been ascertained by the actual reduction in the rate of the exchanges.

But even when the apprehension of a foreign drain of specie shall have ceased, the great object in view cannot be effected without a concert of the banks in the several sections of the Union. Those of this city had the misfortune to be, with few exceptions, the first that were compelled to declare their inability to sustain, for the time, specie payments. It appears that it became absolutely necessary for the other banks to pursue the same course; and it would be likewise impracticable for those of any particular section to resume without a general co-operation of at least the principal banks of the greater part of the country. A mutual and free communication of their respective situations, prospects and opinions, seems to be a necessary preliminary step, to be followed by a Convention at such time and place as may be agreed upon.

As relates to the banks of this city, we are of opinion that, provided the co-operation of the other banks is obtained, they may, and ought to, we should perhaps say that they must, resume specie payments before next spring, or, to be more precise, between the first of January and the middle of March 1838.

Both the time and place of meeting in Convention must of course be determined in conformity with the general wishes of the banks. In order to bring the subject in a definite shape before you, we merely suggest the latter end of October as the proper time, and this city as the most eligible place for the proposed Convention.

A sufficient time will have then elapsed to enable us to judge of the measures which Congress may adopt in reference to the subject. Whatever may be its action on the currency, the duty of resuming remains the same, and must be performed by the banks. If any thing indeed can produce an effect favorable to their views, it will be the knowledge of their being sincerely and earnestly engaged in effecting that purpose. An early indication of the determination of the banks will have a beneficial influence, by making them all aware of the necessity of adopting the requisite preliminary measures; and the information is also due to all the varied interests of the country.

We address this letter to no other bank in your city or State than those herein designated; and we pray you to collect and ascertain the opinions of the others, and to communicate the general result as early as practicable.

We have the honor to be, &c.

ALBERT GALLATIN,
GEORGE NEWBOLD,
C. W. LAWRENCE,
Committee.

Extract from the Minutes of the Board of Delegates of the Banks of the City and Incorporated Districts of the County of Philadelphia.

At a special meeting of the delegates of all the banks in the city and the incorporated districts of the county of Philadelphia, held on Tuesday evening, August 29th, 1837, the following preamble and resolutions were, on motion, unanimously adopted, viz:

Whereas a proposition has been submitted to this meeting, on behalf of the officers of the banks of the city of New York, for calling a convention of delegates from the principal banks in the United States, to be held in New York in the month of October next, for the purpose of adopting measures for the resumption of payments in specie by the banks: after mature reflection upon this proposal, and the reasons assigned for it, this meeting has not been able to adopt the views presented in the communication; and they deem it proper to state briefly and without reserve the reasons of their dissent.

The banks of Philadelphia fully concur with the banks of New York in their anxiety for a general resumption of specie payments with the least practicable delay, and they would cordially unite in the proposed convention if they thought it at all adapted to promote that object. But they believe that the general resumption of specie payments depends mainly, if not exclusively, on the action of Congress—the body charged with the general power over commerce, and the exclusive power over the coinage, and without whose co-operation, all attempts at a general system of payments in coin throughout this extensive country must be partial and temporary.

That body is on the point of assembling, being expressly convened to deliberate on this very subject.

Now, the banks of Philadelphia are of opinion, that, at such a moment, a convention of the banks of the United States would be superfluous at least, if not injurious. It seems superfluous, because the banks can do nothing, and ought to promise nothing, until they know what the action of Congress will be. The communication from New York mentions a precise period when the banks of New York may, and ought to, and must, resume specie payments. With every respectful deference to the better judgment of the signers of the communication, the banks of Philadelphia are not prepared to make any pledges, nor to name any time, for the resumption, because they think that the whole matter depends much more on Congress than on themselves. They do not wish to excite expectations which they may not be able to realize; and they believe that a premature effort might be followed by a relapse, which would be permanently fatal to the credit of our banking institutions. If, moreover, such a convention, composed of delegates from sections of the country of very unequal resources, and in very different stages of preparation, should not agree upon any general system of action, these very discussions would weaken confidence in the convention; while, if they could agree, their union upon any course of measures might not recommend that course to public favor, because it would be considered as one specially favorable to the interests of banks themselves. It is thus that the convention might prove not merely useless, but injurious. The mere assemblage of a body, more numerous probably than Congress itself, meeting at the same time, deliberating on the same subject, might easily be made to wear the appearance of an attempt to interfere with, or to influence the movements of, that body. The avowed object of the convention too—to fix a time for resuming specie payments independent of Congress—might have the effect of misleading both Congress and the country. If the resumption be practicable by the banks alone, Congress might consider itself under no obligation to interpose—a very erroneous and dangerous conclusion. If the banks confidently name a day when they not only may, but must resume, whatever be the action of Congress, or the state of the country, or the condition of the foreign exchanges, they promise what they may not be able to perform, and so lose, rather than gain credit by the effort. A more prudent course, in the deliberate judgment of this meeting, would be for the banks in the United States to continue steadily their present preparations for resuming specie payments; to wait quietly the action of Congress, without interference of any kind; and be ready to give an immediate and zealous co-operation in any measures which that body may adopt for the common benefit of the country. Under these impressions, they are constrained to adopt the following resolutions:

Resolved, That, in the opinion of the banks of Philadelphia, it is inexpedient, at this time, to appoint delegates to the proposed convention.

Resolved, That a copy of these resolutions, certified by the President and Secretary of this meeting, be forwarded to the banks of New York, with an assurance, that while the banks of Philadelphia reluctantly differ from those of New York as to the specific measure proposed, they do ample justice to the zeal and patriotism which have dictated it; that they are not the less anxious to accomplish the common object; and that, if the proposed convention should suggest any thing which promises to be useful to the country, the banks of Philadelphia will as cordially co-operate in executing it as if they had been fully represented in the convention.

Extract from the Minutes:

W. MEREDITH, *President.*

J. B. TREVOR, *Secretary.*

CIRCULAR.—*To the principal Banks in the United States.*

New York, Oct. 20th, 1837.

Sir,—At a general meeting of the officers of the banks of the city of New York, held on the 10th of this month, the committee appointed on the 15th of August last, laid before the meeting the communications received from banks in the several States, in answer to the circular of the committee of the 18th of August last.

Whereupon, it was unanimously "*Resolved*, That the banks in the several States be respectfully invited to appoint delegates to meet on the 27th day of November next, in the city of New York, for the purpose of conferring on the time when specie payments may be resumed with safety, and on the measures necessary to effect that purpose."

We pray you to communicate this letter to such other banks in your State as you may deem proper; and leaving the number of delegates entirely to yourselves, we only beg leave to urge the importance of having every State represented.

We have the honor to be respectfully your most obedient servants,

ALBERT GALLATIN,
GEORGE NEWBOLD,
C. W. LAWRENCE,
Committee.

Extract from the Minutes of the Proceedings of the Bank Convention, held at New York on the 27th November to the 2d December 1837.

Present—Delegates of Banks from the following States, viz.: Maine, Vermont, New-Hampshire, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, Ohio, Kentucky, and Indiana.

Thursday, November 30, 1837.

The Convention met according to adjournment.

Mr. Van Ness, from the committee appointed to report upon the proper measures to be pursued "to effect a general resumption of specie payments," &c. reported the following Resolutions, and requested that they should be considered a Report in part:

1st. *Resolved*, That it be recommended to the Banks of the several States to resume specie payments on the first day of July next, without precluding an earlier resumption on the part of such banks as may find it necessary or deem it proper.

2d. *Resolved*, That a committee of —— delegates be appointed, whose duty it shall be to correspond with the several banks, and to collect all the necessary information concerning their respective situations, and the rate of foreign exchanges, and who shall be authorised, if they deem it necessary, to call, on giving thirty days' notice, another meeting of this Convention, inviting the attendance of delegates from the banks of the States not represented at this meeting.

3d. *Resolved*, That (notwithstanding the foregoing resolutions) it will be the duty of each and every bank in the United States to resume specie payments at the earliest period when their own means and the state of the exchanges will enable them to do so with a proper regard to their own safety, and the interests of the community.

On motion of Mr. Eyre of Pennsylvania, the resolutions were laid on the table, to enable him to present a Report and Resolutions from a minority of the same committee.

Mr. Eyre then submitted the following Report and Resolutions:

The minority of the committee, to whom the resolution of Mr. Howard, of Maryland, was referred, submit the following Report and Resolutions, as expressing briefly their views upon the subject referred:

That they have proceeded in their deliberations upon the subject committed to them, under a deep sense of its momentous importance in relation to the particular interests represented in this Convention; still more to the general welfare; with unaffected respect to public expectation, and a thorough conviction that nothing can excuse the continuance of suspension after the necessity which demands it shall have ceased. It will not be denied that the banks are prompted by their own interest to a resumption at the earliest possible period, when it is known that since the month of May last, they have been steadily contracting their business to an unprecedented amount, and to the utmost limit short of general bankruptcy.

It will be conceded that the resumption, accompanied by a revival of confidence, to be more and more firmly reinstated, is demanded by every consideration of the public welfare; and the banks, sustained as they have been in the face of penalties and forfeitures, by a candid, just and generous community, cannot fail to be alive to the duty of cultivating the favor, and regarding most respectfully the opinion and general expectation, of their fellow citizens. Nor can it be overlooked, that, as their justification is, and has been from the beginning, *necessity* and self-preservation, for the country as well as themselves, it will lose its force whenever the apprehended dangers are at an end.

It will be conceded that an efficient and maintained recurrence to specie payments requires a simultaneous action throughout the country, and it is admitted on all hands, that your resolves will be only advisory, not compulsory.

In order to this, the restoration of domestic exchanges to their natural and regular condition and action is indispensable, and this must mainly depend upon the ability of the Southern and Western States, for resumption is not a measure of mere volition.

It cannot, therefore, but be a matter of much regret, that in your deliberations, you are not assisted by the counsels of delegates from the important points of Louisiana, Mississippi, Alabama, Tennessee, and some other States.

Yet the ability of these States, and their willingness to concur and co-operate with you in every reasonable and judicious measure which you may recommend, cannot be questioned, although the want of certain information leaves you at a loss to know, with desirable precision, at what period, or to what amount, their staples, on which their ability depends, will be brought into activity.

In regard to the question of resumption, the first thing which presents itself to our consideration is, the *time* when it is to be attempted.

Shall it be now?

In the present condition of foreign and domestic exchanges, it is believed that an *immediate* resumption of specie payments is utterly impracticable; none, even the most sanguine, have ever been heard to impugn, or even to express doubt of the undeniable truth of this position. This measure will therefore be passed by.

Shall it then be at a future period, now to be fixed by this Convention?

Against such a measure, many objections exist in the minds of the minority of your committee, some of which will be stated.

No one can foretell with satisfactory probability, when our domestic exchanges will be restored to order and regularity.

It must depend upou the value and quantity of the staple products of the Southern and Western States, and the same dependence attaches to our foreign Exchanges.

Until our foreign debt shall have been reduced, the present high rate of exchange must necessarily continue; so long too, the demand for specie, for the purposes of remittances, must last, and while it lasts, the opening of your vaults would be to impair your means, and to drain the country of its specie to a ruinous extent. Again, to fix *now* a period of specie payments, would be to count with dangerous confidence upon speculative opinions and contingencies.

Who can assure us that, at a day not so remote as to be for that reason inadmissible, our foreign debt will be sufficiently liquidated to bring down exchange and check the exportation of specie?

Who can say what is to be the quantity or prices of our staples of this year's crop, in the foreign market?

There must be much allowance for the time necessary for getting them there, and for their sale also—much, too, as regards their value, to the vacillation of prices, and to the force of the foreign policy by which it has been attempted, and with too much success, to break them down.

Besides these considerations, we cannot but look with apprehension to the insufficiency of the domestic supply of bread stuffs.

That there will be a large importation is presumed, and to that extent your means will be impaired, the foreign debt kept stationary, or possibly increased. Again, if the reliance upon contingencies should embolden you to fix a day, and in it you should be disappointed, you will have repeated the distress occasioned by severe curtailment, without accomplishing the object proposed, and with certain ruin to many. You will shake public confidence in your disposition, or your ability, to its foundation.

How and when can you hope to restore it?

Again: In the interval which would elapse until the arrival of the period you may fix upon, may it not happen that in some instances there will be an expansion of circulation, which will aggravate public calamity? Then, too, may not the measure now under consideration tempt to large importation of foreign goods by your own merchants? May it not encourage the foreign manufacturer to force his goods upon the country, and glut the market? Either of these would necessarily keep you in a state of indebtedness proportionally, and to keep up the exchanges; nor is the ardent commercial spirit of enterprise round the Cape to China, &c. to be lost sight of.

Afford the specie, and it will be extended to a dangerous excess, for the temptation is great.

Again: If you fix an early day of resumption, you increase the hazard of disappointment. If you fix upon a distant day, may it not happen that you postpone resumption beyond the period when in justice you ought to have resumed?

Finally: Are you prepared to dismiss the hope that Congress will aid in relieving the country?

Entertaining these views, briefly expressed, but which your intelligence will carry out, the minority of the committee cannot advise the determination, at this time, of the precise period when the resumption of specie payments may be effected. Natural causes are in operation, which, by judicious action, you may assist, but you may retard their progress by rash and imprudent attempts to force them; and you will, moreover, be able to assure yourselves and the public that the resumption, so anxiously desired by all, will be accomplished as soon as it is practicable, and *then* certainly.

In accordance with what has been said, the minority of your committee offer the following resolutions:

Resolved, That this Convention will appoint a committee of — delegates, to whom shall be confided the important trust of diligently inquiring, and deliberately judging, when the condition and circumstances of the country shall have been such as to justify an early resumption of specie payments by the banks, at a fixed period.

2d. That when the said committee shall, in the exercise of sound discretion, be satisfied that such period has arrived, it shall be their duty to make it known to the presiding officer of this Convention, and that it shall be his duty thereupon, to summon a meeting of this Convention, with due notice to its members, at ———, to the end that the measure of resumption may be promptly adopted.

Saturday, December 2d, 1837.

The Convention met, according to adjournment, when the following resolutions were adopted:

1st. *Resolved*, That the Convention entertains a deep anxiety and a firm determination to accomplish the resumption of specie payments at the earliest period when it may be permanently practicable.

2d. *Resolved*, That in the opinion of this Convention the present circumstances of the country are not such as to make it expedient or prudent now to fix a day for the resumption of specie payments.

3d. *Resolved*, That when the Convention terminates its present session, it shall be adjourned to meet in the city of New York, on the second Wednesday of April next, for the purpose of considering, and if practicable determining, upon the day when specie payments may be resumed.

4th. *Resolved*, That this Convention strongly recommends to all the banks in the United States to continue, by proper measures, to prepare themselves for a return to specie payments within the shortest practicable period, after the next meeting of the Convention.

5th. *Resolved*, That the banks in those States not now represented, be earnestly requested to send delegates to the adjourned meeting of this Convention, and that the several delegates from all the States be desired to procure all such information in regard to the condition of the banks in their respective States, as may be attainable.

At a meeting of the Officers of the Banks of the City of New-York, held on the 15th December, 1837—

The delegates appointed to represent the said Banks in the Convention of the Banks of the several States, which met at New-York, on the 27th of

November last, and on the following days, to the 1st of this month, made the following report. Whereupon it was

Resolved, That the said report be accepted and published.

PETER STAGG, *Chairman.*

W. M. VERMILYE, *Secretary.*

REPORT.

The delegates appointed to represent the Banks of the city of New-York, in the general Bank Convention, held in the said city, on the 27th of November, 1837, respectfully submit, together with a copy of the proceedings of the Convention, the following report, explanatory of their votes in that body:

The banks of the several States have been vested with the power, and, in most of the States, especially in that of New-York, with the exclusive privilege of issuing a paper currency, on the express condition, that they should at all times, and whenever the demand was made, redeem it in gold or silver, the only constitutional legal tender or currency, with which debts may be discharged. Nothing, therefore, but the inability to perform the condition, can justify a suspension of specie payments on the part of the Banks.

The immediate causes which thus compelled the banks of the city of New-York to suspend specie payments, on the 10th of May last, are well known. The simultaneous withdrawing of the large public deposits, and of excessive foreign credits, combined with the great and unexpected fall in the price of the principal article of our exports, with an import of corn and bread stuffs such as had never before occurred, and with the consequent inability of the country, particularly of the South-Western States, to make the usual and expected remittances, did, at one and the same time, fall principally and necessarily on the greatest commercial emporium of the Union. After a long and most arduous struggle, during which the banks, though not altogether unsuccessfully, resisting the imperative foreign demand for the precious metals, were gradually deprived of a great portion of their specie, some unfortunate incidents of a local nature, operating in concert with other previous exciting causes, produced distrust and panic, and finally one of those general runs, which, if continued, no banks that issue paper money payable on demand, can ever resist; and which soon put it out of the power of those of this city to sustain specie payments. The example was followed by the banks throughout the whole country, with as much rapidity as the news of the suspension in New-York reached them, without waiting for an actual run, and principally, if not exclusively, on the alleged grounds of the effects to be apprehended from that suspension. Thus, whilst the New-York city banks were almost drained of their specie, those in other places preserved the amount which they held before the final catastrophe.

If the share of blame, which may justly be imputed to the banks, be analyzed, it will be found to consist in their not having, at an early period, duly appreciated the magnitude of the impending danger, and taken, in time, the measures necessary to guard against it; in their want of firmness when the danger was more apparent and alarming; in yielding to the demands for increased, or continued bank facilities, instead of resolutely curtailing their loans, and lessening their liabilities. Whether the most acute foresight, and the most powerful exertions, could have enabled the banks to have averted the blow, is a question which we are not called upon to discuss.

Whatever explanations may be given concerning the past, since nothing but actual inability can be alleged as an excuse for having ceased to perform the express condition on which the privilege to issue a paper currency had been granted, it is equally obvious, that nothing can justify a protracted suspension, but the continued inability to resume and sustain specie payments. This principle is indeed so evident, that, as an abstract proposition, its correctness is universally admitted: and all agree in expressing their "thorough conviction, that nothing can excuse the continuance of suspension, after the necessity which demands it shall have ceased." But, in enumerating the objections to an early resumption, or to fixing a day for it, the discussion was not confined to arguments derived from a supposed continued inability on the part of the banks to resume; but an appeal was also made to considerations of presumed expediency, connected with the general situation of the country, and on which the simple fact of the ability of the banks to resume, and sustain specie payments, does not depend.

It is but too well known, that a general suspension of specie payments by the banks is not confined to them alone, but extends instantaneously to the whole community. As they had substituted their paper for the metallic currency, and as even the portion of specie which still circulated, disappears at once, when the general bank suspension takes place, the depreciated bank paper currency alone remains, both as the only medium of payment, and, by a necessary consequence, as the practical standard of value. Thus, by a strange anomaly, whilst the courts of law can consider nothing but gold or silver as the legal payment of debts, every individual, without exception, who is not compelled by process of law, or who does not resort to the tribunals for redress, pays all his debts with, and receives nothing in payment but, an irredeemable, depreciated currency. A general usage, openly at war with law, usurps its place; and the few cases where the laws are enforced, are only exceptions to the universal practice. Instead of the permanent and uniform standard of value provided by the constitution, and by which all contracts were intended to be regulated, we have at once fifty different and fluctuating standards, agreeing only in one respect, that of impairing the sanctity of contracts. Even restrictive and penal laws are openly and daily violated with impunity, by every body, in circulating notes forbidden by law. It is impossible that such a state of things should not gradually demoralize the whole community; that a general relaxation in the punctual and honorable fulfilment of obligations and contracts, should not take place; that that which operates as a general relief law, should not be attended with the same baneful effects which have always attended positive laws of the same character; and that, if the present illegal system be much longer continued, the commercial credit and prosperity of the country, and more particularly of this city, should not be deeply and permanently injured.

When we see such extensive, general, and, we may say, intolerable evils, flowing from a general suspension of specie payments by the banks, it is monstrous to suppose that, if they are able to resume, and sustain such payments, they should have any discretionary right to decide, or even to discuss, the question, whether a more or less protracted suspension is consistent with their own views of "the condition and circumstances of the country." There would be no limit to such supposed discretion. Thus, for instance, should the hope of a favorable action of Congress on the currency be still alleged as a motive for delay, would not this be tantamount to protracted suspension for an indefinite period of time?

The banks are bound by the strongest legal and moral obligations to resume specie payments whenever they are able to maintain such payments. It is the paramount duty to which every other consideration must yield. Their ability to perform that duty is the only question which they have a right to discuss, and which they are bound to examine with the utmost care and candor.

Strictly speaking, the power to issue paper money should cease whenever the express condition on which the privilege was granted cannot be performed. It is only through the indulgence of the Legislature, and of the community, that the banks are still permitted, for a while, to continue their issues. If there be, indeed, any considerations affecting the general welfare, which can render the continuance of an irredeemable currency desirable, after the time when the banks are or shall think themselves able to resume specie payments, the application for a further protraction must come from the parties interested, and not from the banks; and it must be made, not to the banks, but to the Legislature.

It was urged, that some respectable merchants, here and in other places, were opposed to an early resumption. During the late trying crisis, some of the most respectable and solvent members of the commercial community might have been under the necessity of requiring some indulgence, at least in point of time. But there is not one of those honorable men, who would not think himself disgraced and degraded, if, after having obtained the requisite time, he delayed the fulfilment of his engagements a single day after he had become able to do so. That which they require from the banks is, therefore, unjust and unreasonable: for they ask them to do that, from which, in their own case, they would shrink; and which, if done by any one in his individual capacity, they would consider as disgraceful and dishonorable.

It was indeed insisted, that some of the general considerations to which we have alluded, made it dangerous for the banks to attempt to resume specie payments. We will advert to all the objections truly of that character; but deem it unnecessary to take further notice of that founded on an expected action of Congress, or to dwell on those clearly arising from local or particular interests, such as the want of extended bank accommodations, and the supposed facilities afforded by a protracted suspension for the collection of debts. Yet, we must not be understood as admitting that such protraction would, in any respect, be advantageous to the community at large; believing, on the contrary, as we do, that its general and permanent interests would be sacrificed to temporary ease and particular classes, should the suspension be continued any longer than absolute necessity requires.

Amongst the considerations deemed by us to be irrelevant to the true and only question before the banks, that most strongly urged was the alleged necessity of a previous "restoration of domestic exchanges to their natural and regular condition and order." This is confounding cause and effect. The obligation to pay specie, is the check which regulates the exchanges and prevents them from rising much above the specie par. The suspension of specie payments, and the consequent great difference in value, as compared with specie, of the several local bank currencies, are the cause of the great corresponding inequalities of the domestic exchanges, so justly complained of; and the evil cannot otherwise be overcome, than by a general resumption of specie payments. If A, in Philadelphia, is obliged to lose ten per cent., in order to draw his funds from Nashville, it is because (whether owing to excess in circulation, or to great indebtedness, is immaterial) the Tennessee bank currency is worth ten per cent. less than that of Philadelphia. If specie payments were resumed in both places, he would lose, at most, two or three per cent. on the exchange. But A is now permitted, by general usage, to pay his debts at home in Philadelphia bank paper, worth six per cent. less than specie. He apprehends that, if the Philadelphia banks should resume specie payments before those of Tennessee, being obliged to pay his own debts in paper equal to specie, he would lose 16, instead of 10 per cent., on the Tennessee exchange. The argument, derived from the present condition of domestic exchanges, resolves itself, therefore, into one of expediency. It is founded on the inadmissible supposition, that in order to accommodate special interests, and to benefit certain classes, the banks, though, from their situation and resources, able to resume specie payments, have a right to protract the suspension, to postpone the payment of their own debts, and to delay the performance of the paramount duty they owe to the community at large, of restoring a currency equal to gold or silver.

The only question, on which the convention was called upon to deliberate, being the ability of the banks to resume and sustain specie payments, it appeared to the delegates of both the city and country banks of New York, that an early day might at this time be designated for that purpose.

In their first circular of the 18th of August, the committee of correspondence of the city banks had pointed out such a favorable alteration in the rate of foreign exchanges, as would remove the danger of an immediate exportation of the precious metals, and a concert on the part of the principal banks of the country, as the only requisites for resuming with safety.

In reference to the first point, several estimates of the amount of foreign debt still due, neither provided for, nor postponed, and which probably would be demanded, and must be paid, before the first of July next, were alluded to in the course of the discussion. Those estimates varied from five to twenty millions of dollars. The lowest calculation appeared to rest on correct data: but if somewhat too low, the difference might be readily provided for, by the first proceeds of the cotton crop, and by the sale of State stocks. But it was not at all necessary to resort to calculations of the amount of our foreign debt. Its effect on foreign exchanges, and on a consequent drain of specie for exportation, is the only point in which the banks are concerned, and which could affect the question under consideration.

At the very time when the convention was deliberating, the exchange on London, which had been as high as 121, had fallen to 114, nominal; and the true par being a fraction above 109½ nominal, the exchange was in fact but four per cent. above par in city bank paper. But that paper was itself at five per cent. below specie; and the rate of exchange was, therefore, one per cent. below specie par. In other words, any given quantity of New York bank notes could purchase bills on London, exceeding by one per cent. the corresponding amount in specie which the same quantity of bank notes could purchase. Ninety-nine gold sovereigns cost as much as a bill on London of one hundred pounds sterling. Under such circumstances, specie could not be exported without a loss, and accordingly the exportation had altogether ceased. It is well known that, within a week after the adjournment of the convention, a further fall had reduced the rate of exchange to 111½ nominal; that is to say, to 2½ per cent. below the true specie par, and within less than 2 per cent. of being at par with New York bank notes. But, reverting to the time when the convention was sitting, the requisite alteration was no longer a matter of conjecture; and the fact, that the exchange had fallen below the true specie par, and that the exportation of specie had ceased, had actually taken place.

Apprehensions were nevertheless expressed, of the effect which large importations of grain and merchandise might hereafter have on the foreign exchanges, and of an expected drain of specie for the China trade. It appeared to us, that if, after the principal acknowledged cause of the suspension, and which presented the greatest obstacle to the resumption, had actually ceased to operate, we were permitted to allege conjectures and contingencies, as a proper ground for protracting the suspension, there was no time at which some plausible reasons of a similar character might not be adduced, and the resumption be indefinitely postponed.

With respect to the danger of excessive importations, it might indeed be apprehended that, whenever the pressure of the foreign debt was removed, the commercial community might, with its characteristic energetic spirit of enterprise, resume its business too soon, and on too large a scale. And it is, on that account, highly important, that the banks should seize eagerly that eventful moment, and, as it may be called, the turn of the tide, for an immediate resumption, before new undertakings may raise new obstacles to the accomplishment of that object.

The danger of unfavorable exchanges, and of an extraordinary exportation of specie, being now out of question, what other causes could impair the ability of the banks, generally, or in some sections of the country, to resume specie payments within a very short period?

The four great South-Western States were not represented in the convention: and it will be admitted that some of them may not be ready as early as the other parts of the Union. It is, on that point, sufficient to observe, 1st. That, being largely debtors, their not resuming immediately cannot in any way affect the stability of specie payments by the other States. 2d. That the resumption by other States will not, in the slightest degree, impair the productive industry of those districts, whose great natural resources will, notwithstanding the peculiar situation of their banks, early and powerfully promote the payment of debts and the renewal of sound business.

By no other portion of the country was it intimated, that there were any banks whose particular situation required a longer time than might be wanted by those of New York: unless this should have been implied in some allusions to the respective indebtedness to each other, of the several cities or districts. In such cases, justice requires, and it may be done in a very short time, that the necessary curtailments should be made in the debtor places, and the resources thus obtained should be applied to the discharge of such debts, and, when necessary, to the purchase of specie. This is, in fact, the course pointed out by the resolution, unanimously adopted by the convention: "That this convention strongly recommends to all the banks of the United States, to continue, by proper measures, to prepare themselves to return to specie payments, within the shortest practicable period after the next meeting of the convention."

We have every reason to believe, that the banks represented in the convention were in a sound state; and, in every respect, as well prepared and able to resume specie payments as those of the city of New York. It would indeed be strange that it should be otherwise. New York suffered incomparably more than any other city; the failures were far more numerous; its banks were subject more than any others to the causes which produced the suspension, and alone to a run of domestic origin, alone drained of the greater part of their specie, whilst banks in other places preserved the greater part of theirs.

The only reason which remains to be examined, is the apprehension that confidence may not have been sufficiently restored to ensure a permanent resumption. The causes which occasioned the distrust, the panic, and the run on some of the banks, have ceased to operate. Such coincidence of extraordinary events and unfortunate incidents, as produced the catastrophe, must be rare, and may never again occur. It must be conceded, that it is impossible that confidence should be restored, until the banks shall have resumed specie payments, or designated an early day for that purpose. Combined with the conviction of the ability of the banks to resume, and with the fact that their paper shall have become equal, or nearly equal, in value to specie, nothing is wanted for restoring entire confidence, but the simultaneous resumption by the principal banks, acting in concert.

Although the convention could not be prevailed upon, either to fix at this time a day on which to resume, or to meet again on an earlier day than the 11th of April; although it is peculiarly to be regretted that, from incidental considerations, it should not have yielded to our request to meet in the first days of March; yet the conference has been attended with considerable advantages. There has been a free and mutual interchange of opinions. The serious attention of all the banks has been drawn to the absolute necessity of an early resumption; and the suggestion of a postponement for an indefinite time, if ever seriously entertained, has been abandoned. We may now rely with confidence on a great unanimity from the Eastern, Southern, and North-Western sections of the Union, in fixing, at our next meeting, the earliest practicable day for the resumption of specie payments. It is true that the banks of Philadelphia and Baltimore appeared to contemplate a more remote time than we did, not certainly because of being less able or prepared than ourselves, or others, but on general grounds. It now appears, from official returns, that the banks of Pennsylvania are, in every respect, better prepared than those of the city of New York. And it has been announced by the highest authority in that State, that "the banks of Pennsylvania are in a much sounder state than before the suspension; and that the resumption of specie payments, so far as it depends on their situation and resources, may take place at any time." The great fall at this early day in the rate of foreign exchanges, which has exceeded our most sanguine expectations, had not been anticipated by them. A fact so important, and which gives a new aspect to the whole subject, cannot fail to have a powerful influence on their decision. We entertain sanguine hopes, that this and the course of events will remove their objections, and induce them to unite and act in concert with us. We are under the firm conviction, that the result depends on their determination, and that, if they agree to it, the resumption may with facility be effected at an early day. Should they persevere in the opinion, that an early resumption is inexpedient and dangerous, it may, considering the magnitude of their capital, prove difficult for the other banks, and particularly for those of this city, with their resources alone, to maintain permanently specie payments.

In the meanwhile, the line of our duty is obvious: and we have only to continue, by every measure in our power, to strengthen ourselves, and to be prepared, at the earliest possible day, to fulfil our engagements, and to resume and maintain specie payments. To the early completion of the measures now in train for that purpose, we respectfully, but most earnestly call the immediate attention of the city banks, as an indispensable requisite before a day can be fixed for resumption. The country banks, with most laudable exertions, have taken all the necessary steps, and are prepared to resume at any time.

ALBERT GALLATIN,
GEO. NEWBOLD,
C. W. LAWRENCE,
CORNS. HEYER,
JOHN J. PALMER,
PRESERVED FISH.
G. A. WORTH.

December 15, 1837.

At a meeting of the officers of the banks of the city of New York, held on the 28th of February, 1838, the committee on the "resumption of specie payments" submitted the following Report in part, viz.:

In contemplation of the resumption of specie payments, by the banks of the city of New York, on or before the tenth day of May next, and under the uncertain condition of a simultaneous or early resumption by the banks of some of the other great commercial cities, it is incumbent on those of New York to adopt all the measures, within the limits of their resources, which may enable them not only to resume, but also to maintain, specie payments.

Much has already been done in that respect, the result as well of causes not under the control of the banks, as of positive action on their part.

1. It appears by the annual returns of the Bank Commissioners that, exclusively of the Dry Dock Bank, which is not included in the return of this year, the gross amount of all the liabilities of the city banks, payable on demand,

deducting therefrom the notes and checks of other banks held by them, and the balances due to them by other banks, amounted,

On the 1st of January,	1836, to	$26,918,105
" "	1837, to	25,485,287
" "	1838, to	12,920,694

making a diminution in the liabilities of more than twelve millions and a half during the year 1837.

2. The detailed statement for the 1st of January, 1838, rendered by the several city banks to their standing committee, shows a balance to their credit of more than four millions, due to them by banks out of the State, and of more than two millions in account with all the banks out of the city. Ample means, as also appears by those statements, have been provided by the country banks of the State, for the redemption of their notes which circulate in the city.

On a view of the whole subject, we may confidently say, that the relative strength of the banks is, and at the time of the resumption will be, greater than it was during the last two years, and probably at any former time.

The fall in the rate of foreign exchanges, now considerably below par in our city paper, renders it absolutely certain that no exportation of specie can take place, and more than probable that a considerable influx may be expected. This fact, now indisputable, must have an effect on public opinion, and ought to remove the apprehensions of those who may have believed our efforts for an early resumption premature. Secure, as all the banks in the United States are, against foreign demands, we are justified in expecting their co-operation. If this is obtained, we do not perceive any obstacle to an early, easy and safe resumption of specie payments.

A continued suspension, on the part of some of the other great commercial cities, can alone render the resumption on our part difficult, and may prevent a free application of the legitimate banking resources of New York. Yet such is the favorable relative state of the balances between this and the other parts of the Union, that, for the present at least, but little need be apprehended from the effect of natural causes. Of deliberate acts of hostility, as there could be no motive for such, there should be no apprehension on our part. We trust that, supported by the community of the city and by this State, the banks will be able to surmount all obstacles, and, on or before the tenth of May, to resume and maintain specie payments.

The preparatory measures on their part appear to be, 1st, a reduction of their liabilities out of the State, and drawing in their foreign funds; 2d, an equalization of the balances due to and from each other, and a mutual return of their notes, which may enable all to resume on an equal footing and with equal safety; 3d, a sufficient increase of their specie. On these points the committee will submit a separate report.

Signed, ALBERT GALLATIN,
PETER STAGG,
GEO. NEWBOLD,
CORNS. HEYER,
JOHN J. PALMER,
C. W. LAWRENCE,
F. W. EDMONDS.

Whereupon, the report was unanimously adopted by the meeting.

On motion, *Resolved*, That the same be published.

Signed, BENJ. M. BROWN, *Chairman*.

W. M. VERMILYE, *Secretary*.

Extract from the Minutes of the Proceedings of the adjourned meeting of the Bank Convention, held at New York, on the 11*th to the* 16*th April*, 1838.

Present—Delegates of banks from the following States, viz.: Maine, Vermont, New Hampshire,* Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Delaware, Maryland,* District of Columbia, Virginia, North Carolina, Indiana, Illinois, Missouri, Mississippi, and from Pittsburgh, (Pennsylvania.)†

The following letter, among others, was placed upon the minutes of the Convention:

Philadelphia, April 4th, 1838.

Sir,—At a meeting, held this day, of committees from all the banks of the city and liberties of Philadelphia, a notice was received from you of the adjourned meeting of the Convention of Banks, to be held at New York on the 11th of this month. The banks of Philadelphia having declined to send delegates to that adjourned meeting, I have been instructed to apprise you of their determination, and, as a just mark of respect to the Convention, as well as to yourself personally, to state the reasons of their absence. This duty I hasten to perform.

On the 19th of August 1837, an invitation was given to the banks of Philadelphia, in behalf of the banks of the city of New York, to meet in convention at the city of New York, "for the purpose of agreeing on the time when specie payments should be resumed, and on the measures to effect that purpose." The reason assigned for the invitation was, that "it would be impracticable for those of any particular section to resume, without a general explanation of at least the principal banks of the great ports of the country; a mutual and free communication of their respective situations, prospects, and opinions, seem to be a necessary preliminary step." To this the banks of Philadelphia answered on the 29th of August, stating their belief that "the general resumption of specie payments depends mainly, if not exclusively, on the action of Congress, the body charged with the general power over commerce, and the exclusive power over the coinage; and, without whose co-operation, all attempts at a general system of payments in coin, throughout this extensive country, must be partial and temporary;" and they concluded with a declaration, "that it is inexpedient at this time to appoint delegates to the proposed Convention."

At a subsequent period, on the 21st of October 1837, a second invitation was received from the banks of the city of New York, for a similar meeting on the 27th of November. Although entertaining precisely the same opinions as to the inexpediency of any resumption, without previously understanding the intentions of the Government, the banks of Philadelphia are yet unwilling to do any thing which might seem to be discourteous to the banks of the city of New York, and accordingly sent delegates to the Convention. After remaining in session for a week, that body was unable to name any day for the resumption; but adjourned to meet again the 11th of April, "for the purpose of considering, and if practicable, determining upon the day when specie payments may be resumed;" at the same time resolving, "that the banks in those States not now represented, be earnestly requested to send delegates to the adjourned meeting of this Convention; and that the several delegates from all the States be desired to procure all such information in regard to the condition of the banks in their respective States, as may be attainable."

On the 26th of January, a delegation from the banks of the city of New-

* The delegates from Maryland and New Hampshire withdrew.

† And those from Pittsburgh declined voting on the final question.

York visited Philadelphia, and while there addressed a letter to the Philadelphia banks, stating that they were desirous of ascertaining "if the Philadelphia banks will agree with them to name a day, not later than the period mentioned, (May,) when they will simultaneously adopt the same measure."

To this the Philadelphia banks answered, on the 31st of January, stating, that "It is undoubtedly true, that any resumption, to be easy, must be simultaneous; and, to be effectual, must be general. Nor is it less true, that a partial resumption, by any party to the Convention, must derange the relations of the whole to each other, and disturb the preparations which all are making to produce an uniform result at the period fixed by the Convention. The banks of Philadelphia, therefore, consider it scarcely just or respectful to the banks of other States, whose co-operation was in the first instance invited, to take any steps in opposition to what was settled by the Convention, without full concert with the other members of that body, who separated under conviction that no action would take place on a matter so important to their interests, until they were re-assembled;" and added, "on a careful consideration of all these circumstances, the banks of Philadelphia think it premature to name any day for the resumption of specie payments until the adjourned meeting of the Convention."

Soon after the return of that delegation, the banks of the city of New York published, on the 28th of February, a declaration, that, "in contemplation of the resumption of specie payments by the banks of the city of New York, on or before the tenth of May next, and under the uncertain contingency of a simultaneous or early resumption by the banks of some of the other great commercial cities, it is incumbent on those of New York to adopt all the measures, within the limits of their resources, which may enable them not only to resume, but also to maintain, specie payments." And immediately a general meeting of the citizens of New York adopted the following resolution: "That this meeting hails with great satisfaction, the declarations, on the part of the New York city banks, of their purpose to resume specie payments on or before the 10th of May next."

From this review it is manifest, that the convention contemplated was one embracing delegates from every part of the Union; meeting in good faith to confer on subjects of equal interest to them all; exchanging opinions frankly; giving information as to the conditions of the respective sections they represented, so as to fix some scheme of action which might unite all interests, and combine all efforts. That was the design of the original meeting of the convention—that ought to be the object of the adjourned meeting, It was, therefore, seen with equal surprise and regret, that the banks of New York announced their determination to resume on a day named. This was done without waiting for the meeting of the delegates, which they had themselves invited to New York. It was done in obvious opposition to the spirit of consultation and inquiry, which were presumed to be the whole purpose of the convention. It was done in disregard of the friendly but decided opinion of the Philadelphia banks, that it would be neither just nor courteous to act until the convention were re-assembled. Of the propriety of this determination by the banks of the city of New York, the banks of Philadelphia do not presume to offer an opinion. But it is manifest, that this decision gives an entirely new character to the convention. The party who convoke the assembly to confer with the other banks on the several interests of all, has, without waiting for their arrival, decided the question exclusively in reference to his own peculiar interests. It meets them to discuss what is already settled; and the only point which remains will be, not whether the banks of New York and the banks of all the other States should resume specie payments, but simply, whether the banks of the city of New York having decided to resume specie payments on a day named, the banks of the other States must do the same. In that question the banks of Philadelphia desire to take no part. They do not wish to give any advice in regard to the course which the banks of the city of New York have resolved to pursue; they do not wish to receive any from those banks touching their own course. Accordingly, they deem it better to abstain altogether from a meeting in which their delegates can no longer find an appropriate place.

I need scarcely add, that this determination implies not the slightest want of respect to the convention, or to its highly respectable presiding officer, but is founded exclusively on consideration of duty to themselves, and to the general interests of the country.

I have the honor to be, very respectfully,

Signed, W. MEREDITH, *Chairman.*

SAMUEL HUBBARD, ESQ.
President of the Convention.

Attest, J. B. TREVOR, *Secretary.*

At a meeting of the association of the delegates of the banks of the city of Philadelphia and districts, held on the 4th day of April 1838, the following resolutions were adopted:

Resolved, That it is inexpedient to send delegates to the adjourned meeting at New York, of the bank convention, on the 11th of this month.

Resolved, That the following letter be transmitted by the chairman of this meeting to the president of that convention, to explain the reasons of the absence of the delegates from Philadelphia.

Extract from the Minutes:

J. B. TREVOR, *Secretary.*

On motion of Mr. Brockenbrough of Virginia, it was

Resolved, That the correspondence furnished to the convention, by Mr. Newbold of New York, with the Secretary of the Treasury, be placed upon the minutes of the proceedings of this convention.

(COPY.)

[PRIVATE.] Bank of America, April 7, 1838.

Dear Sir,—So much is said in the public press, and daily repeated elsewhere, of the hostile disposition of the Government towards the Banks, and of the measures in contemplation by the Treasury Department, calculated, it is said, to injure and embarrass the Banks, and to retard, if not prevent, their resumption of specie payments, that I am induced to address you on the subject. Not, however, that any thing is necessary to satisfy me that those assertions and assumptions are wholly unfounded; but that you may, if you shall deem it expedient and proper, take measures to correct the misrepresentations and remove the fears and apprehensions that they may have excited in the community, and especially in the minds of many honest and honorable men.

It is loudly and confidently asserted, and widely and industriously circulated, that the measures that will be pursued by the Treasury in the collection and disbursement of the public money, will render it difficult for the Banks to resume and maintain specie payments. Fears and apprehensions are thus excited, confidence impaired, and the best efforts of the banks are in some degree paralyzed. Designing men avail of this state of things to promote and affect their special purposes, and industry and talent are not wanting to make their efforts essentially mischievous. Permit me, therefore, to ask whether there is no way by which the mischief may be abated and successfully counteracted. Of this you will best judge and determine yourself. My present object is more immediately in reference to the approaching convention of Bank Delegates to be held in this city, on the 11th inst.; and being satisfied that efforts will there be made to impress the belief, that the fears and apprehensions alluded to are well founded, and that it would therefore be unsafe and inexpedient for the Banks to fix a day for the resumption of specie payments. I consider it to be of the utmost importance that such efforts should be effectively met, and that all unfounded suspicions and suggestions should be removed or successfully confronted. I beg, therefore, respectfully to suggest for your consideration, whether you will not be pleased to enable and authorise me to communicate to the convention, if it shall be necessary, your views and wishes on the subject of the resumption of specie payments, and the course, or probable course, of the Treasury in reference to the Banks, after they shall have resumed. It is an important crisis for this city and this State—indeed for the whole Union; and being anxious to do every thing in my power to promote and accomplish the right result—a general resumption of specie payments—I am sure that you will excuse me for these suggestions, be your conclusions respecting them what they may.

I am, with great respect, dear sir, your obedient servant.

Signed, GEORGE NEWBOLD.

Hon. Levi Woodbury, *Secretary Treasury U. S.*
Washington.

Treasury Department, 9th April, 1838.

Sir,—I have to acknowledge the receipt of your letter of the 7th inst. In order that you may fully understand the views and wishes entertained by this department, on the subject of a resumption of specie payments by the Banks, and the course to be pursued by the Treasury towards them, I herewith enclose copies of two private letters written some weeks since in answer to inquiries similar to yours.

It is only necessary to add, that the same views are still cherished, and that the notes of specie-paying banks at par where offered, are now received for duties, and will undoubtedly continue to be. They are and will be paid out when acceptable to the public creditors, and no accumulation of them beyond our current expenditures is anticipated at any point whatever during the present or ensuing year.

I am, sir, very respectfully, your obedient servant,

Signed, LEVI WOODBURY.

George Newbold, Esq., *President of the Bank of America.*

Washington, 18th March, 1838.

Dear Sir,—In reply to yours of the 14th inst., I hasten to remark, that the Treasury Department has long been anxious as yourself and many others, for the resumption of specie payments by the banks. All has been and will be done by it, which comes within its limited powers, to promote, at the earliest day possible, so desirable an event.

I do not hesitate to say fully and frankly, that the impression is altogether erroneous, that specie is to be purchased and hoarded by the Government. Only a few thousand dollars of it have yet been raised on Treasury Notes, and none is intended to be hereafter, except to the extent needed to supply the current demands of the Government. Whatever may be thus obtained or received for public dues of any kind, will be forthwith paid out again to defray the appropriations; and the settled policy of the Department has been, and will be, to keep nothing idle in the Treasury, while the power exists to issue Treasury Notes to meet contingencies and deficiencies, as they may hereafter occur. Respectfully yours,

Signed, LEVI WOODBURY.

Nathan Appleton, Esq.
Boston, Mass.

Washington, March 18, 1838.

Dear Sir,—In reply to yours of the 16th inst., I hasten to remove any erroneous inferences from the rumor mentioned.

The settled policy of the Department, and one which it makes known to all inquirers, is to promote the resumption of specie payments by the banks, so far as its limited powers may permit.

Consequently it has not, and will not hereafter, purchase specie, beyond what may be needed for immediate disbursements; and in that way will neither hoard it nor compete with others for its possession.

All we receive in any way will immediately be paid out again to defray appropriations.

I make these statements explicitly and promptly, and have forwarded similar ones to Boston, in order that no injurious apprehensions need be entertained as to the financial operations of the Government.

Respectfully yours,

LEVI WOODBURY.

J. D. Beers, Esq.
New York City.

Friday, April 13th, 1838.

Mr. Ware of Maine, from the committee of one for each State, made the following report:

That said committee have adopted the following resolutions, which they recommend to the convention for consideration and adoption, viz.:

Resolved, That it be recommended to all the banks of the several States, to resume specie payments on the first Monday in October next, without precluding an earlier resumption on the part of such banks as may find it necessary or deem it proper.

Resolved, That it is important to the success of the effort to return to specie payments, and to restore the currency to a sound condition, that the banks should be sustained by the General Government.

Monday, April 16th, 1838.

The Convention proceeded to the consideration of the Report and Resolutions, when Mr. Brockenbrough, of Virginia, moved to amend the same, by striking out all after the word "Report," and insert in lieu thereof the following:

Whereas, it is found necessary, in order to simultaneous action by the banks, in the resumption of specie payments, so to proceed in designating a period for that purpose as to secure the nearest approach to unanimity; and whereas, whilst, in the judgment of this Convention, the return to specie payments, and preservation of the currency in a sound condition, will depend essentially on the course of the General Government, yet this Convention regards it as the duty of the banks to make the effort in good faith, exclusive of any direct reference to the prospective measures of the Government. At the same time, the Convention has been happy to observe, in recent letters of the Secretary of the Treasury, specific assurances of an intention to sustain the banks, so far as it may be done through the fiscal operations of that department of the Government.*

Resolved, That it be recommended to all the banks of the several States to resume specie payments on the first day of January next, without precluding

---

* The allusions to the course of the General Government referred principally to the threatened Sub-Treasury plan, which was considered as hostile to the banks which intended to resume specie payments.

an earlier resumption on the part of such banks as may find it necessary or deem it proper.

Which Preamble and Resolution were adopted by the Convention.

[The banks of New York, finding that a majority of the Convention was against a general resumption so early as May, had only requested that, at least, the day recommended should be the 1st of July. This was refused; they resumed alone on the 10th of May; and, although the Convention had thought it unsafe to recommend an earlier day than the 1st of January, 1839, public opinion compelled almost all the banks to resume in July.]

Letters written in 1830, *relating to Mr. Gallatin's subsequent Pamphlet on Currency, published the same year.*

New York, 27th April, 1830.

To Robert Walsh, Jr., *Philadelphia:*

Dear Sir,—It is doubtful whether I will have time to prepare, in season, such an article in relation to *currency* as you desire, and still more so, whether I can write any thing on that subject worthy of the public, and corresponding with your views. So much has been written on that question, that it does not seem to me that anything new can be advanced, in support of what are admitted, by almost all enlightened and disinterested men, to be correct principles. The only points at all dubious, at least in my opinion, are those of *local currencies*, or what is commonly called "country notes," and of the simultaneous circulation of gold and silver. Was it practicable, the following outline would appear to me preferable to any other, as combining safety, convenience and facilities sufficient to promote industry and prudent enterprise:

1. No other but the Bank of the United States, nor any individual, associations or corporations, to be permitted to issue any bank notes, bills of credit, or paper, in the nature of currency; but all such bank or bankers to be left, without restrictions or special tax, at liberty to pursue, in other respects, their proper occupation, viz.: to receive deposits, to discount notes, and to deal in bills of exchange or bullion; thereby assimilating them to the bankers of London, and to all those of the continent of Europe; neither of whom issue a single shilling of paper currency.

2. The Bank of the United States to issue no notes of a denomination under *one hundred dollars*, (a restriction the same as that of the Bank of France,) those of a lower denomination excepted, which it may make redeemable at whichever of its offices they may be presented for payment.

3. Gold and silver United States coins to circulate, either on the new British plan of issuing silver at *ten* or *fifteen* per cent. above its intrinsic value, but not to be a legal tender for sums above ten dollars; or simultaneously for all purposes, but rating gold at its true value, which may be done so near the true ratio of gold to silver (about 15·6 to 1) as to obviate every practical objection.

4. All foreign coins to be excluded; copper coins to remain as now, but not to be a legal tender for more than *fifty* cents.

You may perceive that I am an ultra-bullionist, which it is right you should know. But I am perfectly sensible, that Congress will not attempt to prohibit the issue of notes by State banks; that we have no other security against their over-issues but State laws, which some States will not enact, and the Bank of the United States; that our reliance for a sound currency, and therefore for a just performance of contracts, rests on that institution; and that, in order to enable it to check and counteract the evil tendency of the local currencies, it must be permitted to issue notes of a smaller denomination than would otherwise be eligible. The principal object at this time is to preserve what we have, rather than to aim at what cannot be obtained. But I know too well, from sad experience, how difficult it is, without the aid of party, to carry any measure however useful, which is opposed from sectional or interested views. And yet, though aware of the unavailing effect of argument under such circumstances, I would be disposed to contribute my mite, if I thought I could add any thing to what has been done by others. It is also so long since my mind was made up on the subject, that I have not lately collected any facts. The evidence reported by the committees of both Houses of Parliament, previous to the resuming of specie payments in Great Britain, is the last document of any importance which I read with attention. A correct statement of the amount and nature of our currency is an indispensable preliminary to any essay on the subject. The ordinary returns of the Bank of the United States and of the several State banks, of the latest dates that can be obtained, not in the aggregate for each State, but showing the situation of each bank, would be sufficient, as I am familiar with those returns. The cashiers of the several offices of the Bank of the United States might with ease procure most of them. If you can obtain these for me, I will try to write, with the understanding that, if prevented or not satisfied myself, I will put my notes in your hands, to be used as you may think proper. I have, &c.

ALBERT GALLATIN.

New York, 22d May, 1830.

To the Hon. G. C. Verplanck, M. C., *Washington:*

Dear Sir,—I have been much gratified by the Report of the Committee of Ways and Means on the Bank of the United States, which I think to be the ablest paper that has issued this session, from any committee of either house. The constitutional question is treated with great ability, and placed on the most solid ground that could have been selected. I would, indeed, be inclined to go farther than the committee, and to insist that the term "bill of credit" in the constitution, embraces every species of paper currency, and therefore precludes the issuing of bank notes under State authority. That a purely metallic currency would be preferable to one hundred independent local paper currencies, is indisputable; and considering the perpetual tendency manifested everywhere, by every Government or public institution, to abuse the power of issuing paper, it is at least doubtful, whether it would not be safer to abstain altogether from issuing that dangerous instrument as currency. Admitting this to be impracticable, I cannot, though aware of the objections to a powerful monied institution, perceive any better check against over-issues, or any other security for preserving a proper standard of value, than the Bank of the United States, or at least one founded on the same principles.

There are, however, some positions in the report, to which, as now informed, I cannot yield an unqualified assent.

I was, at the time, of opinion, that specie payments might have been restored in 1815, without the establishment of the bank (*a*), although that institution gave the best practicable security against a recurrence of the evil.

(*a*) I might have added, that, though not then in office, I strongly urged in the autumn of 1815, the adoption of such measures as might have effected the object; funding the excess of Treasury Notes afloat, and receiving no notes of suspended banks in payment of duties and taxes, or of public lands.

I also think that the depreciation of a paper currency does not exclusively depend on, or always correspond with, its excess; and that this depreciation does not occasion that of a simultaneously circulating metallic currency; and although I am an ultra-bullionist, it seems to me that the loss arising from the suspension of specie payments, which was incurred by Government during the war, is overrated in the report. But on those and some other points connected with the general question of currency, to which I have paid great attention, I only wish to be enlightened; and the principal object of this letter is to request you to have the goodness to supply me, if in your power, with such further documents as may throw light on the subject. I can at present only point out the following, to which you may add such other as you may think useful, and are within your reach.

1. The Report itself with the annexed tables.
2. Mr. Crawford's Report of 1820, therein alluded to.
3. The Report of the Committee of the Senate of this session on the Bank of the United States.
4. The Report (dates not recollected, 1813 to 1817] showing the amount respectively subscribed in the several States, &c. to the loans obtained during the war.
5. The Report, or Reports, showing the amount of Treasury Notes issued during the war, their redemption by funding or payment, with the dates of such issues and redemption.
6. The late Report of the Secretary of the Treasury to the Senate respecting the relative value of gold and silver.

I think that the immediate causes which produced the suspension of specie payments, are not sufficiently investigated in the report. Excessive issues of bank notes, and perhaps withdrawing of specie, will be the answer. But what was the cause of those excessive issues, which had not operated, for the three years immediately following the dissolution of the first Bank of the United States? This is an important question, as connected with the degree of security afforded by the present Bank against another suspension in time of war, and with the extent to which it may at such time afford or promote the loans wanted by Government. A knowledge of the precise situation of the principal banks in June 1812, and when they stopt payment in specie, would materially assist in discovering the immediate cause of that event.

I am, &c.

ALBERT GALLATIN.

Resources and Liabilities of the Banks in the different divisions of the Union.

NEAR MAY, 1837.

	Discounts, Loans, Stocks and other investments.	Specie.	Notes of other Banks, & other Specie Funds.	Balance due by other Banks.	Balance due to other Banks.	Gross amount of Circulation.	Deposits.	Other Liabilities.
Eastern . . .	99,583,979	2,550,477	5,265,843	2,506,964	—	19,674,994	14,242,806	8,529,832
New-York . .	79,120,069	3,109,209	7,025,645	1,790,006	—	15,953,177	23,745,374	9,525,862
Middle . . .	85,117,901	5,216,914	7,254,808	—	1,709,969	21,228,114	22,161,066	6,923,609
United States Bank .	69,867,780	1,490,968	2,689,470	—	333,601	7,193,021	2,921,969	11,494,149
Southern . . .	62,122,038	6,468,971	2,669,030	25,514	—	23,451,850	13,202,752	1,380,960
South-Western .	121,470,313	4,277,468	2,465,900	—	7,528,062	19,159,824	19,380,845	9,152,529
North-Western .	45,685,609	6,698,896	3,437,446	3,690,815	—	16,967,107	15,356,069	2,409,690
Total . .	562,967,689	29,812,903	30,808,142	8,013,299	9,571,632	123,628,087	111,010,881	49,416,631

NEAR MAY, 1838.

	Discounts, Loans, Stocks and other investments.	Specie.	Notes of other Banks, & other Specie Funds.	Balance due by other Banks.	Balance due to other Banks.	Gross amount of Circulation.	Deposits.	Other Liabilities.
Eastern . . .	89,673,140	3,252,663	4,041,217	810,565	—	19,422,116	8,178,989	5,022,556
New-York . .	63,135,944	9,357,495	8,289,871	13,146	—	12,954,652	18,451,860	7,510,025
Middle . . .	74,370, 37	6,292,829	6,025,629	3,064,934	—	19,024,642	19,961,310	7,808,260
United States Bank .	72,548,842	4,409,330	1,611,073	—	4,898,682	6,451,605	4,414,978	18,121,440
Southern . . .	58,410,803	6,933,341	4,604,686	1,805,148	—	22,845,721	10,151,411	4,790,431
South-Western .	140,379,675	5,413,648	2,899,157	—	10,557,649	29,104,279	18,979,641	12,487,779
North-Western .	45,206,726	8,505,598	3,383,391	3,889,952	—	17,481,100	9,086,648	3,486,147
Total . .	543,725,667	44,164,904	30,855,024	9,583,745	15,456,331	127,294,115	89,224,837	59,226,638

The Eastern Division embraces the States of Maine, New Hampshire, Vermont, Rhode Island, and Connecticut.
The Middle includes New Jersey, Pennsylvania, Delaware, Maryland, and the District of Columbia.
The Southern,—Virginia, North Carolina, South Carolina, Georgia, and the Territory of Florida.
The South-Western,—Alabama, Mississippi, Louisiana, Arkansas, and Tennessee.
The North-Western,—Kentucky, Missouri, Illinois, Indiana, Ohio, Michigan, and Territories of Wiskonsin and Iowa.

Approximate Statement of the Population, nominal Banking Capital, and Debts of the several States, at the end of the year 1840.

	January 1840. Population.	January, 1840. Bank Capital.	July 1841. Interest.	July 1841. Debts.	Taxable Property.
Maine,	501,793	4,671,500	5&6	550,000 F	
N. Hampshire,	284,574	2,939,508		None	72,560,000
Vermont,	291,948	1,325,530		None	
Massachusetts,	737,699	34,485,600	5 *st.*	4,290,000 F	208,360,000
Rhode Island,	108,830	9,880,500		None	32,640,000
Connecticut,	310,015	8,832,223		None	97,120,000
New York,	2,428,921	52,028,793 *a*	5	21,000,000 *d*	641,360,000 *g*
New Jersey,	373,306	4,822,607		None	
Pennsylvania,	1,724,022	59,286,405 *b*	5	38,350,000 *e*	400,000,000 *g*
Delaware,	78,085	1,071,318		None	
Maryland,	469,232	10,571,630	5&6	11,490,000 F	100,000,000 *g*
Dist. of Colum.	43,712	1,768,074		None	
Virginia,	1,239,797	8,471,856	5&6	6,320,000 F	206,900,000 *g*
N. Carolina,	753,110	3,100,750		None	
S. Carolina,	594,398	11,584,355	5&6 *st.*	5,560,000 F	200,000,000
Georgia,	689,690	15,119,219		Not known	
Florida,	54,307	4,619,836		Not known	
Alabama,	600,000*	11,996,232	5 *st.*	11,500,000	
Mississippi,	375,651	30,379,403 *c*	5 *st.*	7,000,000	
Louisiana,	351,176	41,736,768	5 *st.*	23,730,000 F	
Arkansas,	95,642	1,951,888	5&6	3,000,000 F	
Tennessee,	829,210	7,687,556	6	7,150,000 F	121,000,000 *g*
Kentucky,	785,000*	8,939,003	5	3,790,000	272,000,000
Missouri,	381,102	1,116,123	5	2,500,000 F	
Illinois,	474,404	5,423,185	6 *st.*	12,210,000	
Indiana,	683,314	2,595,221	5	11,890,000 F	97,000,000
Ohio,	1,510,467	10,507,521	6	12,940,000 *f*	126,000,000
Michigan,	211,705	1,229,200	6	5,340,000 F	
Wiskonsin,	30,752	200,000		None	
Iowa,	43,068	100,000		None	
Total,	17,063,830	358,441,804		188,610,000	

* Partly on estimate.

c Great part of this annihilated.

a Including 15,227,321 free banks, half of which nominal.

b Including 35,000,000 U. S. Bank, two-thirds of which destroyed.

d Debt proper, deducting 2,054,000—Old debt provided for,.......... $13,320,000

Issued to Companies............	2,845,000
In part of authorised do. est'd.	1,830,000
Loan authorised last session..	3,000,000
	21,000,000

e Mr. Reed estimates interest on old 5 per cents. at 1,762,500, making Principal 35,250,000—Loan authorised last session, 3,100,000—Total, $38,350,000.

f May be increased two or three millions for completing the works; but the tolls and taxes are sufficient to pay the interest.

g In all these States the taxable property is assessed less than its value.

F All the amounts thus designated are taken from Mr. Flagg's statement.

st. The debts thus designated are, in part or wholly, payable, interest and principal, at 4*s.* 6*d.* st. per dollar, or at 9½ per cent. above their nominal value. Thus the State of Mississippi will have to pay in London £1,575,000 sterling, equal to $7,665,000 for the 7,000,000 which it has received.

4