John Bartram

EASTON GAZETTE.

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REPORT

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

TREASURY DEPARTMENT,
December 3rd, 1833.

CONCLUDED.

And as the power of withdrawal was confided to the Secretary of the Treasury it was his duty to remove it on this ground alone, if no other cause of complaint had existed against the Bank. The conduct of the Bank in relation to the three per cent. stock of the United States is a memorable instance of the power exercised in secret by the Exchange Committee, and the abuses to which it is incident. The circumstances attending that transaction have been so fully laid before Congress and the public, that it is useless to repeat them here. It was a case in which this committee not only managed in secret a monied tranasaction of vast amount, intimately connected with the interests of the people of this country, but one where the measures of the Government were thwarted by the Bank, and the nation compelled to continue for a time, liable for a debt, which it was ready and desired to extinguish. Nor is this the only measure of the kind which has come officially to my knowledge, *I* have the honor to present herewith a report made by three of the public Directors to the President of the U. States on the 22d of April, 1833 (marked A.) in which, in compliance with his request that they would communicate to him such information as was within their personal knowledge relative to these unusual proceedings of the Board of Directors, they disclose the exceptionable manner in which the power conferred by law on the Board has been surrendered to the Exchange Committee, that this has been done evidently with the design of preventing a proper and contemplated examination into the accounts of persons whose paper was offered for discount; that a minority of the Board apparently sufficient to have prevented the loan, if the security was bad, were deprived of their votes upon the question; and that the long established bye laws of the institution were set aside for the purpose of carrying these designs into effect with less difficulty or embarrassment.

If proceedings like this are sanctioned by the constituted authorities of the United States, the appointment of Directors on their part is an idle ceremony, and affords no safeguard to the public treasure, in the custody of the Bank.—And even legislative enactments, in relation to this corporation, are of but little value, if it may at its pleasure, disregard one of the fundamental articles of its constitution, and transfer to a secret committee the business which by law ought to be transacted by the Board. *It* is scarcely necessary in presenting this document to the consideration of Congress, to notice an objection, which has been somtimes put forward against the publication of any proceedings which relate to the accounts of private individuals. The circumstances detailed are the regular and official transaction of the Board of Directors, nor do they involve the private debtor & creditor, account of persons dealing with the bank, which is alone included in the distinction taken by the charter in regard to private accounts. If the argument thus brought forward were a sound one, there could be no such thing as an examination of any value into the conduct of the Bank.

Because the business of the Bank being with individuals, its misconduct could never be shown without bringing before the public the individual transaction in which the conduct of the Bank was impeached. And if it could make good the position, that such proceedings are never to be exposed to the public, because individuals are concerned in them, it would effectually shut out all useful examination, and be enabled to apply its money to the most improper purposes, without detection or exposure. When its conduct is impeached, on the ground that it has used its great money power to obtain political influence, the investigation of the charge is in its very nature, an inquiry into its transactions with individuals. And although the accounts brought forward on such occasion may be the accounts of individuals yet they are also the accounts of the Bank and show its conduct. And being the fiscal agent of the Government, with such immense power to be exercised, for good or for evil, the public safety requires, that all of its proceedings should be open to the strictest and most rigorous scrutiny its charter may be forfeited by its misconduct, and would be justly forfeited if it sought to obtain political influence in the affairs of the nation. And yet such attempts on the part of the Bank can never be proved except by the examination and disclosure of its dealings with individuals.

2d. It is not merely by its concealments that the Bank has proved itself regardless of the duties of its agency. Its own interests will be found to be its ruling principle—and the just claims of the public to be treated with but little regard when they have come into collision with the interests of the corporation. This was but too plainly the case in the affair of the three per. cents above mentioned. A recent instance proves its rule of action is not changed in that respect. And the failure of the French Government to pay the bill drawn for the first instalment due by the treaty, has been made the occasion of endeavoring to obtain from the public, the sum of $158,842 77, to which no principle of justice appears to entitle it. The money to which the bill was sold remained in the Bank. The expenses it incurred were of small amount, and these the Government are willing to pay. But the corporation, not content with the profits it was deriving from the millions of public money then in its vaults, and which it was daily using in its discounts, endeavors to convert the public disappointment into a gainful transaction for itself, and demands the large sum above mentioned without pretending that it sustained any loss or inconvenience, commensurate with the amount it seeks to obtain from the Government. The fiscal agent of the public, attempts to avail itself of the unexpected disappointment of the principal, for the purpose of enhancing its own profits at the expense of the community.

3d. There is sufficient evidence to prove that the Bank has used its means with a view to obtain political power, and thereby secure the renewal of its charter.

The documents which have been heretofore laid before Congress, and now on its files, will show, that on the 31st of December, 1830, the aggregate debt due to the Bank, was $12,402,301 21 and that on the 31st of December, 1831 it was $63,026,452 93, being an extension of its loans in a single year of twenty millions of dollars and an increase of nearly fifty per cent. on its previous accommodations.

And as if to leave us no room to doubt as to the motive of this extraordinary conduct, it continued to add rapidly to its loans, and on the 1st of May, 1832, while its petition for the renewal of its charter was yet pending before Congress, they amounted to $70,426,070 72, being an increase of $7,401,617 79, in the four preceding months, and making altogether an addition of $28,025,766 48, in the short space of sixteen months, and being an extension of more than 66 per cent. on its previous loans. Such an increase at such a period of its charter, is without example in the history of Banking institutions. *On* the 31st of December, 1830, when its loans amounted as above stated, to only $12,402,301 21 the corporation had been in existence 11 years. The sudden & great increase was made when the charter was drawing to a close, and when it had but little more than four years to run. It cannot be supposed that these immense loans were made from a confident expectation that the charter would be renewed. On the contrary it is now a historical fact that the Bank itself deemed the chances of renewal so doubtful, that in the session of Congress beginning in December 1831, it petitioned for a recharter, and the reason generally assigned for pressing for a decision at that time, was the great extent of its business and the necessity of preparing to bring it to a close if the charter was not to be renewed. Thus with but little more than four years to run, with doubtful chances of renewal and aware of the necessity of beginning to arrange its vast transactions, it increases its loans in sixteen months, more than twenty eight millions of dollars.—Was this imprudence only? It cannot be believed that those who managed its concerns, could have committed such an oversight. Can any proper reason be assigned for this departure from the course which the interests of a monied corporation, as well as that of the country, obviously required. *I* am not aware that any sufficient justification has been offered. And this extraordinary increase of its loans, made in so short a space of time, at such a period of its charter, and upon the eve of a severely contested election of President, in which the Bank took an open and direct interest, demonstrates that it was in using its money for the purpose of obtaining a hold upon the people of this country, in order to operate upon their fears, and to induce them, by the apprehension of ruin, to vote against the candidate whom it desired to defeat. In other words, this great monied corporation, determined to enter the political arena, and to influence the measures of the Government by causing its weight to be felt in the election of its officers.

But if the circumstances above stated were not of themselves sufficient to prove that the Bank had sought, by its money, to obtain political power, and to exercise by that means a controlling influence on the measures of the government recent developements have furnished such proof as to leave no room for doubt. I have the honor to transmit herewith an official statement (marked B.) signed by four of the public directors in the Bank, showing at the same time the unlawful manner in which its business is conducted, and the unwarrantable purposes to which its money has been, and is still applied. *It* will be seen by the proceedings therein stated, that the whole capital of the Bank is in effect placed at the disposition of the president of that institution. He is authorised to expend what he pleases in causing "to be prepared and circulated such documents and papers as may communicate to the people information in regard to the nature and operations of the Bank." And he may therefore under the very indefinite terms of the resolutions employ as many persons as he pleases, at such salaries as he thinks proper, either to prepare daily paragraphs for newspapers in favor of the Bank, or to write pamphlets and essays to influence the public judgment. And he may even provide for the publications by salaries to printers, or by purchasing presses and types, and placing them in the hands of agents employed and paid by the Bank. There is no limitation, short of the capital of the Bank, as to the sum of money he may thus expend in the different parts of the United States. From the description of articles which appear to have been paid for under this resolution it seems that the President of the institution has supposed that publications containing attacks upon officers of the government who are supposed to stand in the way of the renewal of the charter is one of the modes of "communicating to the people information in regard to the nature and operations of the Bank." This construction was, it appears, approved by the board, as they continued the authority in his hands, unchanged, after the manner in which a portion of the money had been applied was laid before them. And we are left to conclude that this institution is now openly in the field as a political partizan, and that one of its means of warfare is the destruction of the political standing of those who are opposed to the renewal of the charter. The sum actually charged to the expenses, under this resolution, is sufficiently startling.—How much more may have been already squandered, we are yet to learn, and the work of "preparing and circulating" such publications is still, it is presumed going on under the last resolution of the Board. *It* is moreover impossible to ascertain the specific purposes to which the money may in fact have been applied since vouchers are not required to show the particular services for which it was given. With these positive proofs of the efforts of the bank to obtain power, and to influence the measures of the government, I have hesitated as to the path of duty. *If*, when this evidence was before me, had failed to withdraw the deposites of the public money from the Bank, it would have been lending the countenance and support of this Department to measures which are but too well calculated to destroy the purity of our institutions; and endanger thereby the liberties of the people. It cannot be supposed that these expenditures are justifiable on the ground that the Bank has a right to defend itself, and that the money in question was therefore properly expended. Some of the items accounted for, sufficiently show in what manner it was endeavoring to defeat the election of those who were opposed to its views. *It* was striving by means of its money, to control the course of its government, by driving from power those who were obnoxious to its resentment.

Can it be permitted to a great monied corporation to enter on such a controversy, and then justify its conduct on the ground that it is defending its own interests? The right of such an institution to interfere in the political concerns of the country for any cause whatever, can never be recognized, and a defence like this, on the part of the Bank, could not be tolerated even if the individual stockholders alone were thus using their own money to promote their own interests. But it is not only the money of individuals, which is thus applied. The one fifth of the capital of the bank, amounting to seven millions of dollars, belongs to the United States, and the one fifth of the money which has been expended and is yet to be expended, under this resolution is the property of the public and does not belong to private individuals. Yet the Board of Directors assert the right, not only to authorise the expenditure of the money of individual stockholders in order to promote their individual interests, but have also, by the resolution in question, taken upon themselves to give the like authority over money which belongs to the United States.

Is an institution, which deals thus with the money of the people, a proper depository for the public funds?—When such a right is openly claimed and acted on by the Board of Directors, can the money of the United States be deemed safe in its hands? The same principle that would sanction the application of one portion of the public money to such purposes, would justify the like use of all that may come to its possession. The Board of Directors have no lawful authority to employ the money of the United States for such objects. So far as the nation is concerned in the character of the Bank, the people, through their own representatives in congress, can take care of their own rights, & vindicate the character of the Bank if they think it is unjustly assailed. And they do not need the aid of persons employed & paid by the Bank, to learn whether its charter be constitutional or not, nor whether the public good requires it to be renewed. Nor have they authorized the President and Directors of that institution to expend the public money to enlighten them on this subject.

The resolution in question is, moreover, in direct violation of the act of Congress by which the corporation was established. And it is difficult to imagine how the unlimited and irresponsible power over the money of the Bank, which the Directors have given to their President, can be reconciled to the clause in the charter which requires seven Directors to form a board for the transaction of business. If the expenditure of money for the purposes contemplated by the resolution, be a legitimate part of the business of the institution, the Board could not lawfully transfer it to one of its officers, unless they can by resolution surrender it into the hands of their President the entire power of the corporation, and commit to the care of a single individual, the corporate powers which the law has declared should be exercised by the Board of Directors.

Chief Justice Marshall, in the case of the Bank of the United States vs. Dandridge, when speaking of the bonds required to be given by the Cashier of the Bank says: "it requires very little knowledge of the interior of banks to know that the interests of stockholders are committed to a very great extent, to these and other officers. It was, and ought to have been, the intention of Congress, to secure the Government who took a deep interest in this institution, and to secure individuals who embarked their fortunes in it; on the faith of the Government, as far as possible from the mal practices of its officers."—But the Directors of the Bank seem to have acted on principles directly opposite to those stated by the Chief Justice. And instead of endeavoring to secure; "as far as possible," the public and individuals from the mal-practices of its officers, they place the funds of the Bank under the control of a single officer, from whom neither security nor specific vouchers have been required. It is true, that in the opinion which the Chief Justice gave in the case from which the above passage is quoted, he differed from the rest of the Court. But the difference was on other principles, and not on the one above stated.

In forming my judgment on this part of the case, I have not regarded the short time the charter has yet to run. But my conduct has been governed by considerations which arise altogether out of the course pursued by the Bank, and which would have equally influenced the decision of this Department, in relation to the deposites, if the Bank were now in the first years of its existence. And upon this view of the subject, the following propositions appear to be fully maintained:—

1st. That the Bank, being the fiscal agent of the Government, in the duties which the law requires it to perform, is liable to all the responsibilities which attach to the character of agent, in ordinary cases of principal and agent among individuals; and it is therefore the duty of the officer of the Government to whom the power has been entrusted, to withdraw from its possession the public funds whenever its conduct towards its principal has been such as would induce a prudent man in private life to dismiss his agent from his employment.

2d. That by means of its Exchange Committee, it has so arranged its business as to deprive the public servants of these opportunities of observing its conduct which the law had provided for the safety of the public money confided to its care; and that there is sufficient evidence to show that this arrangement on the part of the Bank was deliberately planned, and is still persisted in, for the purpose of concealment.

3d. That it has also, in the case of the three per cent. stock, and of the Bill of Exchange on France, endeavored unjustly to advance its own interests at the expense of the interests and the just rights of the people of the United States.

If these propositions be established, it is very clear that a man of ordinary prudence, in private life, would withdraw his funds from an agent who had thus behaved himself in relation to his principal; and it follows, that it was the duty of the Secretary of the Treasury to withdraw the funds of the United States from the Bank.

4th That there is sufficient evidence to show that the Bank has been, and still is, seeking to obtain political power, and has used its money for the purpose of influencing the election of the public servants, and it was incumbent upon the Secretary of the Treasury, on that account, to withdraw from its possession the money of the United States, which it was thus using for improper purposes. Upon the whole, I have felt myself bound by the strongest obligations to remove the deposits. The obligation was imposed upon me by the near approach of the time when this corporation will cease to exist, as well as by the course of conduct which it has seen fit to pursue.

The propriety of removing the deposites being thus evident, and it being consequently my duty to select the places to which they were to be removed, it became necessary that arrangements should be immediately made with the new depositories of the public money which would not only render it safe, but would at the same time secure the Government and the community at large, the conveniencies and facilities that were intended to be obtained by incorporating the Bank of the U. S. Measures were accordingly taken for the purpose, and copies of the contracts which have been made with selected banks, and of the letters of instruction to them from this Department, are herewith submitted. The contracts with the Banks in the interior, are not precisely the same with those in the Atlantic cities. The difference between them arises from the nature of the business transacted by the Banks in these different places. The State Banks selected, are all institutions of high character and undoubted strength, and are under the management and control of persons of unquestioned probity and intelligence. And in order to ensure the safety of the public money, each of them is required, and has agreed to give security, whenever the amount of the deposite shall exceed the half of the amount of the capital actually paid in; and this Department has reserved to itself the right to demand security whenever it may think it advisable, although the amount on deposite may not be equal to the sum above stated. The Banks selected, have also severally engaged to transmit money to any point at which it may be required by the direction of this Department, for the public service, and to perform all the services to the Government which were heretofore rendered by the Bank of the U. S. And by agreement among themselves, to honor each others notes and drafts, they are providing a general currency at least as sound as that of the Bank of the U. S., and will afford facilities to commerce, and in the business of domestic exchange, quite equal to any which the community heretofore enjoyed. There has not been yet sufficient time to perfect those arrangements; but enough has already been done, to show that even on the score of expediency, a Bank of the United States is not necessary, either for the fiscal operations of the Government, or the public convenience; and that every object which the charter to the present Bank was designed to attain, may be as effectually accomplished by the State Banks—and, if this can be done, nothing that is useful will be lost or endangered by the change, while much that is desirable, will be gained by it. For no one of these corporations will possess that absolute, and almost unlimited dominion over the property of the citizens of the United States, which the present Bank holds and which enables it at any moment, at its own pleasure, to bring distress upon any portion of the community, whenever it may deem it useful to its interest to make its power felt. The influence of each of the State Banks is necessarily limited to its own immediate neighbourhood, and they will be kept in check by the other local Banks. They will not therefore be tempted by the consciousness of power to aspire to political influence, nor likely to interfere in the elections of the public servants. They will moreover be managed by persons who reside in the midst of the people, who are to be immediately affected by their measures, and they cannot be insensible or indifferent to the opinions and peculiar interests of those by whom they are daily surrounded, and with whom they are constantly associating.

These circumstances always furnish strong safeguards against an oppressive exercise of power, and forcibly recommend the employment of State Banks in preference to a Bank of the United States, with its numerous and distinct Branches. A corporation of the latter description, is continually acting under the conviction of its immense power over the money concerns of the whole country, and is dealing also with the fortunes and comforts of men who are distant from them, and to whom they are personally strangers—The Directors of the bank are not compelled to hear daily the complaints and witness the sufferings of those who may be ruined by their proceedings. From the nature of man such an institution cannot always be expected to sympathize with the wants and feelings of those who are affected by its policy. And we ought not perhaps to be surprised, if a corporation like the Bank of the United States, from the feeling of rivalry, or from cold calculations of interest or ambition, should deliberately plan and execute a course of measures highly injurious and oppressive, in places where the Directors who control its conduct have no local sympathies to restrain them. It is a fixed principle of our political institutions, to guard against the accumulations of power over persons and property, in any hands. And no hands are less worthy to be trusted with it than those of a monied corporation. *In* the selection, therefore, of the State Banks as the fiscal agents of the Government, no disadvantages appear to have been incurred on the score of safety or convenience, or the general interest of the country, while much that is valuable will be gained by the change. *I* am however well aware of the vast power of the Bank of the United States and of its ability to bring distress and suffering on the country. This is one of the evils of chartering a Bank with such an amount of capital, with the right of shooting its Branches into every part of the Union, so as extend its influence into every neighborhood.

The immense loans of more than twenty-eight million of dollars suddenly poured out, chiefly in the Western States, in 1831 and the first four months of 1832, sufficiently attest that the Bank is sensible of the power which its money gives it, and has placed itself in an attitude to make the people of the U. S. feel the weight of its resentment, if they presume to disappoint the wishes of its corporation. By a severe curtailment, it has already made it proper to withdraw a portion of the money it held on deposit and transfer it to the custody of the new fiscal agents in order to shield the community from the injustice of the Bank of the United States. But I have not supposed that the course of the Government ought to be regulated by the fear of the power of the Bank. *If* such a motive could be allowed to influence the legislation of Congress, or the action of the Executive Department of the Government, there is an end to the sovereignty of the people, and the liberties of the country are at once surrendered at the feet of a monied corporation. They may now demand the possession of the public money or the renewal of the charter, and if these objects are yielded to them from apprehensions of their power, or from the suffering which rapid curtailments on their part are inflicting on the community, what may they not next require? Will submission render such a corporation more forbearing in its course? What law may it not hereafter demand, that it will not, if it pleases, be able to enforce by the same means?

These considerations need not, however, be pressed further in this report.—They are too obvious and striking, to need enforcement by argument. And I rely with confidence, on the Representatives of this enlightened nation, to sustain a measure which the best interests of the country call for, and which had become absolutely necessary to preserve untainted its free institutions, and to secure the liberties and happiness of the people.

I am, very respectfully,
Your obedient servant,
R. B. TANEY.
Secretary of the Treasury.

For Inflamed sore Eyes.—White vitrol one drachm, acid elixer of vitrol, twenty drops, and boiling water one pint:—put the white vitrol into water, and when nearly cold, add the drops, and after add one large table spoonful of brandy or very old rum. If the above is found too strong, weaken each quantity drawn off with more or less rose-water.

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