

INDIANA PALLADIUM.

By David V. Culley.

Terms—\$3 PER YEAR.....33 PER CENT. DISCOUNT MADE ON ADVANCE, OR 16 $\frac{1}{2}$ ON HALF YEARLY PAYMENTS

VOL. VIII.]

LAWRENCEBURGH, (Ia.) SATURDAY, MAY 26, 1832.

[NO. 19.

United States Bank.

Extracts from the report made by Mr. Clayton, in the House of Representatives, April 30, on behalf of the majority of the Committee appointed to inspect the books, and examine the proceedings of the Bank of the United States.

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

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

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

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

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

In reference to the foregoing, the committee believe it enough, merely to quote the following provision of the charter, to wit: "The land, tenements, and hereditaments, which it shall be lawful for the said corporation to hold, shall be only such as shall be requisite for its *immediate accommodation*, in relation to the *convenient* transaction of its business, and such as shall have been *bonded* mortgaged to it by way of security, or conveyed to it in *satisfaction* of debts previously contracted in the course of its *dealings*, or purchased at sales upon *judgments*, which shall have been obtained for *such debts*."

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

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

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

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

Adhering to these rules, the committee believed it entirely within their province to inquire whether the influence of the bank, acknowledged by all to be of vast control, and, if improperly directed, of dangerous tendency, had insinuated itself either into the management of the press or the direction of the Government. This could only be done by an examination of the transactions of the bank with editors and public functionaries. And here the committee wish to be distinctly understood, that they do not pretend to set up the absurd idea that editors or officers are excluded from the right common to the rest of the citizens, of borrowing money when and where they please, from banks or individuals, without being answerable, in the slightest degree, to any person whatever. But while this admission is demanded by the clear rights of the par-

ties to whom it relates, it will not be denied that if they obtain more favors than the rest of their fellow citizens, it is, at least, a just cause of complaint against the bank, and however they may be innocent of any improper or sinister connection with that institution, it does not, by any means, disprove the fact, that some other influence may have been intended to operate upon their minds, wholly unsuspected by them at the time. If, therefore, it should appear, that these individuals received larger loans than those who are its usual customers, that they receive these loans without the security usually required under circumstances not known in any other case, it would seem to the committee, that instead of a complaint from those whose transactions with the bank have thus been investigated, the grievance is entirely on the other side.—Whether such cases do exist, the committee will leave to the better judgment of the House to decide, upon the facts which they have collected, and now respectfully submit.

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

This was accompanied with sundry letters of Webb and Noah, and the dispositions of persons in their service as to their solvency and ability to pay the loan requested, all of which will be found marked No. 9. This loan, at six months, was granted, with no other security but that which is just mentioned; the largest loan made on that day. On the 16th of December following, another application was made, by these same parties, for a loan of \$15,000, which was granted, for six months, by the exchange committee, without any additional security or recommendation. At this time, there was a considerable pressure in the money market, and many notes of the citizens of Philadelphia were rejected. It was one among the largest loans of the day. These loans, together with the loan made in March, to Burrows, amounted to the sum of \$52,975, which consisted of notes drawn and endorsed by the editors only.

The committee will now submit the facts in relation to the manner in which this loan has been disposed of, first premising that the resolution for inquiring into the affairs of the bank was introduced into the House on or about the 17th of February. The loan of August was reduced \$2,000 at its maturity, on the 10th of February last. On the 2d of March last, Mr. Silas E. Burrows obtained from the exchange committee discounts to the amount of thirty-two thousand four hundred and forty-six dollars, being the largest sum loaned on that day, and while many notes of citizens of Philadelphia were rejected. That the notes for \$17,975, payable in 1832, '33, '34, '35, and '36, were paid and withdrawn by him on the 2d of March, without the knowledge of Webb and Noah, as they state. On the 14th of the same month, Burrows obtained another discount from the bank of \$14,150, and on the 15th of the same month the note of Webb and Noah for \$15,000 loaned them on the 16th of December previously, and not due till June next, was paid off by two drafts from Webb, obtained at the United States Branch Bank at New-York, accompanied with the following remarks, contained in a letter to the president of the bank, dated New-York, March 11th, 1832, and found in No. 9, viz: "Although the loans to us by the Bank of the United States are purely of a business character, and made upon statements showing the necessity of the accommodation to our establishment, and of our ability to meet our payments, there can be no doubt but that the enemies of the bank, as also our political opponents, will endeavor to give a false coloring to the whole transaction. The loan, though strictly defensible, is a large one, and the amount may give rise to the charge of indiscretion on the part of the directors. This, it is not only our duty, but our desire, to prevent, if possible; and, therefore, with some little inconvenience to ourselves, we have made arrangements to pay the note of \$15,000 in the course of a few days."

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

In that evidence it is stated, by the testimony of Webb and Noah, that they knew nothing of the first \$15,000 dollar loan made by the president of the bank to Burrows; that Burrows made them believe the \$15,000 were loaned to Noah by his father, and that he had his father present to carry on that transaction, and for which loan Noah allowed Burrows 24 per cent. and did not receive it all for some months after giving his notes; that the notes were discounted by the bank, in their names, without their knowledge, and paid off in the same way. It will appear by the testimony of Mr. Webb, that the paper of which he is the editor, made two publications in the latter part of 1829, favorable to the establishment of branches; that shortly thereafter it commenced its opposition to the bank, and was, for sixteen months warmly opposed to it; and that, on or about the 8th of April, 1831, it changed its course in favor of the bank. Connected with this fact, is an admission on the part of one of the editors, that before the first loan was negotiated he held a conversation with a gentleman, through whom the loan was then negotiating, (who the committee knew to be Burrows,) in which he, Burrows, urged the editors, (one of whom, Webb, had expressed himself in favor of a modified recharter,) to advocate an unconditional renewal, "but expressed great satisfaction at learning that one was in favor of a charter under *any* circumstances."

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

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

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

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

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

2d. Relates to certain loans upon the

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

The third subject is the amount of discounts made T. Biddle, and the rate of interest. The document marked No. 14 will show the amount on the 15th of each month from the 15th day of September, 1830, to the 15th of Feb. 1832. By this, it appears, that on the 15th of October, 1830, he had discounted upwards of \$1,120,000, and has at no time since been less than \$400,000. The committee doubt the policy of such large accommodations to individuals or firms, at any time, as it deprives the bank of the power of fulfilling one of the great objects of its institution, which is to facilitate trade by loans in time of pressure, and it may be proper to add, that these large loans, at a low rate of interest, in times when money is plenty, are usually followed by overtrading, which produces pecuniary embarrassment and general distress.

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

1831.

Oct. 14, 1 bill 60 days sight, and at a premium of 10 $\frac{1}{2}$ per cent.	\$32,300 68
Oct. 14, 3 bills at 75 to 90 and 105 days, and at a premium of 10 $\frac{1}{2}$ per cent.	115,111 11
Oct. 22, 13 bills at 40 to 125 days, and at a premium of 11 per cent.	592,000 00
Dec. 10, 9 bills at 40 to 110 days, and at a premium of 10 per cent.	506,250 00

1832.

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

\$1,794,060 79

By the foregoing statement, it appears that the bank purchased, between the 14th of October, 1831, and the 14th February, 1832, of T. Biddle and Co. foreign bills to the amount of \$1,794,060 79.

With regard to these large loans, the committee refer to the statement marked No. 19, by which it appears that, on the 9th of April, 1832, the total amount of discounts on bills and notes at the bank, in Philadelphia, was \$7,939,979 52. Of that sum more than two-thirds were loaned to ninety-nine persons, to wit: \$5,431,111. More than \$3,000,000 were in the hands of twenty-seven individuals; and nearly the seventeenth part in the hands of one person. The committee have already expressed their conviction that these large accommodations, to a few individuals, are injurious to trade generally, and they will add, that they ought always to be made by either the board of directors, or the committee empowered by them for that purpose. For an explanation of this subject, see papers numbered 13 and 18. * * * * *

The increase of the number of branches established since 1822, cannot be passed over in silence by the committee, and deserves, as a source of extended influence of the bank, the most serious consideration.

In some few instances where new branches have been established, perhaps they may have been called for by the community, and may have been useful to them and profitable to the bank; but, in most of the cases, the committee doubt whether they were called for from public utility, and their establishment will, in the end, not only prove unprofitable to the bank, but very injurious to the communities among which they are located. Mr. Cheves, in a letter of the 27th of May, 1819, to Mr. Crawford, then Secretary of the Treasury, says: "I am perfectly satisfied that, with the present organization of the bank, it can never be managed well. We have too many branches, and the directors are frequently governed by *individual* and *local* interests and feelings. For a time we must bear with the branches, but I hope they will be reduced."

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

The stockholders, at the triennial meeting on the 1st of October, 1822, recommended a withdrawal of some of the branches then existing, in these words: "In taking into view the business of the bank, as connected with its offices, the committee think it right to recommend to the continued attention of the president and directors, the necessity of withdrawing those branches which are found to be unprofitable, and transferring their

lands to the offices which shall seem to require additional capital." Since this period two have been discontinued, and nine others have been established, as per triennial report of 1831. These opinions of Mr. Cheves, in which the committee have concurred, were approved by the stockholders, as will appear by the following extract from this same report in 1832. They say, "they take great pleasure in unanimously declaring that the circumstances of the bank fully realize their anticipations, as expressed at their last meeting, in regard to the president, (Mr. Cheves,) who, by his talents, disinterestedness, and assiduity, has placed its affairs in an attitude so safe and prosperous as that the burthen of duty devolving upon his successor will be comparatively light."

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

In the year 1819, great abuses existed in the branches, of which Mr. Cheves speaks without reserve, in his last report to the stockholders, as well as in his correspondence with Mr. Crawford, and upon casting the eye over the monthly statements, it is remarkable to observe what losses have taken place at the branches compared with the mother bank. For instance: on the 1st of Jan. last, the loss of the mother bank, on a capital of 16,500,000 was in round numbers, \$328,000; that of the Baltimore branch was \$1,662,000, on a capital of one million and a half, so that it lost more than its capital. That of the Norfolk branch was \$229,000, on a capital of 500,000, losing nearly one half of its capital, and so with all the rest of the branches, their losses are out of all proportion to their capital, & ten times greater than the mother bank, according to the amount of their respective capitals. These losses however, were principally incurred prior to 1819. The proper inference to be drawn from these facts is, that the worst of mismanagement has existed in the branches. * * *

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

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