

**THE BANK OF THE
UNITED STATES**

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The Bank of the United States by Anonymous

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ANONYMOUS

**THE BANK OF THE
UNITED STATES**

THE
BANK OF THE UNITED STATES,

AN ARTICLE REPRINTED

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THE BANK OF THE UNITED STATES.*

The currency, which is always an important, is at this period a particularly interesting topic, in consequence of the discussions, to which the question of renewing the Charter of the Bank of the United States naturally leads. Though the act of incorporation does not expire till 1836, the constitutionality and expediency of continuing a national institution of this nature, already occupy the serious attention of the Executive and Legislative departments of the Government. The President, in his Message at the opening of the First Session of the Twenty-first Congress, presented the subject 'to the deliberate consideration of the Legislature and the people'; declaring, that 'both the constitutionality and the expediency of the law creating this (the present) Bank, are well questioned by a large portion of our fellow citizens; and (that) it must be admitted by all, that it has failed in the great end of establishing a uniform and sound currency.' From the consideration of this Message, resulted the Report of Mr. McDuffie. The scope of the inquiry made by the Committee of the Senate was more

*The following documents are those of which the titles were placed at the head of the article, and to which it chiefly alludes.

1. Message of the President of the United States to the two Houses of Congress, at the Commencement of the First Session of the Twenty-first Congress, December 8, 1829. *Washington.*
2. Report of Mr. Smith of Maryland, from the Committee of Finance, to whom was referred a Resolution of the 30th December, 1829, directing the Committee to inquire into the Expediency of establishing a uniform National Currency for the United States, and to report thereon to the Senate, March 29, 1830. *Washington.*
3. Report of Mr. McDuffie, from the Committee of Ways and Means, to whom was referred so much of the Message of the President, as relates to the Bank of the United States, April 13, 1830. *Washington.*
4. Message of the President of the United States to the two Houses of Congress, at the Commencement of the Second Session of the Twenty-first Congress, December 7, 1830. *Washington.*

extensive, as it embraced the general question of a national currency; but the conclusion from both investigations was the same, viz. that the Bank had fulfilled the great end for which it was created, and that it furnished the country with a uniform and sound currency. On this point, the Legislature is consequently at issue with the Executive.

The constitutionality of the Bank of the United States,—a question which did not occupy the attention of the Committee of the Senate,—is defended with great zeal and ability, by the Committee of Ways and Means; and is established, not only by argument and judicial decisions, but by that authority, which often outweighs them both in the estimation of the community,—the sanction of illustrious names. It is shown, that all or nearly all the distinguished statesmen of our country, not excepting Mr. Jefferson, have, at one time or another of their public career, either supported a national bank, or officially admitted the constitutional power of the General Government to incorporate such an institution. But though it is always satisfactory to have such testimony, that our fundamental charter has not been violated, we are far from deeming it necessary to adduce it on the present occasion. If there be any one circumstance which pre-eminently characterizes our federal institutions, it is the power of the Supreme Court to determine, in the last resort, on the constitutionality of the acts of Congress and of the State Legislatures, and to carry its decrees into effect, by its action on individuals, without having recourse to the authority of separate States. This high tribunal, to which the decision appropriately belongs, has, after solemn argument, repeatedly established the validity of the law creating the Bank of the United States; and its constitutionality can therefore no longer, without subverting our political system, be considered a doubtful question. The only points remaining for future discussion, are the expediency of such an institution, and the propriety of continuing it on its present basis.

The business performed by the National Bank, may be viewed under several heads. It combines all the various functions of a bank of deposit, of discount and of circulation, deals largely in foreign exchange, and at the same time facilitates the ordinary fiscal arrangements of the Government.

1. The connexion which individuals have with the mother bank and its branches, as offices of discount and deposit, does not differ from that which exists between the numerous local

institutions established throughout the Union, and their customers. According to the system universally adopted with us, banks afford safe and convenient places for the deposit of money, on which they allow no interest, and for taking charge of which they are compensated by the balances of the accounts of their dealers; which as well as their capitals, are employed in the discounting of bills of exchange or promissory notes. As all these institutions, instead of confining themselves to the business of affording facilities to merchants to anticipate the payment of bills and notes created in the course of actual business, are in the habit of making permanent loans, in the form of renewable discounts of accommodation paper, it is evident, that it is not on account of any deficiency, that would otherwise exist in the banking capital, that a national institution is necessary. Receiving deposits and making discounts, are, however, convenient, though not essential auxiliaries, to the exercise of the important duty, with which the Bank is intrusted, of supplying 'a uniform and sound currency.'

2. As it is in its character of a bank of circulation, that the Bank of the United States is known to the public at large, we do not deem any apology necessary, for considering at some length the principles of money, and the rules which it is necessary to observe, in order that paper may retain an exchangeable value, equal to that of the coin which it represents. These are matters which ought to be clearly understood by all, who are called upon to take a part in the delicate business of regulating the currency of the country,—a subject second in importance to none, which can come before the national Legislature, and in discussing which, we shall also advert to the scheme offered by the Executive as a substitute for the existing bank.

An invariable standard cannot, in the nature of things, exist. A commodity may be selected, which will serve as a measure of value for other articles produced under the same circumstances. But, besides the variations arising from the quantity of labor necessary for production at different periods and the unequal times required to bring articles to market, the different combinations of fixed and circulating capital, and the various degrees of durability of fixed capital, cause great fluctuation in the value of commodities. It is true that, in ordinary cases, labor is the basis of value, and that it is the relative cost of production, which regulates the terms on which one com-

modity is exchanged for another. We, however, estimate an article, not only by the labor bestowed on it immediately, but by that also which has been expended on the various implements required to give effect to the particular labor to which they were applied. Regard must likewise be had to the greater or less rapidity, with which the returns for different commodities are received by the merchant or manufacturer. Utensils or machinery may not only have unequal quantities of labor retalized in them, but they may be calculated to last almost indefinitely, or they may approach to the nature of circulating capital. The theory of rent has shown the extreme unfitness of corn, which Dr. Smith selected as a universal standard, to perform the functions of a measure of value. Agricultural produce is peculiarly subject to change, as its value must alter with every successive recourse to inferior soils, or application of capital to land with diminished returns. The want of an invariable standard is experienced when we attempt to estimate the relative prices of commodities at different periods; but if the same article be uniformly employed as the medium of exchange, the real fluctuation in the cost of its production will rarely be sufficiently rapid to occasion any serious inconvenience in the currency of a particular country. The commodity chosen should in its intrinsic value, bear some relation to the labor realized in the ordinary subjects of exchange. Hence, where accumulation prevails only to an inconsiderable extent, the adoption of the baser metals in preference to gold and silver.

The interdiction of the precious metals as a circulating medium, and the substitution of a cumbersome coinage of iron money, are enumerated among the wise enactments of Lycurgus. But, as the energies of the nation were diverted from the production of wealth, and as the Lacedæmonians must, therefore, have had few commodities possessed of great exchangeable value, the banishment of gold and silver was a necessary consequence of their institutions, independent of all positive legislation.

Copper formed the basis of the Roman currency till five years before the first Punic war, when silver coin came into use. Gold was not introduced till sixty-two years afterwards, or 204 years before Christ. In Russia, copper has always constituted a large portion of the metallic currency; the amount of it coined in that Empire during the last century having been,

notwithstanding its great comparative bulk, in the proportion of two rubles of copper to three of gold and silver.* Many modern States have employed small quantities of copper as subsidiary coins; and Sweden, Austria, and other powers, have sometimes resorted to a currency of this and other inferior metals, as a temporary financial expedient.

Gold and silver, which possess many of the qualities required in an article of universal circulation, have been ordinarily used as the money of the civilized world. The copper of different countries is not of the same uniform quality. The mines of Siberia produce metal superior to the German. That of Sweden is better than the Russian; while the copper of Japan is preferable to the Swedish. On the other hand, a pound of pure gold, which issues from the mines of America or the rivers of Africa, is exactly equal to a pound of pure gold from the mines of Europe. Neither the atmosphere nor time alters the quality, and the weight of every part of the metal is an exact measure of its quantity and value as compared with every other part. The precious metals are also ductile, malleable, and divisible into small parts. They are essentially articles of merchandise, the value of which is determined, like that of all other commodities, by the amount of labor requisite to produce them. As in the case of agricultural produce, it is the price of that portion of the metals which is brought to market under the least favorable circumstances, that determines the value of the whole. Owing to their being articles of universal merchandise, and the consequent steadiness of the demand for them, they are exposed to fewer temporary fluctuations than any other commodities. The discovery of America, however, by presenting to the enterprise of Europe the mines of Peru and Mexico, produced, on the value of gold and silver in the markets of the world, effects similar to those which would result from adding to any particular country, where recourse has been had to inferior soils, an indefinite supply of land of the first fertility.

The whole amount of the precious metals throughout the world, in bullion, coin, and plate, has been supposed by Senior† and other English economists, to be £2,000,000,000 ster-

* The gold and silver coined in Russia between 1762 and 1811, amounted to one hundred and thirty-seven millions of rubles; the copper exceeded ninety millions. Storch. Cours d'Economie Pol. Tom. IV. p. 87.

† Lectures on the Art of Obtaining Money, by N. W. Senior, A. M. Professor of Political Economy in the University of Oxford, p. 44.

ling, or about \$9,000,000,000.* At the commencement of the nineteenth century, the annual product of the mines of North and South America, was estimated at forty-three and a half millions of dollars; while those of Europe only furnished a fifteenth part of that quantity. The mines of Siberia yield about a million and a quarter a year, but we have no perfect data as to the amount of the precious metals which come from Africa, central Asia, China, Japan, &c. Our country has also been found to possess gold regions, which may, hereafter, be very important. In consequence of the civil wars, it has been conjectured, that the deficiency in the supply from the American mines during the eight years preceding 1819, exceeded two hundred millions of dollars. This sum must subsequently have been at least doubled. The difficulties growing out of the revolutionary struggles are not yet terminated, and the speculations of foreigners for obtaining the precious metals, by the application of improved machinery, have in a great degree proved abortive. In 1824, there was actually an exportation of gold and silver from England to the mining countries. Whatever, therefore, may hereafter be the efficiency of the steam engine, a long time must elapse before the vacuum occasioned by the diminished production of the last twenty years is supplied. A still longer period must also intervene, before these metals are sensibly depreciated in the markets of the world, in consequence of the increased demand occasioned by the extension of civilization, and which even the falling off in the East India trade can hardly counterbalance.

To facilitate the use of the metals, as a medium of exchange, and to prevent the necessity of weighing and assaying them in ordinary transactions, a mark was early placed upon them, to denote their value. 'A coin is merely a piece of metal of known weight and fineness,' and gold and silver, as well after the introduction of the stamp, as when they passed by weight and not by tale, exchanged for other commodities of equal value. It requires no inconsiderable knowledge of the metals to be able to determine, by inspection, the purity of the coins

* A late writer in the American Quarterly Review considers these statements as grossly exaggerated, and estimates the gold and silver, now existing in Europe and America, at only four thousand five hundred millions of dollars in value, of which from one third to two-fifths is used as currency, the remainder being worked up in plate, jewels, and other manufactured articles.