

James Alexander Hamilton to Andrew Jackson, September 15, 1833, from Correspondence of Andrew Jackson. Edited by John Spencer Bassett.

COLONEL JAMES A. HAMILTON TO JACKSON.

New York, September 15, 1833.

Dear Sir, The statements contained in my letter of the 13th inst.¹ in regard to the course of the U.S. Branch Bank in this City have all been confirmed by my subsequent enquiries and those of others made at my request. You will readily understand that it is difficult to get at the details of the movements of such an institution or the motives of its Directors but the general results are seen and felt, and the inferences are plain and irresistible.

1 Hamilton's letter of Sept. 13 is published in his *Reminiscences*, p. 261. The original is in the Jackson MSS.

One of the Directors here has said that the money received for duties is drawn immediately to Philadelphia; and the reason given generally by the friends of the Bank for its refusal to discount is the necessity to be prepared for the change of deposits contemplated by the Government. This is considered as merely the ostensible reason for so extraordinary a course, but the real object is to affect public opinion, and thus to reach Congress, and certain members of your Cabinet. It is presenting to those of the latter who hesitate, in anticipation, some of the evils of the measure that they have apprehended, and it is done in order that their reasoning in opposition to it, may receive confirmation and assistance from practical results.

If the Bank has taken this course in consequence of the anticipated change, they must continue the same unless the measure should be abandoned (which it cannot be) and

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they are so informed: The consequence is that the longer you delay the measure, the longer and greater is the suffering of the mercantile community, and the danger to the Government that its revenues will not be collected. Whereas if you immediately deposit with the State Banks the monies as they are collected, those who pay the duties will receive the accustomed and necessary aid. Further reflection has confirmed me in the impression that the mode I have pointed out is the true, indeed the only safe one; and I am still at a loss for objections to it. The Bank cannot complain as much of this mode, as of the other in as much as by it, it enjoys in part the advantage of the deposits, while it is relieved from the whole burthen of the transmissions; If it should be said that it would be a hardship upon the Bank to give it the trouble of making the Collections which are immediately to be withdrawn the answer is that the interest of the whole people is to be preferred to that of the Bank, and that the same reason might be a good one for delaying the payment of the Public or other debts of the Government: If it be urged that it is a hardship upon the Bank to receive the duties in New York in the depreciated or unavailable paper of the Western Branches, the answer is that this Branch is not bound to receive that paper and that it is an evil to the Bank of its own creation. The simplicity of this mode of doing the thing, is so great as particularly to recommend it *at first* . By it the Treasury and the Banks get rid of all the details of the arrangement for making the collections and time is saved. The present pressure which may cease or be removed by the Bank itself ought not to be lost to you; as it affords so good a reason for a change. It is of recent origin, is exactly that which induced the first Secty. to deposit with the State Banks, it is not involved in any of the difficulties attending the other grounds for the change; unimportant when explained as I think those difficulties are (I mean the course of Congress) and solid as are those grounds.

Sepr. 17th .

I regret to be compelled to infer from your letter received yesterday that *the Secty* . hesitates. It does appear to me that it is an occasion which any man holding that place might covet. The interesting character of the measure, its important consequences, the remarks to which it will be subjected, the strife it will produce in and out of Congress, the

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test it will provide of who adheres to the administration and the Country; these attendants must elevate the man who is responsible for it in the public eye to a point which no ordinary circumstances could do, and which make *that department* really an object of solicitude to a man of ambition, firmness and virtue. Were I he I would not only in my reasons to Congress urge the present pressure, but I would set forth the whole course of the Bank and particularly its conduct and motives for extending its issues in 1831; when it ought to have been preparing to wind up its concerns. And let me ask whether the necessity for preparing to wind up the affairs of the Bank, does not create a necessity for this change? Ought not the Government to carry out its policy in rejecting the Bill by doing all it can to prepare the Bank to close its affairs.

Again, as to the manner of the change. I think the law of 10th May 1800 to which I referred in my last deserves some consideration. Does it not still exist and is it not to be regarded as operative? If it is, although the money after it is collected may be withdrawn, the Bonds must be deposited for Collection in the U. S. Bank, and its Branches. The views that have occurred to me on this subject are these—That law or the 3d section of it is not now operative because it directs the Bonds to be deposited for collection in a Bank that then existed and does not now exist. On the other hand it may be said that this law is a continuing rule of action to

2 The act of May 10, 1800, sect. 3, provided that the collectors in New York, Philadelphia, etc., should deposit in the bank, or its branches, bonds to secure the correct handling of money received from duties.

Collectors, that the Bank referred to is a mean merely and must be subordinate to that rule and the evil which it was intended to correct; Before that law the Collectors collected the Bonds at the Custom House and kept the money in their own possession. this exposed the revenue to risk by fraud or negligence, whereas depositing the Bonds in the U. S. Bank, or some other Bank when there is no U. S. Bank, serves as a check upon Collectors. I throw out these views to shew that enough may be said on both sides to induce consideration. I would myself prefer to consider the law as still in force, and as compelling the Government

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to leave the Collection to be made as it is, while it is authorised to remove the money collected.

As you say in the *P. S.* to your letter of the 8th Inst, “there can be no question of the power of the Executive through his Secretary, either to change the Deposits or direct other Bank Bills than those of the U. S. Bank to be taken in payment of the Revenue provided the U. S. Bills are not excluded.”

That section of the Bank law (14th) declares that the notes *payable on demand* “shall be receivable in all payments to the U.S. unless otherwise directed by act of Congress”. This is a privilege to the Bank of which it cannot be deprived without an act of Congress, but it is not *exclusive*—the notes of other Banks are and may be receivable in such payments. A question might arise if the Collectors received the duties at their desks, and not through the medium of the Banks, whether a collector of the District of N. York would be compelled to receive the notes of the Branch in Louisville and for this reason—a part of the money so received by him is to be disbursed by him in payments, particularly the payment of Debentures. Suppose the persons who receive these payments should refuse Western notes, would he be justified in insisting upon their receiving them. I think he would not as this Section declares that the Bills payable on demand are to be received. It might perhaps be insisted with plausibility at least that the law referred to such Bills only as were payable *on demand* at the Bank or the Branch of his District. But whether this be so or not there can be no doubt that the Collector or the Bank substituted for him may receive gold or silver or the notes of other Banks that are payable in coin on demand, as well as those of the Bank of the United States.

I have thrown out every suggestion as it has occurred to me without examining with care its accuracy, in order that if sound you may adopt it, as I would have done had we been in conversation on the subject. You will not therefore consider me as responsible for all these speculations as I should be for matured reflections.

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I am still prosecuting my searches and will communicate the results as I arrive at them.

With great regard