Old Bank of United States in New Form

Under another form the old, old question of the Bank of the United States, which was fought out by Andrew Jackson while he was president, is now before the American people again. This time it is called the "Reserve Association of America," but it is to be charted by the United States government, and is to be the fiscal agent of the government. The territory of the United States is to be divided into fifteen districts, each district to include all the national banks in its precincts. None but national banks are to be allowed to subscribe to the capital stock of the association.

Right in the convention which formulated and adopted the constitution of the United States was the struggle begun. A section of the constitution as originally introduced provided that the United States government should have power "to borrow money and emit bills." Instantly there was opposition, and after long debate, on motion of Gouverneur Morris, the clause "and to emit bills" was stricken out by a vote of nine states to two.

"The framers of the constitution never meant that there should ever be paper money again," says W. L. Royall in his account of the proceedings. "They had seen its curse, when $100 would not buy a bushel of meal."

But although the framers of the constitution killed the provision which would have allowed the government to issue paper money, they forgot to prohibit the chartering of corporations which might issue paper. So it was that in 1790 Alexander Hamilton, then secretary of the treasury, drew a plan for the first "Bank of the United States."

This bank was permitted to issue paper money in this proportion of $3 paper secured by $1 of real coin. "This provision," says Royall, "contains the germ of all the vices and errors of paper money."

But congress granted the charter, running for twenty years, with a capital of $10,000,000. And the very first legislation that congress passed thereafter gave the bank an undue advantage, for it fixed, arbitrarily, the ratio of gold and silver at 15 to 1, which was an undervaluation of gold. The immediate result was the retirement of gold from circulation, and the substitution of paper for it. Not content with this, the bank had further laws passed declaring that foreign subsidiary coin was no longer legal tender. As the government had not yet coined any small money, it followed that small paper bills also took the place of small coins.

The bank prospered, of course, but people were doubtful of it, and in 1811, when its charter expired, congress by a vote of the vice president to decide a tie in the senate, refused to renew its charter. But its example had been noted by lesser financiers, and state banks sprang up all over the country, which were permitted to issue paper money, with slight security. And of course the people learned, after a time, that they had issued a great deal more paper than they had coin to redeem, and began to demand real money. And again, of course, the banks had to suspend specie payments.

But in 1816 congress had been brought round again to the point of chartering another big central bank. It granted a lease of life for twenty years to the second Bank of the United States, with a capital of $35,000,000, and the power to establish a branch in each state whose legislature asked for it. Two of the twenty-five directors were appointed by the president to represent the government, and the funds of the government were deposited in the bank. These large deposits, of course, earned dividends, specie payments were resumed, and apparently the country was prosperous.

Andrew Jackson was elected president in 1828. He had always been opposed to the principle of the bank, and his opposition became open from the day of his inauguration. In his very first message to congress he called attention to the fact that the bank's charter would expire in a few years more, and suggested that a renewal be refused, for the reason that it was "noxious in all its principles and tendencies."

Instantly the bank entered politics, and began the struggle which embittered Jackson's whole administration. As a shrewd political stroke the bank applied for a renewal of its charter in 1832, on the eve of the presidential election, to force Jackson either to sign the charter or, vetoing it, bring on him condemnation which would defeat him for reelection.

Jackson accepted the challenge and vetoed the bill as soon as it reached him. There was a great outcry by the bank and the "interests," but the people had learned to trust "Old Hickory," and he was reelected.

The two government members of the bank's directorate reported to the president that it was a mere political machine trying to control elections, and had gone to the length of placing its funds at the disposal of the bank's president to sustain its political power, and was trying to start a panic by withholding accommodations and holding gold from circulation. It was on this that Jackson based his famous veto message, part of which reads:

"Is there no danger to our liberty and independence in a bank that in its nature has so little to bind it to our country. (One-third of its stock was held abroad.) The president of the bank has told me that most of the state banks exist by its forbearance. Should its influence become concentered * * * in the hands of a self-elected directory whose interests are identified with those of foreign stockholders, will there not be cause to tremble for the purity of our elections in peace, and for the independence of our country in war? * * * Controlling our currency, receiving our public moneys, and holding thousands of our citizens in dependence, it would be more formidable and dangerous than the naval and military power of the enemy."

When President Jackson had determined on his course he prepared a paper setting forth his reasons, and read it to his cabinet on September 18, 1833. Here is an extract:

"Developments have been made from time to time of its faithlessness as a public agent, its misapplication of public funds, its interference in elections, its efforts by the machinery of committees to deprive the government directors of a full knowledge of its concerns, and above all its flagrant misconduct as recently and unexpectedly disclosed in placing all the funds of the bank, including the funds of the government, at the disposition of the president of the bank as a means of operating upon public opinion and procuring a new charter, without requiring him to render a voucher for the disbursement."

Again in his sixth annual message to congress, December 1, 1834, President Jackson said:

"The bold effort the present bank has made to control the government, the distress it has wantonly produced, the violence of which it has been the occasion * * * are but premonitions of the fate which awaits the American people should they be deluded into a perpetuation of this institution, or the establishment of another like it."

This last message was written after Jackson had delivered his master stroke against the bank, and it was causing panic by way of revenge. For when he was convinced that the bank was using the government's own funds to fight the administration, Jackson ordered the removal of the government deposits from the bank. This was a thing which the bank had thought he would not dare, but he did. His secretary of the treasury resigned rather than make the order, but Roger B. Taney was appointed ad interim, and he drew up the order. The money on deposit was not taken out in a lump, but gradually, as it was needed, and no more was deposited, in order to create no hardship.

The bank directors were wild with fury. They withheld accommodations from firms employing many operatives, causing failures and lack of employment, and started panics wherever they could. But Jackson stood firm. One of the wildest scenes of all was in the United States senate, a judicial body which the constitution has vested with the power of trying the president by impeachment proceedings when he oversteps his authority. This supposedly august body so far forgot itself in its fury as to pass a resolution that the president of the United States had "assumed upon himself authority and power not conferred by the constitution and laws, but in abrogation of both." And this resolution was introduced by Henry Clay.

In other words, the proper court to try the president for an alleged offense, acccused him, debated his actions in his absence and without serving notice on him, and declared him guilty without a hearing.

Despite all this Jackson stood firm against the rechartering of the bank, and it finally had to go out of business.

Now, after long and careful preparation, including the demonetization of silver and the intrenchment of various friendly interests in the senate, comes Nelson W. Aldrich with his plan for turning over once more to a private corporation the entire banking business of the United States, and his plea for a charter for the Reserve Association of America.—Denver Post.

A GROWING QUESTION

The growing gravity of the question of alcoholism in France is admitted in a very striking way in Premier Briand's recent speech in the French senate on the proposed law for the regulation of the liquor trade. Announcing that the government is determined to combat the drink evil, he declared the present situation to be so "terrible" that "the very life of the nation is at stake." Mr. Briand is a statesman usually well controlled in his utterances, so that his language on the occasion referred to may fairly compel attention. The first clause of the bill which the government indorsed indicates the sore need of some restriction upon the trade. It provides for gradually reducing the number of public drinking places to one for each 200 inhabitants, or three for 600 inhabitants; and how far even this restriction would be from equalizing the restriction under Massachusetts law may be seen in fact that in this state the number of saloons in a city are limited to one for every thousand inhabitants. The sentiment is evidently growing in Germany, England and France that the liquor trade has hitherto been too little regulated. In Germany, the kaiser has lately thrown his influence very strongly against excessive beer drinking, and in England the present government has had one of its most bitter fights against the brewers and the public houses. It is no exaggeration to say that the ravages of alcoholism in those three leading European countries have been frightful in their social effects, and now that such acute questions as unemployment and poverty are forced upon the attention of the governments in a practical way by socialists and advanced radicals, the evil of excessive drink is beginning to be studied as never before. England literally stumbled into an effective measure of restriction when it was unexpectedly demonstrated that the Lloyd-George liquor taxes had diminished the consumption of spirits. No party now would dare to reduce those taxes.—Springfield (Mass.) Republican.