

Reuben M. Whitney to Andrew Jackson, March 24, 1836, from Correspondence of Andrew Jackson. Edited by John Spencer Bassett.

REUBEN M. WHITNEY¹ TO JACKSON.

¹ Whitney, a former director of the U. S. Bank, had been a principal instrument in Jackson's warfare against it, in the removal of the deposits, and in the selection of the "pet banks".

Washington, March 24, 1836.

Dear Sir, I have already on more than one occasion taken the liberty of communicating to you my views, as to the course necessary to be adopted and adhered to in carrying out successfully the present Deposit system. The present application of the Agricultural Bank at Natchez to be appointed a Deposit Bank, furnishes a new occasion, and the deep interest which I feel in the permanent success of that measure, as much on account of others as myself leads me to avail of it, to express to you again the same views.

1st. I have believed from the commencement of "the experiment" that it was necessary to adopt as an undeviating rule to select not a single Bank, beyond what is actually required for the convenience of the Treasury Department.

2d. In case the above rule is adhered to, all applications of Banks to become depositories of the public money for the mere purpose of being built upon the credit of the Public money, or increasing, or establishing a reputation with the use of the same, will be met with a prompt and decisive answer. So also, in the cases where Banks are pressed by political partizans, to be appointed, in most cases, more from considerations of a personal character than of public benefit, a ready answer is at hand. I am fully satisfied that I do not

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err, and the experience of the past justifies me in making the assertion; that we are sure of permanent success, while we select no more Banks, than are absolutely required for the convenience of the Treasury Department, in conducting the fiscal operations of the Government, and taking care that those shall be of sound condition and well conducted; while in case we once deviate from that rule, the ultimate consequence will be, from the same experience, a total failure.

When the charter of the old Bank of the United States expired in 1811, Mr. Gallatin, then Secretary of the Treasury employed State Banks as the fiscal Agents of the Treasury. He employed no more than he found the convenience of the Department required. He stoutly resisted all importunities to increase the number beyond that. By adhering rigidly to this plan, every thing went on prosperously and securely, while he remained at the head of the Department. Mr. Dallas succeeded Mr. Gallatin. He was ambitious. He sought and was desirous of acquiring popularity. One of his first acts after he entered on the duties of the Department, was to appoint a large number of additional Deposit Banks. In this measure the foundation of future disasters and losses to the Treasury Department was laid. The loss of more than a million of dollars to the Treasury followed, which would not have happened had the plan of Mr. Gallatin not been deviated from. This was not all. The charter of the Bank of the United States grew out of it. To me, it is clear, that the same consequences must follow now, in case the same course is pursued. This I believe would be the natural consequence under ordinary circumstances. But there are difficulties to contend with now, which did not exist at the time alluded to. We are now engaged in a new war with an Institution, which lately exhibited a power little inferior to that of the Government itself, and though deriving its existence from a different authority now, it is declared to be stronger than ever. That Institution has associated itself with the aristocracy of the country; and the united force of both, is now employed to break down the Government, and the Democracy of the country. It is 27 a war in which there can be no compromise. One party must be vanquished; the other must triumph. Under these circumstances, I conceive that more than ordinary vigilance is required at this time.

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It is a fact that cannot be denied, that a majority of the Deposit Banks, are directed by men politically opposed to the Administration, so far as they meddle with politics. It is also a fact, that most of these Banks are directed by merchants, with whom generally considerations of interest are paramount to those of politics. Therefore, as far as it can be done, is it not better to secure their fidelity, by making it for their interest to be faithful? That is done, and the security of the Treasury Department increased by appointing the smallest number of Deposit Banks possible. Indeed, the smaller the number, the easier managed; the greater the security; and the less danger of defection or accident.

In regard to the application of the Agricultural Bank to be appointed a Deposit Bank,² I can see no reason whatever why it should be granted. That Bank has no just claims, nor can I discover that the convenience of the Treasury Department, calls for another Bank in Mississippi. The Agricultural Bank was appointed a Deposit Bank in July 1834, at the close of the panic session. All the necessary papers were forwarded to it at that time, which were returned and the appointment declined. This in my opinion, should forever preclude its obtaining the appointment, more particularly when it declined the appointment, owing to its friendly feelings towards the Bank of the United States. One third of its capital stock is held in Philadelphia by the Bank partisans, among whom are to be included some of the present Directors of the Bank of the United States. I will ask what reliance is to be placed in an Institution thus circumstanced; particularly while engaged in a war with a great and powerful Institution for which it has already shewn such marked partiality?

² The application of the Agricultural Bank of Mississippi was supported by John F. H. Claiborne and William M. Gwin of the House of Representatives, and by Robert J Walker, senator, in two letters, one dated Jan. 21, 1836, and the other Mar. 8, 1836.

While I consider the above a sufficiently strong objection, to the Agricultural Bank, I have others still stronger. They are to be found in the condition of the Bank. Mr. Webster charged that the immediate means of the Deposit Banks to meet the immediate demands

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was as one to six, and argued that the money was unsafe in consequence. His statement was false. The comparison of the two was in reality as one to three and a half.

The condition of the Agricultural Bank is as follows; viz:

Notes in circulation \$879,110

Deposites 421,526

Balance due State Banks 317,949

\$1,618,585

Its specie was \$110,504

Notes of other Banks 111,944

222,448

making immediate means on hand to meet immediate demands equal to about 1 to 8; also, about 1 of specie on hand, to 8 of paper in circulation! This is not all. One half of the capital stock of the Bank, is loaned out on paper, having more than twelve months to run.

Under any circumstances whatever, to select a Bank in the condition the Agricultural Bank is in, would in my humble opinion be perfectly suicidal. Yet this Bank is recommended by three out of four of the Mississippi delegation as *a well regulated Institution, and safe depository of the public funds*. This shews the danger of relying upon the recommendations of those who speak from general impressions without any knowledge of facts. I do not hesitate to declare the Agricultural Bank to be in a condition that it must greatly contract its business, to place it in a sound state. This it wishes to avoid, as it will be an unpopular measure. Hence its strenuous efforts to obtain a share of the Public Deposites.

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If another Bank was necessary in the State of Mississippi, one at Vicksburg ought to be appointed, being nearer to many of the Land Offices in that State; and to all in Arkansas, the whole of which deposite at Natches. The argument that the Agricultural Bank has established a Branch at Pontitock, is nugatory, when the fact is stated, that the Union Bank at Nashville, takes the public money at that place, and gives credit to the Government at the former place, free of any expense to the Government. Besides this, the whole of the money arising from sales at Pontitock, is to be invested on account of the Indians, so that but little advantage will accrue to any Institution from the use of the money.

I must repeat, I see no necessity for the appointment of an additional Deposit Bank in Mississippi, under any circumstances. The capital of the Planter's Bank is upwards of Four millions of dollars. Besides this, it has given personal security. The whole amount of public money on deposite at any one time, has been about two million and a half of dollars. Of this there has hardly ever been beyond six or seven hundred thousand dollars which has not been under orders for transfer. The past experience, during a time of unprecedented and severe trial gives evidence of the fidelity of its managers to the trust reposed in it by the Government, and Mr. Walker testifies to the "acknowledged financial ability with which the Planter's Bank of our State is conducted." I quote his own words.

Under all these circumstances, I cannot but view it as attended with danger, to select the Agricultural Bank, and impolitic to select any additional Deposit Bank in the State of Mississippi.

Very respectfully,

P.S. I ought not to omit stating that the Union Bank at Nashville, has given the personal security of its officers and directors for the safety of the Public money.