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BANK OF THE UNITED STATES.

Second Letter from Nicholas Biddle, Esq. to the Hon. John M. Clayton.

ANDALUSIA, Bucks County, April 9, 1841.

Hon. John M. Clayton, Dover, Delaware:

My Dear Sir:—You are aware that it is now two years since the state of my health compelled me to leave the service of the Bank. From that moment I have been wholly occupied with other matters, and have had not the slightest direction of its affairs, as both my inclination and my duty concurred in the propriety of leaving to those who had the responsibility, the entire control of its management. This total abstinence of mine does not seem to be understood or appreciated, for since the misfortunes of the Bank, I find myself reproached for things of which I knew nothing, and denounced as the cause of all the troubles which have befallen not only the Bank of the U. States but every man in the whole country. Being very indifferent to popular clamor, and never suffering myself to be influenced by it to do what I disapprove, I have contradicted nothing and explained nothing, because I could do neither without injury to the interests of the Bank; but its present prostration relieves me from that fastidiousness, for its pecuniary affairs will scarcely suffer from any explanation of mine. Accordingly I now feel at liberty to say and to prove to you that when I left the institution, two years ago, it was in a safe and prosperous situation, and that whatever misfortunes have since come upon it, my administration can in no wise be charged with them.

To this I now proceed.

For thirteen years, from 1823 to 1836, I was President of the Bank of the United States. The great object of my labors was to secure to the whole country the blessings of a sound and uniform currency, and now that the subbject is historical, I think I may venture to say that the currency and the exchanges of the United States attained a degree of perfection scarcely known elsewhere. It was of that system the Committee of Ways and Means of the House of Representatives of the United States said in 1830: "It may be confidently asserted that no country in the world has a circulating medium of greater uniformity than the United States." And again, "It gives to the national currency that perfect uniformity, that ideal perfection to which a currency of gold and silver in so extensive a country could have no pretensions."

It was of that system that the Committee of Finance of the Senate of the United States said,

"That the United States are in the enjoyment of a uniform national currency not only sound and uniform in itself and perfectly adapted to all the purposes of the Government and the community, but more sound and uniform than that possessed by any other country. It is not easy to imagine, it is scarcely necessary to desire any currency better than this."

The Bank closed its affairs in 1836—when a Board of Valuation of the Stock was formed, composed of a committee of the late Bank of the United States, consisting of Caleb Cope, Robert Ralston, Jr., and John Bohlen, and

A Committee of the present Bank of the United States, consisting of Ambrose White, Matthew Newkirk, and Richard Price;

Who called to their aid three disinterested citizens, John Moss, Benj. W. Richards, and Robert Toland.

This Committee in its negotiation with the Commissioners of the Government began by offering for every share of $100 the sum of $111 47. The Commissioners declared that "they estimated the stock to be worth $115 69 per share, cash valuation;" adding that this was considerably below their former estimates, and positively the lowest point at which they would fix the valuation." Finally, the Bank agreed to pay $115 58 per share. This was done by a Board of Directors, consisting of

Joshua Lippincott,	Caleb Cope,
Manuel Eyre,	John Bohlen,
John R. Neff,	Thomas Dunlap,
William Platt,	J. J. Vanderkemp,
Ambrose White,	May Humphreys,
Matthew Newkirk,	Cheyney Hickman,
Richard Price.	

Thus far, at least, every thing was safe and prosperous.

The Bank then became merely a state institution—and although it had to encounter the hostility of the dominant party of the United States, and the violence of local and rival opposition, still it was able to maintain itself against all these obstacles, with unimpaired resources and credit. This will be obvious by examining the statement of its affairs, prepared about the time I left the Bank, as it is reported by this Committee.

Discarding an array of figures which would not be intelligible, that statement shows clearly these results:

Its whole liabilities were on the 1st of April, 1839—

For Circulation,		$11,571,124
Deposits,		4,473,595
All other debts,		19,376,892
		$35,421,611
Its means were—		
Discounts,	$39,854,004	
Stocks and due by the state,	18,358,705	
Real Estate and Mortgages,	1,718,136	
State Bank Notes and Debts,	8,748,084	
M. King and the United States,	45,412	
Specie,	3,069,580	
Resulting balances,—say due by Agencies,	3,047,315	
		$74,841,566

being more than two dollars for one of its liabilities. Comparing this with the last statement of the Bank of England which I have seen, that of the 1st Feb. 1841, it is to the advantage of the United States.

Thus the Bank of England had—

Circulation,	16,230,000	Securities,	22,595,000
Deposits,	7,365,000	Bullion,	3,816,000
	23,595,000		26,411,000

While the Bank of the United States, throwing out to make the comparison accurate, the debts on one side, and an equal amount of securities on the other, would present these points:

Circulation,	11,571,124	Securities,	52,395,166
Deposits,	4,473,596	Bullion,	3,069,508
	16,044,710		55,464,674

If the extraordinary revulsion of the last two years has caused a depreciation in the state stocks that is a misfortune, not a fault. They were at the time of my retirement worth at least what had been paid for them.

Take for instance the rates of American stocks at January and Feb'y, 1839, as they were known here in March.

Pennsylvania 5s,	93	Illinois 6s,	93
Mississippi 5s,	93	Kentucky 6s,	94
Ohio, 6s,	99	Louisiana 5s,	95

Add to these prices an exchange of eight or nine per cent., and these stocks were all above par,

In March, 1839, moreover, there was nothing to disturb the repose of the moneyed world. The general ease of moneyed affairs was apparent. In England the Bank actually reduced the rate of its discounts to three per cent., and the following quotations from the London Mercantile Journal, which happens to be at hand, will show how uniform and low was the rate of discount there:

January 14—"Discounts on Bankers' bills have been 3½ per cent."

February 19—"Discounts on the first paper continue at 3¾ per cent."

On the 25th of March, 1839—"Money on bankers' bills has been available at the same terms as quoted last week. First merchants' paper has been 3½ to 4½ per cent. discount."

April 2—"Bankers' bills have been currently done at 3¼ to 3¾ per cent."

April 9—"Money has been rather plentiful than otherwise, and discounts continue at from 3½ to 4 per cent."

May 7—"Money has been more plentiful. Still discounts continue at 3½ to 4 per cent. on bankers' bills."

In this country stocks were high, and what was more important, the internal exchanges were low and uniform, and the foreign exchanges did not require any exportation of specie. Take for instance the prices of those securities then most sought after and since so much depreciated.

	Thus in March, 1839.	In March, 1841.
Bank of the U. States,	116	17
Pennsylvania 5s,	106	72
Bank of Philadelphia,	106	75
Planters' Bank of Natchez,	92	10
Vicksburg,	69	5
Schuylkill Navigation 6s,	125	65
Lehigh Canal,	90	19

The domestic exchanges were all perfectly settled, and very reasonable. That with New Orleans was at from par to ½ per cent. prem.; that with Natchez at par to ½ discount; and the highest rate of charge for drafts at sight from the most distant parts of the country did not exceed 4 per cent.

Finally, the Bank had just closed its struggles with the General and State Governments. It had arranged its debt to the United States, arising out of its parnership in the Bank, and Congress had adjourned.

The Legislature of Pennsylvania too had finished its efforts to repeal the charter by a report which assured its tranquility against attacks, and that Legislature had adjourned.

Then, for the first time during many years, I found a moment when I could seek the retirement I desired, and accordingly resigned.

Collect now, all these elements of prosperity. Here was the Bank.

With 74 millions to pay 35.

With the highest character and credit.

Dividing eight per cent., yet laying up something every year.

Its stock selling at 116.

The foreign exchanges easy.

The domestic exchanges low and uniform.

All its controversies with the General and State Governments settled.

With peace at home and abroad.

And one can see nothing to create a doubt of its safety. So thought and so declared all the Directors of the Bank, who, by numerous committees and in successive Boards, unanimously united in repeated and strong assurances that the bank was then in a condition of undoubted strength and prosperity.

On the 1st of January, 1839, the Board of Directors consisted of the following gentlemen:

Joshua Lippincott,	John Bohlen,
John R. Neff,	Caleb Cope,
John A. Brown,	Cheyney Hickman,
Wm. Platt,	Joseph R. Ingersoll,
Lawrence Lewis,	Lewis Waln,
J. J. Vanderkemp,	John Connell,
Joseph Cabot.	

Of these gentlemen a dividend Committee was appointed on the fourth of January, 1839, consisting of

Joshua Lippincott,	Lawrence Lewis,
J. J. Vanderkemp,	Joseph Cabot,
John Connell.	

This committee made a report to the meeting of the Board, at which were present Messrs.

Lippincott,	Lewis,
Vanderkemp,	Bohlen,
Cope,	Hickman,
Brown,	Cabot,
Waln,	Connell,

who unanimously adopted it. Now this report stated that there was "an aggregate of net profits amounting to $3,341,707 99," that declaring a dividend of 4 per cent. would "leave the amount of the surplus profits of the Bank $2,941,707 99." "From these several statements," they proceed, "it will appear that the estimated probable loss on real estate and suspended debt is $76,050 51 *less than the estimate of July last*, and that the contingent fund is $92,661 75 *more than the estimate of probable loss.*" They conclude by saying that the net profits of the last six months were $1,528,020 19, which, after deducting the dividend of four per cent., $1 400,000, "would leave $128,020 19 as the surplus profits of the last six months."

Up then to the 7th of January, 1839, there was no doubt in the minds of the Directors of the perfect safety and prosperity of the Bank, since they had a surplus profit on the last six months' business of $128,020 19, a total surplus of $4,344,707 99, a decreasing loss on suspended debt, and an excess of nearly $100,000 of the contingent fund above the losses it was destined to repair.

On the 7th of January, 1839, came in the new Board of Directors for that year. It consisted of

Manuel Eyre,	Joseph Cabot,
John A. Brown,	Cheney Hickman,
Richard Alsop,	Lewis Waln,
Caleb Cope,	Ambrose White,
J. J. Vanderkemp,	J. R. Ingersoll,
Richard Price,	Matthew Newkirk.

Now, what did these gentlemen declare of the situation of the Bank?

In March, 1839, on the day of my retirement the Board unanimously adopted several resolutions—in one of which they describe me among things as one "who having performed so much and so faithfully, leaves the Institution with which he is identified prosperous in all its relations—strong in its abilities to promote the interests of the communities by which it is surrounded—cordial in its associations with sister establishments and secure in the respect and esteem of all who are connected with it in foreign or domestic intercourse."

In transmitting to me these resolutions, the committee, consisting of Messrs. Ambrose White, Caleb Cope, and J. R. Ingersoll, say: "In every emergency you have given it efficient support, and now that your official connection has ceased you have the rich consolation of knowing *that you leave it entirely prosperous.*"

Nor was this all.

In July, 1839, four months after I left the Bank, the dividend committee consisted of

Ambrose White,	Richard Alsop,
Matthew Newkirk,	J. J. Vanderkemp,
Richard Price.	

They reported that the Bank had "an aggregate of surplus profits amounting to $4,421,289 32," and they therefore declared a dividend of four per cent. This report was ratified unanimously by the following members then present:

Manuel Eyre,	Joseph Cabot,
Richard Alsop,	Lewis Waln,
John Bohlen,	Ambrose White,
J. J. Vanderkemp,	Richard Price.
Cheyney Hickman,	Matthew Newkirk.

That these gentlemen should make a dividend of four per cent., unless they believed the situation of the Bank justified it, cannot be presumed.

Further than this.

In December, 1839, nine months after my retirement, Mr. Jaudon submitted to the creditors of the Bank the following official statement published in London:

"A special committee, consisting of five members of the Bank of the United States, (Messrs. Richard Alsop, Lewis Waln, Richard Price, John Connell, and J. J. Vanderkemp,) was appointed on the 12th of November, to examine into the situation of the Bank. On the 15th of November, (the day before the sailing of the Great Western steamer,) they made a report that the limited time allowed them precluded an investigation of all the items of the account, and that they therefore directed their attention to the least perspicuous items. The other items, however, had been investigated by the committee on the state of the Bank, (on which were Messrs. Richard Alsop, Ambrose White, Matthew Newkirk and C. Hickman.) The following is given as the result." The details are then mentioned, and the statement concludes thus:

"Probable surplus beyond the capital of $35,000,000, $1,071,004 34.—It should be recollected that the bonus of $2,500,000 paid in cash for the charter has already been charged to the surplus fund, and that if this had been distributed in annual payments over the whole period of the charter as was done by the late Bank of the United States, this fund would stand $2,000,000 higher than it now does."

Still more:

On the 1st of January, 1840—ten months after my resignation—another dividend committee, consisting of

Caleb Cope,	John Bohlen,
Joseph Cabot,	Richard Price,
Matthew Newkirk,	

made a report concluding thus:

"From the foregoing statements exhibiting a surplus of $5,278,925 71, the committee are of opinion that a dividend could now be declared by the Bank—and strong inducements to suggest that course would press themselves on the committee, if they considered only their wishes to meet the very natural expectations of the stockholders of the institution who have looked with great confidence to a regular distribution of the profits, at the accustomed period. But upon mature consideration of the subject, they are induced to believe that the permanent interest of the institution and ultimate benefit of the stockholders themselves will be promoted by withholding a dividend for the present. The actual condition of the Banks of this State, and respect for the Legislature now on the eve of assembling, furnish additional motives for this course."

This report was unanimously adopted by the Board, consisting still of

Manuel Eyre,	John Bohlen,
Richard Alsop,	J. J. Vanderkemp,
Lewis Waln,	Cheyney Hickman,
Caleb Cope,	Richard Price,
John A. Brown,	Matthew Newkirk,
T. Dunlap.	

Now what shall we infer from all this? Here are successive Boards of Directors—Dividend Committees—Special Committees over and over again declaring the existence of large surpluses and making dividends, and asserting the soundness and prosperity of the bank.

On the 1st of January, 1839, declaring a dividend of four per cent., and announcing a surplus of more than four millions.

On the 29th of March, 1839, asserting that the Bank was prosperous in all its relations.

On the 1st of July, 1839, declaring a dividend of four per cent., with a surplus of more than four millions.

On the 15th of Nov. 1839, after a detailed examination by two committees, asserting still a surplus of three millions.

On the 1st of January, 1840, exhibiting a surplus of more than five millions, and abstaining from making the dividend which they might do, merely from prudential considerations, in respect to the Legislature.

After this exhibition can any one deny what I proposed to prove, that when I left the Bank in March, 1839, it was in a safe and prosperous condition?

It remains to show by what causes the whole of that scene is changed into the present total prostration of the Bank. Some of them are unhappily too obvious.

I have just stated that the winter of 1838-9 was a season of great abundance and ease, in moneyed concerns both in England and in this country; but England was soon after startled by the discovery that the grain crop was deficient, and a demand arose for specie to export for grain, combined with some continental loans, that changed the whole surface of affairs. The Bank of England itself, after borrowing ten millions of dollars from the Bank of France, was still so much drained for coin that it was forced into very severe restrictive measures, which raised the interest of money to twice or three times its usual rate. The most injurious effect was on the stocks of this country; which were no longer convertible in England except at great sacrifices.—These causes immediately reacted on this country, producing the usual effects of emberrassment in the community and alarm among the Banks. These troubles, such as they were, like many which had been met and overcome in former times by the Bank, might perhaps have been again surmounted by an exertion of the means and credit of the Bank, but for a circumstance which is thus described in a letter from the late Cashier of the Bank, to whom I applied for information as to the causes which had brought on these misfortunes. His answer is as follows:

MARCH 23, 1841.

N. Biddle, Esq., Philadelphia.—My Dear Sir: The queries you have propounded to me have occupied no small share of my thoughts. The utter prostration of the Bank of the United States passes, I confess, my comprehension; I may, however, point out some of the causes that, in my judgment, have mainly contributed to bring about its present painful and humiliating condition. The consequences of the premature resumption of cash payments after the first suspension by the Banks, and the efforts of the Bank of the United States to make that resumption universal, required in the administration of its affairs the utmost wisdom and experience in finance—and in alluding to a measure adopted by those gentlemen most prominent in its management after your retirement, I do not mean to impugn their merit. After the feverish excitement consequent on this too speedy effort to return to cash payments had in a good degree subsided, another crisis was anticipated, and it was feared that the Banks generally would be obliged again to suspend. This was unhappily too soon to be realized, for the storm was then ready to burst, but instead of meeting its full force at once, it was deemed best to make it fall first upon the banks of New York. To effect this purpose, large means were necessary, and to procure these resort was had to the sale of foreign exchange. The state of the accounts of the Bank with its agents abroad did not warrant any large drafts upon them, especially that of the Messrs. Hottingeur, in Paris.

This difficulty, however, it was thought might be avoided, by shipping the coin to be drawn from the New York Banks, immediately to meet the bills. Accordingly large masses of exchange, particularly bills on Paris, which were then in great demand, were sent to New York to be sold without limit. Indeed the bills were signed in blank, and so sent to New York, and although a large book was thus forwarded, it was soon exhausted, and application was made to the Agent of the Paris House in New York for a further supply, who drew a considerable amount besides. The proceeds of these immense sales of exchange created very heavy balances against the New York Banks, which, after all, signally failed in producing the contemplated effect. The bills not being provided for, nor even regularly advised, as had uniformly been the custom of the Bank, were dishonored, and although the agent in London did every thing which skill and judgment could accomplish, the credit of the Bank was gone, and from that day to the present, its effects upon the institution have been more and more disastrous. Other causes might be adverted to—the connection with the Commonwealth—the over estimates of the value of the charter—and various matters, all, however, subordinate to the particularly unhappy measure that I have thus hastily brought to your notice,—which Mr. Jaudon and myself equally deplored as the immediate cause of the disasters which have afflicted him. Very respectfully,

J. COWPERTHWAIT.

Here then is revealed the real and secret cause of the disasters of the Bank. Now, without meaning to say a single word about the object of these drafts, and without intending the slightest censure of any one, it is impossible not to see in this single circumstance the solution of many of the difficulties of the Bank. The Bank, as I understand, suddenly draws an immense amount of bills on Messrs. Hottinguer & Co., without having a dollar of funds in their hands—without having any authority to draw for a dollar—without a line of explanation as to the nature and extent of these unexpected drafts—and without even the commercial notice that such bills had been drawn. Messrs. Hottinguer & Co could not, as prudent men, do otherwise than protest these bills; and thus the Bank, in the very fullness of its high credit, was suddenly disgraced in the eyes of all Europe. The talents of Mr. Jaudon repaired to a certain extent this disaster; but it obliged him, in order to protect the drafts drawn on himself as well as Messrs. Hottinguer & Co., to make loans and to pledge stocks which were thus, instead of being sold, locked up to await the depreciation which has since overtaken them. And now let me ask in all fairness whether this secret wound—this neglect, or inadvertence, or omission—call it by whatever name you choose—to apprise Messrs. Hottinguer & Co. of these drafts—a thing which belonged to the interior details of the Bank—can be charged upon my administration which had ceased long before that time? Yet these two officers, as we see in the above letter, regard that "as the immediate cause of the disasters which have afflicted the Bank."

Even after this shock, such was the vitality of the Bank that I have no doubt it might have revived and prospered, but for the late fatal resumption of specie payments.

It is undoubtedly true that the only lawful and proper banking is the payment of specie. But where by any cause a suspension once takes place, the time of resumption is a question of expediency, depending on many circumstances, on the position of the Bank itself—the position of its neighbors, the position of other banks in other sections of the country, just as health is the natural condition of men, but if by accident we are sick, prudence must decide when we may venture out without the danger of relapsing. The Bank of England continued its suspension for twenty-five years, and, if it had been forced into a premature resumption, would have certainly fallen a second time. Now neither the banks nor the community of Philadelphia, nor the banks nor the communities with whom Philadelphia principally deals, were ready for resumption, and in my judgment the project and the execution of it were equally unfortunate.

I was in town during that period, though merely as a private spectator, and it seemed to me that the true position and the only safe policy of the Bank was this:—The new administration of the government of the United States will find itself on the 4th of March with very small funds, and its policy will be if possible not to encounter at once the debateable question of a national bank, whatever may be its disposition hereafter. If, then, the Bank of the United States is in a position to do the public business temporarily, it will, from its extensive connections throughout the union, be more useful than any other existing institution, and thus may gradually become one of the fiscal agents. To accomplish this, it must be in a situation of strength on the 4th of March, 1841, and should reserve its powers for that period. Hitherto the banks believed that they had been contending against an administration of public affairs hostile to the interests with which banks are most connected. A great political change has taken place, but the effects of it on the public interests cannot be seen till the new men come into power. Wait, then, for that moment, see what the new administration intends to do for the country, what relief it means to afford, and then concurring with its measures, you may resume permanently.

Until then the Bank of the United States was not obliged to resume. The Legislature had declared of all the banks, that if they did not resume on a given day, their charters were liable to forfeiture, but that did not affect the Bank of the United States. When the charter of that institution was passing through the Legislature, the provision common to all other banks, authorising the Legislature to alter or repeal it at pleasure, was inserted. But I then declared that I would not receive it on such terms, and, unless that provision was stricken out, the bill need go no further. Accordingly it was stricken out, and when this very question, whether the Legislature had a right to declare a forfeiture for the non-payment of specie, was recently brought before the courts, the Judges unanimously decided against the power of the Legislature, on the very ground of this rejection of the clause.

The Legislature, it is true, had fixed the 15th of January as a day of resumption. But that day had been so fixed because they were in session, and had wants which the banks alone could relieve, so that the Legislature was much more in the power of the banks than the banks were in the power of the legislature. How easy was it for the banks to say to the Governor, you want to borrow 800,000 dollars—the State breaks on the 1st of February unless you can borrow it only from us—and if we lend to you and resume specie payments, we inevitably break ourselves. Let us agree that neither shall break. Authorise a suspension beyond the 15th of January, and we will protect you on the 1st of February. This would have been wise and easy. But instead of this course the banks resumed—then lent the 800,000—and then broke down immediately.

Believing the resumption unnecessary as well as inexpedient, I think that all the borrowings of the bank, both at home and abroad, for the purpose of resumption, were very unfortunate. They complicated the affairs of the bank, they embarrassed the other banks, and were at last wholly ineffectual.

One of the reasons which made them ineffectual, was the publication of the report of the 1st of January, 1841, giving a particular list of its assets without the means of estimating them, and calculated to inspire doubt and suspicion of its solvency. In fact, just on the eve of attempting to resume specie payments, a state of the Bank was put forth which made every body believe that the Bank could not resume permanently, and induced the creditors to come immediately for their money before it was too late.

These counsels I could only offer as a private citizen. Had I occupied the position I once did, I most certainly would not have permitted that resumption; and though it may seem rash to say so, I have not the least doubt that but for that act of insanity, the city would have been spared the sufferings of the last two months, the Bank would at this day have been strong and safe—that it would have obtained a large portion of such Government business as was done by banks, and that its Stockholders, instead of deploring as they now do its prostration, would have found its condition prosperous, and its stock worth five times as much as it now is.

I began by saying that I would prove that the Bank when I left it was strong and prosperous—and that its present prostration cannot in the remotest way be ascribed to me.

Do you not think I have proved it?

With great esteem, yours,

N. BIDDLE.

ATTEMPT TO DROWN. The New York Signal of the 13th, states that a young female named Ann McClusky, under the influence of excited feelings caused by disappointed love, threw herself into Hudson river at the foot of Harrison street between 7 and 8 o'clock on Sunday night, with intent to drown herself. The cold bath she took and the prospect of a watery grave, however, so completely cooled her ardor and dissipated her desires for dying, that she concluded it was best to live, and screamed lustily for assistance. This was found in the person of Capt. Van Wart of the schooner Francis, lying at that place, who caused the girl to be rescued from the water and conducted to the watch house. There she was dried and taken care of until morning, when she was taken before Justice Matsell, who after remonstrating with her on the folly of her conduct, drew from her a willing declaration, that if he would permit her to depart, she would return to her home and never attempt to drown herself again for love. Leave was granted, and she made her exit in a trice.