

THE
ESTABLISHMENT OF THE NATIONAL
BANKING SYSTEM, 1863-1864.

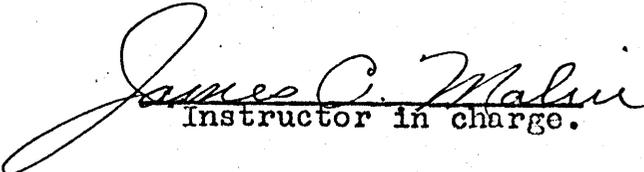
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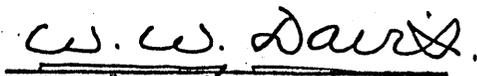
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INTRODUCTION

The cardinal purpose of establishing a system of national banks, as expressed in the report of the Secretary of the Treasury, December 1861, was "the establishment of one sound uniform currency, of equal value throughout the country, upon the foundation of national credit, combined with private capital," and making this the settled financial policy of the government. It is therefore thought fit and proper to examine the currency condition of the country before this national system of regulating the currency went into effect.

The national banking system was created amid the strife and turbulence of civil war, when this country was fighting for its very existence. It is because of this abnormal situation of the times that the monetary condition was in a very deplorable state. Finance had been a question little considered in Congress. The slavery question had overshadowed all others years before civil war actually commenced. Therefore, when the time came for our legislators to consider the financial exigencies of the nation, and especially provide necessary ways and means of financing the great war in all of its phases, it was found that leadership and comprehensive understanding of such questions were woefully lacking. Senator William Pitt Fessenden, chairman of the committee on Finance, very clearly stated this view while the revenue bill was before

Congress in 1863. He said, "Senators must realize that the country has been placed in most extraordinary times; placed where the country was obliged to struggle for life, and one of its struggles was for the means of carrying on the war. We were obliged to resort to precisely the expedients to which all other countries have resorted under similar circumstances. We are obliged to use our credit. This has not always been done in the most wise and prudent manner. We were new on the subject. Senators will remember that we had had no experience. The country had been prosperous for a long time and was not in debt, and we were not, as a people, obliged to understand finance to any great extent. It had not been a study among us. We were launched upon a sea of experiment and did our best."

There were two legislative acts which formed the basis of the national banking system as it exists today. The first act was passed 25 February 1863, and the new system was launched upon its somewhat turbulent career. The plan, as established, was somewhat of an experiment and defects soon made themselves manifest. In the next year, therefore, another act was passed, 3 June. This latter act was often referred to as the Amendatory Act. During the experimental period it was found that the advantages of the system apparently outweighed its disadvantages, and the measure had gained many friends. The administration was behind the plan wholeheartedly while the Amendatory Act was before the national legislature.

The questions involved in the establishment of the national banking system from the financial and banking points of view have been variously dealt with by writers upon the subject. It shall be the purpose of this paper to attempt to present, in part, the questions involved from the historical viewpoint. The general plan is to consider the currency conditions of the country at the time of the establishment of this system as a basis for development. The questions which entered into the problem are taken up principally from the congressional side and conclusions drawn from that. Some of the questions to be considered are the elements of opposition that came into the situation. The question of State rights which was being fought out on the battlefields at the time would necessarily enter into the halls of Congress. How different sections of the country supported or opposed the plan will be considered. The position of the political parties on the matter is also analyzed. Whether or not the issue between rural districts and urban centers apparently would come into the discussions of Congressmen upon this question. However little attention was given to benefits that would be received by the rural communities from this system of banking.

A word of explanation is due about the analysis of the votes in Congress based upon sections of the country. The sectional divisions of the States are taken from the report of the Comptroller of the Currency of 1876. The fact that there were really no Southern States at the time

makes the section denoted "Southwestern" seem rather arbitrary. However the grouping of the States was made with the idea of probable common interests involved, and the westerly border States were placed in this division. The voting strength of the sections varied and in the analysis of the votes relative strength is considered. In an appendix there is a tabulation of the votes on all of the amendments and on the passage of the bills. These tables show the party affiliation of each member of Congress, and also a tabulation of votes according to the sections of the country that are chosen.

Realizing that the representatives and senators at Washington do not altogether represent exact public opinion at all times, nevertheless their actions are generally a fair gauge of the ideas and wishes of their constituents. The debates and discussions in Congress, together with an analysis of votes upon these bills, will serve as the bases for the conclusions that may be drawn.

CHAPTER I.

CURRENCY CONDITIONS AT THE TIME OF THE ESTABLISHMENT OF THE NATIONAL BANKING SYSTEM.

At the time, 1861, when Mr. Salmon P. Chase became Secretary of the Treasury, the Treasury of the country was practically empty, administrative departments were unorganized, customs receipts were almost at a standstill, the debt was increasing, and the government credit was ebbing away. No one could see the turn of events for the future. At the same time the condition of the country was very good as the depression of 1857 was rapidly disappearing, and great gains had been made in the production of grain, cotton, iron, coal, and manufactures.¹

Secretary Chase found that authority existed for negotiating loans by acts of 22 June 1860, and 8 February and 2 March 1861. By the act of 22 June 1860, \$22,000,000 at six per cent. interest could be borrowed. Secretary Cabb had borrowed \$7,000,000 of the \$22,000,000. By the act of 8 February 1861, \$16,994,000 bearing an interest rate of six per cent. could be raised, and bids for loans both above and below par might be accepted. By the act of 2 March 1861, \$10,000,000 not exceeding an interest rate of six per cent. could be raised. This law also provides that Treasury notes bearing not more than six per cent. might be substituted for the whole or any part of the above loans. These three acts had been passed for the purpose of relieving

the country until the depression of 1857 had disappeared. Mr. Chase found outstanding more than \$10,000,000 in one-year notes. On 22 March 1861, the Secretary advertised proposals for a loan of \$8,000,000. He accepted bids for \$3,999,000, and the balance of the loan consisted of Treasury notes sold at par or above. These notes bore interest at six per cent., payable semi-annually, were convertible into bonds, and receivable in payment of all public dues. Within the next three months two other loans were floated and the Treasury notes issued amounted to \$14,268,550. ²

In Mr. Chase's first report to Congress, July 1861, he advised getting revenue from five possible sources; taxation, time loans, confiscation of property of insurgents, and Treasury notes to be issued for brief periods at interest, and demand notes circulating as currency. Out of these he meant soon to eliminate the government notes, except for temporary uses, and to rely upon taxation, long time loans, and confiscation. He suggested that the government issue \$100,000,000 in the form of Treasury notes or exchequer bills bearing interest at 7.30 per cent. to be paid semi-annually and to be redeemable at the pleasure of the government after three years. If it was found inexpedient to provide the whole amount needed in the foregoing mode, he proposed to issue \$100,000,000 of bonds to home and foreign lenders at rates not lower than par, payable in thirty years,

at a rate of interest not exceeding seven per cent. payable in London. For the remainder of the sum that the Secretary proposed to raise by loans, he recommended that authority be given him to issue Treasury notes in denominations of ten, twenty, and twenty five dollars each, to the amount of \$50,000,000, payable one year after date, and bearing a rate of interest of 3.65 per cent. These were to be exchangeable at the will of the holder for Treasury notes bearing 7.30 per cent., or be made redeemable on demand in coin and issued without interest.³

In accordance with Mr. Chase's proposals Congress authorized him by the act of 17 July 1861, to issue Treasury notes in denominations of not less than \$50 and payable in three years, at an interest rate of 7.30 per cent. to be paid semi-annually, and convertible into twenty years six per cent. bonds. As an alternative he could issue in exchange for coin, or pay the salaries and other dues of the United States, Treasury notes of a denomination less than \$50 and not less than \$10. These notes were not to pay interest. They were to be payable on demand, and receivable for all public dues. These non-interest bearing notes were limited to \$50,000,000 in amount. He was given another alternative in that he could issue Treasury notes, in lieu of the others, at 3.65 per cent. interest payable one year after date and exchangeable in sums of \$100 and upwards for the 7.30 three year notes.⁴ By act of 5 August 1861, the Secretary was

authorized to issue six per cent. bonds to the same amount as the 7.30 per cent. Treasury notes issued under the act of the 17th of July. The 7.30 per cent. notes were to be convertible into the six per cent. bonds. He was also authorized to issue not exceeding \$20,000,000 of Treasury notes of any of the denominations of preceding issues, bearing interest at six per cent. and payable at any time not exceeding twelve months from date. The provisions of this act reduced the denomination of demand non-interest bearing notes from ten dollars to five dollars.⁵

Under the authority granted to him by the above acts Mr. Chase issued to public creditors, who would receive them, or for cash, six per cent. Treasury notes to the amount of \$14,019,034 which were payable in two years; and \$12,877,750 payable in sixty days.⁶

Mr. Chase proposed to combine the capital of the people and the banks so as to support the government and public credit. He called a conference of bankers from New York, Boston, and Philadelphia; and they met 19 August 1861, and entered into the following agreement. There was to be an immediate issue of \$50,000,000 of Treasury notes running for three years and bearing interest from 15 August 1861, at the rate of 7.30 per cent. annually. The banks were to unite in taking these at par with the privilege of taking \$50,000,000 more on 15 October, and a similar amount two months later. The Secretary was to negotiate no other government

stocks, bonds, or Treasury notes, except those payable on demand. The government was to appeal to the people to subscribe for these notes, and the banks were to subscribe in proportion to their capital. The banks were to pay ten per cent. of the sum subscribed to the assistant treasurers at New York, Boston, and Philadelphia; and the residue was to be placed to the credit of the United States on the books of the banks subscribing. Certificates were to be issued to each subscriber stating the amount subscribed, and as the deposits should be paid into the treasury or withdrawn, Treasury notes bearing 7.30 per cent. interest were to be issued in equal amounts to the subscribers. When the deposits were entirely paid to the United States, Treasury notes for the first deposit of the banks were to be issued, and all notes issued were to bear even date with the certificates and carry interest from that date. There were some differences that arose in this conference but Mr. Chase pointed out that if the banks would not co-operate he would issue notes of circulation. On the first loan of \$50,000,000 the people subscribed about \$45,000,000, and the other \$5,000,000 were paid with the 7.30 per cent. Treasury notes. The second loan, 1 October, of \$50,000,000 was sought but popular subscription was slow and Mr. Chase had to turn over to the banks the 7.30 notes to be disposed of by them as best they could. A third loan of \$50,000,000 was sought by the Secretary but the banks declined to take it. He then

had to resort to something else, so under the act of 17 July 1861, he offered six per cent. bonds redeemable after twenty years and offered them at such a reduction from their face value as would make them equivalent to seven per cent. bonds. So the banks took these, 16 November, and gave to the government \$45,795,478.48 in coin for them.⁷

After the plan between the bankers and the government had been put into operation the meaning of it was construed differently by the two parties. In order to prevent a large volume of money from disappearing from the channels of circulation the banks wanted the Secretary to let the money remain in the banks, and draw upon them when disbursing it. This meant that they could use their bank notes in payment of treasury checks. Under the sub-treasury act only coin was receivable by the Treasury, but public distrust had caused hoarding, and the transfer of so large a sum as \$150,000,000 was deemed by some experts to be impracticable. It was contended that the bill of 5 August 1861, in allowing "the Secretary of the Treasury to deposit any of the moneys obtained on any of the loans now authorized by law, to the credit of the treasurer of the United States, in such solvent specie-paying banks as he may select" was intended to give the Secretary elastic powers to receive bank bills or book credit in the place of coin. The Secretary insisted, however, that the banks must make their settlements in specie. Another ground of remonstrance by the banks was

Mr. Chase's free use of his power to issue demand notes. If these notes, being legal tender for public dues, would get into circulation to a great extent the banks would naturally receive less gold in their daily transactions, and thus would make it harder to fulfill their agreement with the government. Some bankers asserted that Mr. Chase had agreed not to use this power. The reasoning that the banks used to the Secretary was that it would be better to preserve from distribution the \$40,000,000 of coin they then owned, while the government bonds held by them amounted to \$150,000,000 together with the coin could be used as a special security for \$200,000,000 of notes which could be issued by the associated banks, and be verified and made national by the stamp and signature of a government officer. The notes thus supported by coin and bonds could serve the temporary purpose required with little, if any, deterioration below coin value, and the banks could continue to make their advances to the government.⁸

The demand non-interest bearing notes were put into circulation early in August 1861, by paying them to clerks in the government departments for salaries and to other creditors of the government. There was much reluctance manifested to receiving them, and in order to give them credit the Secretary and his assistants signed a paper agreeing to accept them in payment for their salaries. The banks saw that coin payments could not be maintained if the transfers from them were to be intercepted and absorbed by the government, nor could they receive such notes on deposit from the

public as money while they were responding to the government and their own dealers in coin. To the banks this was inflation in the most embarrassing form. The banks asked the Secretary to refrain from issuing the demand notes until other means of getting money were exhausted. He acquiesced and the banks began to pay in about \$5,000,000 at intervals of six days. As long as the Secretary kept the Treasury notes out of circulation the disbursements of the government were so rapid that the coin came back to the banks through the people in about a week's time. In spite of his assurances that he would not issue demand notes until other ways of getting money were exhausted, the Secretary in November 1861, put out notes freely. He did this on the grounds that Congress had made appropriations beyond those estimated in the summer, and that the revenues from imports did not come up to the estimates. He saw no other relief.⁹

Embarrassment among the banks soon resulted. They were pressed to receive the demand notes on deposit, and the holders demanded specie for them. The banks could not refuse without diminishing public confidence in the public credit, but could not give currency to them without impairing their own specie strength. The consequence was the withdrawal of specie, or less active circulation than before. During the three weeks after 7 December 1861, the reserves in the New York banks suffered a loss of \$13,000,000. After a conference with the Secretary on 28 December, and he refused

to change his policy, the banks voted to suspend specie payments the next Monday, 31 December 1861. The government necessarily had to follow, as did the banks throughout the country.¹⁰

Various reasons have been given for the suspension of specie payments. Secretary Chase and the Republicans declared that the demand notes did not cause suspension, while the banks, on the other hand, declared that the pressure exerted upon them because of the demand notes made it necessary for them to suspend the payment of specie. The real reason, according to Mr. Dewey in his Financial History of the United States, is to be found in the condition of public feeling and a lack of confidence in the success of the war. The credit of the government was injured by the failure of Mr. Chase to recommend, or of Congress to enact, a far reaching system of taxation; and the Trent affair caused an apprehension of international difficulty with England. Depositors were also withdrawing funds from banks for hoarding, so that the specie reserve was slipping away.¹¹

The consequences of the suspension of specie payments were far reaching. The first noteworthy effect of suspension was the increase of State bank circulation. Within a year after suspension the banks of New Hampshire had increased their circulation 27 per cent.; those in Philadelphia, 138 per cent; in Providence 87 per cent.; New York, 69 per cent.; Massachusetts, 20 per cent.; Baltimore, 32 per cent.; while

the increase was very large in other states and cities. "The bank notes," according to a bank officer in Philadelphia, 1862, "will continue to expand until the bubble bursts or the iron hand of the government interferes to save the people. This ad libitum issue of paper is filling up all the channels of circulation, and forcing specie into the clutches of hoarders and the hands of brokers. It is inflating values, stimulating stock speculations, will soon give a fictitious value to real estate, and will end in a crisis such as we have never yet experienced in history." After suspension the bank notes did not find their way back to the bank of issue to be redeemed for gold but were paid out by all banks and hence larger issues were encouraged. Not all banks did issue notes in large quantities but many did swell their issue until they were pressed into the national banking system.¹² Another important consequence of the suspension of specie payments was the fluctuating premium on gold caused by the demand for specie as a commercial commodity. The amount of gold in the country was not large and was speedily lessened by the extension of paper issues, and by unfavorable balances of trade due to the sale of American securities by foreign holders and the decline of important exports. Fluctuations in the quotations of gold in paper currency varied; in 1862 it ranged between 102 and 132; in 1863 from 125 to 160; and in 1864 from 155 to 285. There were other political and economic factors than the above that contributed greatly to these changes.¹³ After suspension all coins, small as well as large,

disappeared from circulation. In the absence of small coins the country began to be flooded with tokens, or "shinplasters," in fractional parts of the dollar which were issued by cities, towns, corporations, brokers, merchants, grocers, bakers, and restaurant keepers. Indirectly suspension of specie payments operated to a great extent to cause the inflation of prices that took place. According to some writers the greatest consequence of suspension was the untimely recourse to legal tender notes by the government.¹⁴

A word further must be said of the demand notes that were issued by the government in 1861. At the time of the passage of the legal tender act, 25 February 1862, the government could no longer pay gold and silver, and the demand notes did not circulate freely. Individuals, railroad companies, and banks refused to receive them. After suspension of specie payments the banks paid the remainder of their loans to the government in treasury notes, and after completing this arrangement refused to recognize them. Consequently they were worth less than bank notes. Yet the opinion seemed to prevail that the government ought not to depend on irredeemable bank notes for money. It was not long, therefore, before the demand notes circulated at a premium over State bank notes, and also over greenbacks, which were not receivable for customs. The premium for the demand notes was, however, not due solely to their receivability in payment of customs duties; other causes had influences, such as the joint effect of the limitation upon their quantity and the

prohibition of reissues. Secretary Chase in March 1862, requested that the demand notes be made legal tender and Congress accordingly gave them this quantity.¹⁵

Mr. Chase, in his second report to Congress 9 December 1861, estimated that the amount of money to be raised by the close of the fiscal year, by future loans and taxation would be \$214,000,000. He pointed out that it would be necessary to rely upon loans to secure the biggest share of this amount, and left the powers to be conferred upon him in this respect to Congress. It is interesting to note, in this same report, the part that Treasury notes played in securing revenue for the government. The table below shows the receipts from this source up to 30 November, 1861,¹⁶

1. Two year	6 per cent. notes-----	\$14,019,034.66
2. Sixty day	6 per cent. notes-----	12,877,750.00
3. Three year	7.30 per cent. notes	50,000,000.00
4. Three year	7.30 per cent. ^{Aug. 19--} notes	50,000,000.00
	^{Oct. 1---}	50,000,000.00
5. Demand notes, non-interest bearing--		24,242,588.14
Total-----		\$151,139,362.80

Congress proceeded to give Mr. Chase authority for issuing various forms of Treasury notes, and the Secretary showed his ingenuity by resorting to various novel forms of temporary indebtedness, each of which constituted a slight measure of relief. Through the proposal of Mr. John Cisco, assistant treasurer at New York City, the plan was inaugurated of receiving on deposit the funds of individuals or corporations at a rate of interest not exceeding 5 per cent., the depositors retaining the privilege of withdrawing their funds at any time after thirty days, and after giving 10 days notice.

The fourth section of the Legal Tender Act of 25 February 1862, authorized these loans to an amount not exceeding \$25,000,000. The banks of New York deposited \$20,000,000 on the 7th of March, and used the certificates received in settling clearing house balances. This plan proved very popular, and the limit was extended, 17 March 1862, to \$50,000,000, and one-third of the second \$150,000,000 issue of legal tenders was reserved for the purpose of securing prompt payment of such deposits when demanded. The limit was further extended 11 July 1862, to \$100,000,000, and on June 30, 1864, to \$150,000,000, and the Secretary was authorized to pay six per cent. interest. In some cases he did not pay over four per cent. as there was no prescribed minimum.¹⁷

Another device used by the Secretary was found in the act of 1 March 1862. By this act Mr. Chase was authorized to issue certificates of indebtedness to such creditors as were willing to receive them in exchange for audited accounts. These were to be payable one year from date, and were to bear interest at six per cent. payable in gold upon such as were issued until 4 March 1863, and in lawful money upon those issued after that date. The amount was not limited, and they were to be in denominations not less than \$1000 each. They entered into the currency until enough interest accumulated to make it an object for capitalists to hold them as an investment. The Secretary began issuing them at the same time as legal tender notes, and continued to issue

them in large amounts during the war. The amount of these certificates issued by 1 July 1864, was \$161,796,000.¹⁸

As has been stated above an immediate consequence of the suspension of specie payments by the banks and by the government was the rapid disappearance of coin circulation, both large and small; and that "shinplasters" were used by individuals and corporations in large quantities. In order to remedy this condition the Secretary was authorized by the act of 17 July 1862, to issue in exchange for legal tender notes, postage stamps and other stamps of the United States; and after 1 August, such stamps were to be received in payment of all dues of the United States in sums less than five dollars. This law also forbade the issuing of "shinplasters" by persons or corporations. The use of stamps was not popular and it was an inconvenient medium of exchange. The Secretary recommended that fractional currency be authorized as a substitute, and Congress by the act of 3 March 1863, authorized him to issue fractional currency to an amount not exceeding \$50,000,000 and redeemable in United States notes in sums not less than three dollars. This currency was receivable for postage and revenue stamps, and also in payment of dues to the United States in amounts less than five dollars, except duties on imports. It was not a legal tender for private debts, but it served a useful purpose and freed the country from other kinds of small money. About \$30,000,000 was kept in circulation yearly, the amount in circulation 20 June 1864, being \$21,817,158.10. The total

amount issued and reissued was \$368,720,079.21.¹⁹

On 3 March 1863, Congress passed what is known as the "Nine Hundred Million Dollar Loan Act." It authorized the Secretary to borrow \$300,000,000 for the current fiscal year ending 30 June, and an aggregate of \$600,000,000 for the fiscal year beginning 1 July 1863, and ending 30 June 1864. This measure gave opportunity for a great variety of credit operations. It provided for the issue of one year, two year, three year, and compound interest notes, and for the sale of six per cent. bonds payable in not less than ten years and not more than forty years. The Treasury notes to be issued by authority of this act were to be not in excess of \$400,000,000 in amount, were to bear no higher rate of interest than six per cent. payable in currency at certain periods, and they might be made a legal tender to the same extent as United States notes for their face value, excluding interest. If issued they were to be in lieu of the bonds authorized by the same act. The third section of the act authorized the issue of greenbacks to the amount of \$150,000,000, if the exigencies of the public service demanded it.²⁰ During the fiscal year, 1863-64, one year notes were sold through the associated banks of New York, Philadelphia, and Boston, to the amount of \$44,520,000, and two year notes to the amount of \$166,480,000. It was not intended that these notes should circulate as currency but be held by investors. At the request of the

banks coupons were attached to these notes, with the troublesome limitation that they should not be cut off except by a government officer. This made them unsuitable for popular investment, but the banks took them for reserve purposes. The banks in turn set free their own paper currency, and in proportion increased the evils of an inflated currency. When the interest became due the banks once more sent the notes into circulation. Secretary Chase said, "It was evident that the periodical payment of interest would periodically make the notes simple legal tender, and so increase from time to time the volume of currency, and expose the government, and the business community to the evil of recurring inflation and contraction." Consequently when a temporary loan had to be negotiated in the succeeding year, preference was given to the compound-interest notes at a higher rate of interest.²¹

The next year by act of 3 March 1864, Congress provided for an issue of \$200,000,000 of bonds bearing interest of not more than six per cent. Mr. Chase determined to place the interest at five per cent. with the result that only \$73,000,000 of bonds were sold by 30 June 1864. The Treasury once more had to fall back upon loans including one year, two year, compound-interest notes, and certificates of indebtedness. Three year compound-interest notes, with a minimum denomination of ten dollars which were legal tender for their face value, were issued. At maturity each \$100 note was worth \$119.40. As the rate of interest was high,

six per cent. compounded, and as like other Treasury notes they were exempt from taxation, they were sought by investors. At first the right to issue these notes was but sparingly exercised because the Secretary thought that the small denominations would have gone into general circulation to reinforce the greenback circulation, which was helping to cause the premium on gold. On the other hand notes of denominations of \$50 and upwards were absorbed by banks for reserve purposes, where they displaced and drove into circulation greenbacks bearing no interest, thus increasing the currency inflation.²²

In June 1864, an act was passed by Congress that authorized the Secretary to borrow \$400,000,000. He could issue, however, in lieu of one-half of this amount of bonds, \$200,000,000 in Treasury notes of any denomination of not less than ten dollars, payable at any time not exceeding 7.30 per cent. payable in lawful money at maturity; or at the discretion of the Secretary payable semi-annually. Those made payable, principal and interest, at maturity were to be a "legal tender to the same extent as United States notes for their face value, excluding interest."²³ Many of the soldiers willingly accepted these notes of small denominations in payment for their services.²⁴

Mr. Chase resigned from the Treasury 30 June, 1864, and President Lincoln called Mr. William Pitt Fessenden, Chairman of the committee on Finance of the senate, to take his place. Mr. Fessenden relied chiefly upon securing loans

by issuing six per cent. compound-interest notes, and to a lesser extent the three year, 7.30 per cent. interest, notes.²⁸

At the same time that the government was negotiating the short time loans it was also attempting to negotiate long time loans, but the latter method proved to be unpopular and the money secured from that source was not very great. Mr. Chase seemed to rely upon and favor the method of short time loans. The results of this system are given by one financial historian in the following words: "Instead of incurring liabilities which would run for ten, twenty, thirty, or even forty years time, the country was flooded, especially in the early years of the war, with short term paper, which served in many instances the purposes of currency, expanded prices, and increased the speculation and extravagance always incident to war. Temporary obligations falling due in the midst of civil conflict were a source of double vexation to the treasury department, which was obliged to conduct a series of refunding operations, and at the same time to go into the money market to borrow ever increasing sums for a war which apparantly would never end."²⁶

Another form of Treasury note which affected profoundly currency conditions at the time of the establishment of the national banking system, and remains a part of our currency today, was the greenback. The necessity of some kind of regular currency had been felt throughout 1861, when the western bank circulation was giving way; and was accented

in January 1862, when specie began to disappear from circulation. Suspension of cash payments developed that a resort to paper money had become inevitable. The State bank notes then were estimated to be about \$184,000,000 in the aggregate, which was not sufficient for the needs of the country; and many of them were of doubtful value. The government was forced to make a choice between inconvertible bank notes or inconvertible government notes. Secretary Chase and the Finance committees in the house and senate agreed upon the inexpediency of using bank notes, and upon the policy of using a circulation founded upon public credit. They did not, however, agree as to the character of that circulation.²⁷

Secretary Chase was more or less repugnant to a national issue of paper money irredeemable in coin and made legal tender. In his report of 9 December 1861, he had shrunk from advocating a paper money policy. His remedy for the situation was the establishment of a system of national banking associations, of which something will be said below, which would issue a paper circulation. Congress was hostile to his plan so he tried other schemes. One of these was that the banks should receive and disburse the government notes as they did their own, but the banks resisted this. Mr. Chase then wanted to issue large amounts of demand notes taking the chances of their deterioration. On the other hand Judge Spaulding, Chairman of a sub-committee of the committee of Ways and Means, wanted to make such issues

legal tender as the only means of sustaining them. Mr. Thaddeus Stevens, Chairman of the Ways and Means committee, advocated the paper money idea in its simplest form; that is, issue as much as necessary, make it legal tender for all public and private debts, and receivable for government dues.²⁸

In order to try to find some means to prevent the issuing of legal tender notes, irredeemable in coin, Secretary Chase called a meeting of bankers and members of the finance committees of Congress to work out a counter plan. Nothing came of this conference. Mr. Chase stood out against the legal tender clause for some time but finally gave way. On 22 January 1862, when a tentative draft of the bill was presented to him for comments, he had no argument to make against it further than to express the regret that it was considered necessary. The Secretary was perplexed because he realized the danger of a depreciated currency, but thought the danger was to be removed by his national bank project, through which a new and sound currency was speedily to take the place of government issues.²⁹

In drafting the legal tender act we find that it was linked up with the question of the national banking system. Mr. Spaulding applied to Mr. Chase for details of a new system of bank currency, but as the Secretary did not respond with a bill, he began to draft one that he thought would be desirable to Mr. Chase. While engaged upon this work Mr. Spaulding came to the conclusion that it could

not be made available quickly enough to meet the crisis. He said, "A system of national banks could not be organized and put into effective force for more than a year, and in the meantime the State banks would be in a condition of suspension, without coin or the possibility of obtaining it, and we need effective money." He saw that no tax legislation could be promptly effective; so he drafted a section authorizing legal tender notes, which was later, 7 January 1862, submitted to Congress as a separate bill. In explaining the legal tender measure in the House, Mr. Spaulding said that conditions of the Country were very different from what they were two months previous when the Secretary had made his report. In the meantime specie payments had been suspended. The Secretary had not recommended demand notes; he had recommended a national currency to be issued by banks. A bill to carry out the suggestion had been prepared and was in the hands of the committee of Ways and Means. The committee had, however, come to the conclusion that, however advisable this plan might be in providing a way for funding United States stocks, it could not be made available soon enough to meet the impending necessities of the government.³⁰

As the legal tender bill was being discussed in the House, the bank question necessarily came up because this bill was to be a substitute for Chase's recommended bank system. Mr. Roscoe Conkling, a State bank supporter, regarded the legal tender bill as a scheme to introduce the

banking bill which he criticised as hostile to the existing state banks, and at the same time deprecated any plan that would provoke the hostility of this portion of the business community which in New York City, had, out of a capital of \$119,000,000 advanced \$100,000,000 to the government. Mr. Kellogg, of Illinois, defended the legal tender bill from the imputation that it would be dishonest to compel the banks to take these notes. He thanked God that there were but few banks in Illinois. They had, most of them, been obliterated, as they ought to be. Being reminded that they were western "wild-cat" concerns, he retorted that the "wild-cat" concerns of Illinois were carried on by eastern speculators. He asked Mr. Sheffield, of Rhode Island, who had interrupted him; "Where is the Central Bank of Rhode Island, a specimen article of "wild-cat" banks?" The reply was, that "the Governor of Illinois got control of it, put it in his pocket and carried it off." To this Mr. Kellogg responded that "the Governor not only pocketed the bank, but also money from the Treasury of Illinois. He went to Rhode Island, got his hand in with that bank, and learned his trade before he pocketed the funds of the State."³¹

In the senate the bill was supported by Mr. Sherman (Ohio), a member of the committee on Finance. He declared that it was sanctioned by almost every recognized organ of financial opinion in the country. His main argument was that of necessity to meet immediate obligations of the government, to give currency to the Treasury notes, and to

provide money which would in turn purchase bonds. The senate made some important changes in the bill. The house provision that the notes should be receivable for all public dues was amended by requiring that duties on imports should be paid in coin, and that the interest on the bonds should be payable in coin. It also added the section authorizing the sale of bonds, issue of certificates of deposit, and the establishment of a sinking fund.³²

After the differences between the two houses had been adjusted, the bill passed Congress and was approved by the President 25 February 1862. It provided that \$150,000,000 were to be issued, not bearing interest, and payable at the Treasury of the United States in denominations of not less than five dollars. \$50,000,000 of this were to be in lieu of the \$50,000,000 of demand notes authorized in July 1861, which were to be taken up and retired as rapidly as possible. The two kinds of notes taken together were not to exceed \$150,000,000. The notes issued under this act were to be received in payment of all taxes, internal duties, debts, and demands of every kind due to the United States, except duties on imports which were to be paid in coin, and of all claims and demands against the United States of every kind whatsoever, except for interest upon the public debt which was to be paid in coin. They were to be lawful money, and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest on the public debt. They

were to be received at par in exchange for the six per cent. bonds that were authorized by this act, or any other loans subsequently sold or negotiated by the Secretary of the Treasury.³³

The Secretary recommended, June 1862, a further issue of \$150,000,000 of greenbacks, and also the removal of the restriction upon issues of less than five dollars. He thought that the country could absorb \$25,000,000 or more of the small currency. He said that if the currency, both large and small, were composed of United States notes, the resumption of specie payment could be made more easily and with less loss to the community, than if the channels of circulation were filled with emissions of non-specie paying corporations. In accordance with these recommendations, Congress, 11 July 1862, authorized the issue of \$150,000,000 of greenbacks, of which \$35,000,000 should be in denominations of less than five dollars but not less than one dollar, and reserving one-half of the issue to secure the prompt payment of deposits which were in the Treasury. This amount could be issued and used, when in the judgment of the Secretary the same, or any part, may be used for that purpose.³⁴ Of the first issue of greenbacks only about \$100,000,000 was in circulation when the Secretary favored another issue, as the \$50,000,000 of demand notes were still outstanding. Now one-half of the new issue was to be put into circulation, and the other one-half kept in reserve, so the actual increase to the circulation would be \$75,000,000.

The strongest reason for making this second issue of legal tenders was that the banks were absorbing them, and pushing their own notes into circulation. The opinion that the banks were a sharp competitor of the government in furnishing a circulation, and in absorbing the greenbacks became general. The feeling grew that they ought to be restrained. A member of Congress expressed this idea when he said they (banks) have authority to buy up government bonds in the market, to take up government circulation and put their own circulation in the place of it, and that is what they are doing all the time; the question is whether the banks should be paid six per cent. upon government bonds for furnishing no better currency than the government could furnish itself. Senator Sherman said that every new issue of notes by the government was only a bid for new inflation by the banks, and the better money of the United States was hoarded and laid away; and the paper money which was issued on the credit of it was thrown on the country, producing inflation. No doubt the absorption by the banks of the government circulation was magnified many fold, but it furnished a very good reason for issuing more, while it intensifies the feeling against the banks.³⁵

In the absence of other methods for the support of the armies and navy, and in the presence of constantly increasing expenditures and greater facilities for the production of paper money, and also because of the growing popularity of it, the limit of the legal tenders was not likely to stay at the \$500,000,000 mark. Mr. Chase made

good use of the authority given him, and he rapidly exhausted it. The bill which authorized the third issue of greenbacks was different from either of the preceding measures. Authority was granted by a joint resolution of Congress. The Secretary was authorized, if the exigencies of the public service required it, to issue on the credit of the United States the sum of \$100,000,000 in such form as he may deem expedient.³⁶ They were to be in denominations of not less than one dollar. President Lincoln reluctantly signed this resolution 17 January 1863. He favored the adoption of the national bank system, and a reasonable taxation of bank circulation to prevent the deterioration of the paper money of the country.³⁷

By the act of 3 March 1863, the limit of \$100,000,000 set by the resolution of 17 January, was extended to \$150,000,000. Provision was made for the reissue of the new notes, but not for conversion into bonds. It also provided that the holders of United States notes issued under former acts should present the same for the purpose of exchanging them for bonds, as therein provided, on or before 1 July 1863, and thereafter the right to exchange the same should cease.³⁸

When first put into circulation the greenbacks passed at par value, or nearly par, but as increased issues were made the value of them in relation to specie decreased. There are many reasons for the depreciation of the face value of the greenbacks. Some thought that because the

government would have made them legal tender for all public dues. their value would have been kept up to a considerable extent. When the conversion of these notes into long time bonds was abolished, it meant that the holders of them could not expect par value in any transaction whatsoever. The government by this act refused to recognize their own paper money at par value, and hence depreciation would naturally result. Backed by no specie and irredeemable, the value of the greenbacks would depend upon the fortunes of the government that had issued them. The war had been a much more prolonged affair than the North had anticipated. As the Union army met reverses on the field of battle the greenbacks depreciated in value, as success came to the Northern army the value would rise. There were other economic and political causes for the fluctuating value of these notes, but a very great portion of the total amount issued from the Treasury department remained in circulation; and today constitutes a part of our general currency. Of the \$450,000,000 authorized under the four acts of Congress, \$431,000,000 was actually outstanding on 30 June 1864.³⁹

In considering the note issues of State banks at the time that the national banking system was established, it shall not be the purpose here to go into detail about the condition of State banks and their circulation, but to try to show that these banks, as well as the government, contributed to the general confusion of currency conditions at the time. Some argue that these banks were the greater

sinners in bringing about a highly inflated and redundant currency; others claim, with just as strong emphasis, that the government was the greater cause for this situation. Be that as it may, no doubt each contributed its share to the confusion so that it was thought necessary to establish a system by which the country would have a sound and uniform currency.

Mr. Knox, in his History of Banking in the United States, says, "The creation of wealth by means of bank notes was the great heresy of the period between the years 1811-1861, as the creation of wealth by government issues and fiat has been the chief financial heresy since that date." The idea that bank notes were wealth instead of being instruments of wealth did not seem to take hold of legislators. Disasters followed, and there occurred the successive financial crises that gradually taught the public some of the dangers of uncontrolled bank issues. The older States, having had much experience in colonial times, were the first to learn how to control the management of banking capital among so many States and Territories there were always some where the laws were loose and ineffective, and there was room in those for the bank expert to exercise his dangerous knowledge of the credulity of the public, and its desire of apparent gain.⁴⁰

A practical defect in the banking of the period just before and during the Civil War, besides opportunities for irresponsible operations, was the lack of uniformity of note

security, which resulted in great confusion in the ordinary currency. A country merchant might receive and pay out a thousand kinds of bank notes, some good, some doubtful, some presumably bad, and this condition grew worse as the circle of business activity was enlarged with the construction of railroads. The field of bad currency was thus made wider, and a good system of banking had to suffer in public opinion because of competition with banks which had no character to maintain.⁴¹

Many banks in the West issued their notes with great recklessness. The banks in New England and the Middle States had been much more prudent, and their circulation for the most part was safe. In most of these States a deposit of securities was required in order to redeem the circulating notes in case of failure of the banks. Louisiana and Kentucky had two of the most secure systems in the country. Many of the Western banks had issued their notes on the security of Southern State bonds, which, after the war began, were at a heavy discount. They were not required to keep a reserve specie for redemption of their notes. In Illinois there were \$12,000,000 in bank notes secured by State and United States stocks to the amount of \$13,000,000. About three-fourths of this sum was made up of stocks of Southern States, which depreciated in value forty, fifty, or even more per cent. The best Western banks had redemption agencies in Eastern cities, and some of the Western States had chartered a bank as a State institution. Multitudes of other

banks had no separate or adequate securities for their circulating notes. Hundreds of kinds of bank bills were in circulation, and new counterfeits appeared every day.⁴² Senator Sherman, in a speech defending the national bank bill, pointed out an illustration of the condition of the circulation of a bank in Pennsylvania. This bank had a capital stock of \$200,000, and a circulation of \$589,600; there was due to the depositors \$55,125; profit and loss account was \$31,294; and due to other banks \$23,959. "The circulation is \$589,600. Now, what have they got to pay it with? Gold and silver coin, \$18,326, not one-thirtieth part of the circulation; bills and checks, \$27,128; banking house and lot, \$4,000; due from other banks \$146,879. The assets on hand would but little more than pay depositors and current debt to banks, leaving the whole circulation secured by loans and discounts. The whole of that circulation has no other basis except loans and discounts, and the circulation is three times the amount of the capital stock."⁴³ In Indiana there existed a poor system of free and private banks, but the State banks were sound. Illinois also had a sound State bank system but the free and private banks were very unsound. Massachusetts had a very sound and conservative system. New York's system, based upon the free banking law of 1837, was conservative and secure. In Michigan the worst form of banking existed. In that State tricks were employed to deceive the official bank commissioners as to the amount of specie on hand; the

same boxes or bags of specie were quickly transferred from one bank to another to perform a continuous service of reserve. In the words of the commissioners, "gold and silver flew about the country with the celerity of magic; its sound was heard in the depths of the forest, yet, like the wind, one knew not whence it came or whither it was going." In one instance it was found that the box of specie showed a stratum of gold and silver, but all beneath was nails and glass. With the best intention it was hard to keep in order the Western banks in remote sections or on the frontier.⁴⁴

There were various kinds of State banks in operation by the time of the Civil War period. There were institutions composed of private stockholders, who furnished all the capital, working under certain regulations laid down in special charters. There were institutions, as above, but working under regulations of general banking laws. Banks also existed that were entirely capitalized and managed by the State; and there were banks constituted partly with State and partly with private capital, the management being similarly divided. In nearly all of the States specially chartered banks were the favorite organizations. The amount of currency issued by them was twice, and in many instances three times the amount of the nominal capital of such banks. Many of the States allowed banks to be chartered with only one-fifth of the capital required to be paid in. When the Civil War broke out, order was beginning to come out of the general confusion in regard to banking which had prevailed in many of the

States. The advantages of a general banking law as opposed to special charters were almost universally acknowledged. The necessity of some special security for and supervision of the issue of currency was beginning to be seen.⁴⁵

Official reports in eighteen States in 1860 showed that out of 1231 banks 140 banks were broken, 234 had closed their doors, and 131 were worthless; or 505 banks out of the 1231 were doing an unsound business or no business at all.⁴⁶

Between 1856-1862 the notes of over 1200 banks were counterfeited or altered. In 1862 there were in existence over 3000 kinds of altered notes; 1700 varieties of spurious notes; 460 varieties of imitations; and over 700 of other kinds of altered notes. A table may be given showing the kinds of bills in circulation:⁴⁷

	1856	1862
Whole number of banks -----	1409	1492
Number of notes not counterfeited -----	463	253
Number of kinds of imitations -----	1462	1861
Number of kinds of alterations -----	1119	3039
Number of kinds of spurious notes -----	224	1685

The number of State banks, their capital stock, circulation, and specie for the fiscal years 1859/60 to 1862/63 is shown below:⁴⁸

<u>Fiscal Year</u>	<u>No. of banks</u>	<u>Circulation</u>	<u>Specie</u>
1859/60	1562	\$207,102,477	\$83,594,537
1860/61	1601	202,005,767	87,674,507
1861/62	1492	183,792,079	102,146,215
1862/63	1466	238,677,218	101,227,369

By this table it is seen that after the Civil War began the number banks decreased due principally to the failure of the banks in the West, and especially those banks

that relied upon Southern State stocks for security. The Capital stock in the aggregate would naturally decrease then also. On the other hand the circulation, after falling off during 1861/62, was increased the next year to a higher figure than it had ever been; this can be accounted for by the fact that after suspension of specie payments in December 1861, many banks took advantage of the situation by increasing their issues. At the same time the specie held by the banks increased, and was kept in their vaults as suspension did not require that notes be redeemed in coin. Some banks sold part of their gold on the market thereby benefiting from the high premium paid for that article of commerce.

The table below shows the ratio of specie held by the banks to the amount of circulation that they issued. It is for the three fiscal years 1860/61 to 1862/63, and is by sections of the country and also for the United States as a whole.⁴⁹

	1860/61	1861/62	1862/63
East	1:4-----	1:3 $\frac{1}{4}$ -----	1:5 $\frac{1}{3}$
Middle	1: $\frac{1}{2}$ -----	1: $\frac{1}{4}$ -----	1:1 $\frac{3}{5}$
Southwest	1: $\frac{1}{4}$ -----	1: $\frac{1}{8}$ -----	1: $\frac{1}{2}$
West	1:6-----	1:2 $\frac{1}{2}$ -----	1:2 $\frac{3}{4}$
United States	1:2 $\frac{1}{3}$ ---	1:4/5 -----	1:2 $\frac{1}{3}$

The ratio of specie held by the banks to the circulation put out by them increased in all sections of the country from the fiscal year of 1860/61 to the fiscal year 1861/62. It is interesting to note that the banks in the West, after the insecure banks had broken down during the first year of the war, strengthened their circulation by reserving more specie and decreasing the circulation. The banks of the

Southwest remained more constant during this three year period than any other section, varying $1:\frac{1}{2}$, $1:1/8$, and $1:\frac{1}{2}$. The banks in the Eastern States, and also Middle States, after a decrease in the proportion of specie to circulation in 1861/62, increased their circulations by the next year but the specie reserve was not increased in proportion. This indicates that banks in the commercial States were putting out their notes in larger amounts than formerly, and, taking advantage of the suspension of specie payment, they did not secure their issues with the proportion of specie that they had formerly done.

The circulation of State bank notes was a contributing factor in placing the general currency conditions of the country in as a deplorable condition as it was before a uniform system of national currency was established. There were many of the banks, probably a majority of them, that were in a very sound condition and were doing their business in a conservative manner. On the other hand there were many of the State banks that were doing an insecure business, and emitting their issues of circulation without adequate reserves. In some of the States banking operations were closely supervised, as in the New England and the Middle States; while in other States, principally the newer Western States, the supervision was very lax. The result of the lack of uniformity in banking laws and in supervision of banking operations was the lack of uniformity in note issues. This, together with the widespread counterfeiting and altering

of these notes, made the acceptance of them a matter of suspicion and reluctance. The idea was growing throughout the country that the existing banking institutions were not adequate to meet the growing financial needs of the country occasioned by the Civil War and expanding industry of the North. Then, too, there was the growing sentiment of nationalism which caused many to form the opinion that banking operations, especially the supplying of currency for the country, should be regulated and controlled by the national government.

In attempting to summarize the condition of the currency at the time of the establishment of the national banking system it has been shown that the government notes and the State bank notes each contributed their share to the general confusion that prevailed in the monetary situation at that time. It is difficult to determine just how much of the paper issued by the government was in circulation at any given time, due to the funding, withdrawing, and maturity of those notes. The demand notes, authorized to be issued in 1861, circulated at a premium over other paper money due to the fact that they were receivable for all public dues; and in 1864 they were made a legal tender. The certificates of deposit were a very popular form of loan; and were taken by the banks, especially to take up their clearing house balances. Certificates of indebtedness issued by the Treasury department entered circulation until the accumulation of interest made it an object of capitalists to hold

them as an investment. In order to make up for the lack of small coin, disappearing after suspension of specie payments, and in order to prevent "shinplasters" from being issued by individuals and corporations, the government authorized the use of postage stamps and revenue stamps; but these proved to be unpopular and inefficient so fractional currency in denominations as low as three cents was issued. In 1863 and 1864 Treasury notes running for one, two, and three years, with compound interest at five and six per cent., were used; and although these were not intended to circulate as currency, nevertheless they did, especially the ones that had coupons attached. The notes of larger denominations served as reserve for the banks which put their own notes into circulation as a result of this. In 1864 the three year 7.30 per cent. notes were made legal tender. The greatest issue of legal tender non-interest bearing notes were the greenbacks. These were made legal tender for all debts, public and private, except duties on imports and interest upon the public debt. These notes were also used as reserve to a certain extent by the banks, thereby enabling them to put more of their own notes into general circulation.

Added to the government notes were the issues of the State banks which were put out in larger quantities after the suspension of specie payments than before. It has been shown that a large proportion of these notes were counterfeited or altered so that the public was reluctant to receive

them in certain parts of the country.

The condition of the currency of the country caused by State bank issues and the notes issued from the Treasury department at Washington, helped to pave the way for the establishment of a uniform currency system by the organization of a national banking system. The need for a uniform system of currency was not the only reason assigned by Secretary Chase and others for the establishment of the new system of banking, but it was the primary reason and the debates in Congress point to the fact that this was the great object aimed at in establishing the system. The impression must not be left, however, that the establishment of the new system was a task that was easily accomplished. The powerful influence of the State banking systems was almost solidly arrayed against it; sectional interests entered in to some extent; the struggle between State rights and expansion of national power played a most conspicuous part; and finally after the administration had adopted it as a definite part of their policy the opposition party threw its strength against the system.

CHAPTER II.

NATIONAL BANK ACT, 25 FEBRUARY 1863.

When the third issue of greenbacks was under consideration in the Senate, Mr. Chase wrote to the committee on Finance expressing his opinion on the matter. He said, "No measure, in my judgment, will meet the necessities of the occasion, and prove adequate to the provisions of the great sums required for the suppression of the rebellion, which does not include a firm support to the public credit through the establishment of a uniform national circulation, secured by bonds of the United States."¹ The great task of Secretary Chase was to provide the necessary means of getting revenue for the ever increasing demands made upon the government by the Civil War. He believed that the best way to do this was for Congress to adopt a measure embodying the idea referred to above. It was his pet scheme from the beginning until its final adoption. During 1862 and 1863, Mr. Chase exercised his utmost in favor of the national bank bill, and did his best to get the influence of outstanding leaders throughout the country behind the measure. What little correspondence the writer had access to shows the deep and sincere convictions that Mr. Chase entertained as to the beneficial effects that a uniform system of currency

would have upon the country; and the necessity and duty of Congress to provide for such a system.

In a letter to Joseph Medill, editor of the Chicago Tribune, dated 16 October 1861, Secretary Chase said in part, "Gold notes of the United States, promptly and honestly redeemed, would have little chance in competition with notes of less value, so long as these less valuable notes should be tolerated by the people as currency. For this reason and also because I thought that bank circulation, paying no interest, should at least contribute something to the National burdens, I recommended to Congress, in my report July 1861 an internal duty on bank notes.

For myself, I never have entertained a doubt that it was the duty of the General government to furnish a national currency. Its neglect of this duty has cost the people as much as this War will cost them. It must now be performed, not merely as a duty, but as a matter of necessary policy."²

Just after his report of 4 December 1862, had been submitted to Congress, Mr. Chase again wrote to Joseph Medill, 18 December 1862, stating that he felt fully satisfied that the country could not get rid of bank circulation. He wanted to deal with what must exist in such a way as to get the greatest possible good for the country. The choice was between fifteen hundred banks organized under many and various laws, and as many banking associations as could and would furnish the required security organized under one

and the same law. The plan that he recommended was to avoid a deluge of inconvertible paper money.³

The Secretary thought that the benefits would be immediate from his plan, and that it would help the financial condition of the country during the war period. On 22 January 1863, writing to Charles A. Hecker of New York, he stated that he did not believe that the aggregate debt on 1 July 1864, would be more than \$1,750,000,000. "With a good national free banking system, I think the interest on this amount can be kept down to five per cent.; it ought to be reduced even below that. My own conviction is, that the greatest detriment to the public credit now arises from the divorce of the government from the ordinary currency of the country." He further wrote that if the currency would be brought under regulation of the government and made the medium in which all duties, taxes, and other dues could be paid in ordinary times, he does not doubt that the bonds would be so strengthened that loans would be easy; and the great evils of an excessive redundant currency would be averted.⁴

To show the importance that Mr. Chase attached to the bank bill, and the fact that opposition was very great, we have his letter of 27 January 1863, to William Mellen of Cincinnati. Among other things he says, "The majority of the committee Ways and Means is yet adverse to the uniform Currency and Banking Bill; but I still hope to get a majority in its favor; but it is precisely on this point

that all efforts should be concentrated. If this bill can be passed into law, it is comparatively unimportant what other measures prevail. So it is if the bill does not become a law. With it, success is possible and probable, without it failure is probable if not certain."⁵

After the bank bill had been introduced in Congress the Secretary redoubled his efforts to enlist the influence of notable leaders throughout the country to the measure. An example of his efforts toward this end is seen in a letter written to Horace Greeley. Mr. Chase realized that if so powerful a personage could be enlisted in the cause for a uniform currency a great step would be gained in getting the system established. In a letter dated 28 January 1863, the Secretary asked Mr. Greeley why he didn't get behind the work of establishing a uniform National currency. "The main point is the banking bill. A circulation issued directly by the government cannot be made a good currency." He further stated that the local banks were tried in the war of 1812 and failed, and no one was bold enough to propose a third trial for a United States Bank. There remains only a national free-banking system. A State free-banking system had been tried in New York with good results. What was so good for three million people there must be good for thirty or thirty-three million people in the entire United States."⁶

One object of Secretary Chase's financial policy was to provide against disastrous financial results on the return of peace. This, he thought, could best be done by the

establishment of a national currency. He was inflexible against the State banks trying to make their money the currency of the country, and so confined his loans largely to greenbacks. However he did not wish to drive out the State bank circulation, nor did he think it exactly honest to do so, without giving them a just equivalent, and so neutralize their opposition to a national currency, and as far as possible make them allies instead of enemies. He admitted that the State banks had rendered important services, but the national banks were certain in many ways to be much more useful than State banks, as well during war as in times of peace. In short, he believed it to be not only in the constitutional right of the Federal government to control the circulation, but he believed it the duty of the government to do so.⁷

The Treasury report of 4 July 1861, to the special session of Congress, made no mention of proposals for the establishment of a national banking system.⁸ In his first annual report to Congress, 9 December 1861, Mr. Chase brought forward in its first form his great project for a system of national bank corporations, which should give to the country a stable currency, and at the same time become large lenders to the government. This report called the attention of Congress to the character of the State banking institutions and the doubtfulness of their right under the constitution to issue circulating notes. The whole circulation was a loan without interest from the people to the banks; costing the latter nothing but the expense of issue and redemption. He

suggested the policy of transferring the advantages of that loan, in part at least, from the banks representing only the interests of the stockholders, to the government representing the aggregate interests of the whole people. In asking for additional means to meet the demands of the Treasury the Secretary suggested two plans. The first plan contemplated the gradual withdrawal of State bank issues from circulation, and the substitution therefor of United States notes, payable in cash on demand, in amounts sufficient for the useful ends of a representative currency. The second plan contemplated the preparation and delivery, to institutions and associations, of notes prepared under national direction and to be secured, as to prompt convertibility into coin, by the pledge of United States bonds and other needful regulations.

In commenting on these plans he pointed out that Congress had, in part, adopted the first at the last session when it authorized the issue of demand notes, payable in coin, to the amount of fifty million dollars. These notes might be extended to an amount equal to the average circulation of the country, while a moderate tax on bank notes, gradually augmented, would relieve the national from competition with local circulation. The substitution would be equivalent to a loan by the people to the government without interest, and the people would gain the advantage of a uniform currency and relief from a considerable burden in the form of interest on the public debt. This plan was not without serious inconveniences and hazards. There was the temptation to issue notes without adequate provision for redemption; the ever

present liability to be called upon for redemption beyond means; the hazard of panics; and the risk of a depreciated, depreciating, and finally worthless paper money. In Mr. Chase's mind the probable disasters so outweighed the probable benefits that he was constrained to forbear recommending its adoption.

He was more favorably inclined to the second plan, and thought it had greater advantages without the danger of the first. The principal features of this plan were: first, a circulation of notes bearing a common impression and authenticated by a common authority; second, the redemption of these notes by the associations and institutions to which they might be delivered; third, the security of the redemption by the pledge of the United States stocks, and an adequate provision of specie. The advantages of this plan as pointed out by Mr. Chase were that there would be uniformity in the currency throughout the entire country; it would also be uniformity in security; it would be an effectual safeguard against depreciation; in the operations of the government the people would find the farther advantage of a large demand for government securities; and there would be increased facilities for obtaining loans to carry on the war. He said that there would be increased security of Union because of common interest in its preservation by the distribution of its stocks to associations throughout the country as the basis of their circulation. The notes would

be receivable for all government dues, except customs and hence would be of equal value in every part of the Union. The specie in the country is sufficient to support payments of duties in coin, while those payments and the ordinary demands would aid in retaining the specie in the country as the solid basis both of circulation and of loans. The Secretary felt confident that the whole circulation, except a limited amount of foreign coin, would after two or three years bear the impress of the nation whether in coins or notes. The plan, in its essential parts, had been tested and found useful and practicable in New York, and in one or more of the other States. State bank circulation must be gotten rid of to make this work so he proposed that Congress should offer inducements to the banks to consent to this substitution. Mr. Chase stated that no argument was necessary on the constitutionality of the plan as Congress gets its authority from the power to regulate commerce and the value of coin, and this included the power to regulate the currency of the country, or, "the collateral proposition that the power to effect the end includes the power to adopt the necessary and expedient means." The Secretary entertained the hope that the plan submitted, may impart such value and stability to government securities that it will not be difficult to obtain the additional loans required for the service of the current and succeeding year at fair and reasonable rates; especially if the public credit be supported by sufficient and certain provision for the payment of interest and ultimate redemption

of the principal.⁹

Mr. Chase did not send in to the committee of Ways and Means a draft of a national currency bill, so Mr. Spaulding requested one from him. The Secretary replied that he had not prepared a draft and requested Mr. Spaulding to do so. Mr. Spaulding set about doing this during the Christmas holidays, and wrote to Mr. Corning, also a member of the Ways and Means committee, who had gone to his home at Albany, to send him a copy of the New York free-banking law with subsequent amendments. This was done by Mr. Corning, and in the letter transmitting them he expressed the belief that Chase's recommendation would not be acceptable in New York and admonished Mr. Spaulding to exercise the great care in drafting the proposed bill. When the framework was completed the draft was sent to Mr. Hooper of Massachusetts, the only other member of the sub-committee in Washington at that time. Mr. Hooper incorporated in it some provisions which the experience of Massachusetts had shown to be valuable. Edward Jourdan, solicitor of the Treasury, also helped materially in drafting the bill. The draft was finally completed soon after Christmas and two hundred copies were printed for general use of the committee and the Secretary of the Treasury for consideration, before it was reported to the house of representatives. This bill formed the basis of the bank bill which was adopted more than a year afterwards. It contained the features that were most approved in practice from the free banking laws of several of the States. To this was added

provisions giving further security to the proposed circulation, and also further provisions were added for a proper governmental supervision of the banking business such as experience had shown to be necessary. There were also inducements to get the State banks to come under the new system.¹⁰

The majority of both the senate and house financial committees were credulous or hostile. Mr. Hooper alone gave the system public approval and he introduced the bill in the house. On Friday, 11 July 1862, it was read twice and referred to the committee of Ways and Means. He also introduced a resolution providing that 5000 extra copies of the bill be printed. This was referred to the committee on printing. On 15 July, when this committee reported the resolution to the house, the consideration of the report was opposed by Roscoe Conkling of New York; and on motion of Frederick A. Conkling of the same State, it was laid on the table. Mr. Thaddeus Stevens, chairman of the Ways and Means committee reported against the bill.¹¹

On Wednesday, 22 January 1862, Mr. Spaulding introduced the first bill for the issue of greenbacks as a substitute for the bank bill. This came up for consideration 28 January, and Mr. Spaulding explained why the bank bill was not presented by the committee. He stated that the condition of the country was very different from what it was two months previous. In the meantime specie payments had been suspended. The Secretary had not recommended demand notes but he had

recommended a national currency to be issued by banks. The sub-committee of the Ways and Means committee had prepared, and had printed, a bill for the use of the committee which may be presented to the house. The committee came to the conclusion that however meritorious such a system may be, it cannot, if adopted, be made available soon enough to meet the impending necessities of the government. This new banking system would necessarily go into operation slowly. Several months would elapse before the banks, in the present embarrassed condition of monetary affairs, could absorb any United States stocks under this law. As an ultimate mode of funding some part of the large amount of United States notes which had already been issued; and as far as the national currency issued under it would attain a wide circulation and greatly facilitate the payment of taxes and other government dues, it would be alright. But the pressing needs of the government do not allow for a great deal of time, and hence the legal tender measure is proposed in its stead.¹²

Secretary Chase sent in his second annual report to Congress on 4 December 1862. After reviewing the issues of bank circulation and of issues of United States notes, Mr. Chase claimed that very little redundancy of circulation existed, but if it did exist it was the fault of State bank issues, not government issues. He then showed the danger of issuing more paper money directly by the government. Under the present circumstances he pointed out that the path of wisdom and duty seemed very clear. It led to the support of

a United States circulation, and to the reduction of the State circulation.

While the Secretary preferred to have a uniform circulation issued directly by the government to State bank circulation, he still adhered to the opinion expressed in his last report that a circulation furnished by the government, but issued by banking associations, organized under a general act of Congress, was to be preferred to either. Such a circulation, uniform in general characteristics and secured as to prompt convertibility by national bonds deposited in the Treasury, by the associations receiving it, would unite more elements of soundness and utility than could be combined in any other.

A circulation composed of notes issued directly by the government was recommended mainly by two considerations; first, because of the facility with which it may be provided in emergencies; and second, because of its cheapness. The principal objections to such a circulation as a permanent system were: first, the facility of excessive expansion when expenditures exceed revenue; second, the danger of lavish and corrupt expenditure, stimulated by facility of expansion; third, danger of fraud in management and supervision; and fourth, the impossibility of providing it in sufficient amounts for the wants of the people whenever expenditures are reduced to equality with revenue or below it. The Secretary pointed out that the objections were all serious, and that there was no doubt that the evils certain to arise from such a scheme

of currency, if adopted as a permanent system, greatly overbalanced the temporary though not inconsiderable advantages offered by it.

It remained to be considered then the advantages that could be reasonably expected from the organization of banking associations, such as were recommended in the Secretary's last report. "The central idea of the proposed measure is the establishment of one sound, uniform circulation, of equal value throughout the country, upon the foundation of national credit combined with private capital." Such a currency he believed could be secured through banking associations organized under national legislation.

The proposal was that these associations would be entirely voluntary. Any persons could, if the plan were adopted, unite under proper articles, and having contributed the requisite capital, could invest such part of it, not less than a fixed minimum, in United States bonds. After having deposited these bonds with the proper officer of the United States, they could receive United States notes in such denominations as may be desired, and employ them in discounts and exchanges. The stockholders of any existing banks could, in like manner, organize under the act, and transfer the capital of the old to the use of the new associations. The notes then put in circulation would be payable, until resumption in specie by the associations which issued them. These would be payable on demand, and if not so paid would be redeemable at the Treasury of the United States from the

proceeds of the bonds pledged in security. In the practical working of the plan redemption at one or more of the great commercial centers would probably be provided for by all of the associations which circulate the notes; and in case any association should fail in such redemption, the treasurer of the United States would probably under discretionary authority pay the notes, and cancel the public debt held as security.

The Secretary then considered the advantages which would result from the establishment of such a system of banking. In the first place, after a few years no other circulation would be used, nor could the issues of the national circulation be easily increased beyond the legitimate demands of business. Every dollar of circulation would represent real capital, actually invested in national stocks, and the total amount issued could always be quickly and easily ascertained from the books of the treasury. While these circumstances might not wholly remove the temptation to excessive circulation it would reduce it to the lowest point; while the form of notes, the uniformity of devices, the signatures of national officers, and the imprint of the national seal authenticating the declaration borne on each that it is secured by bonds which represent the faith and capital of the whole country, could not fail to make every note as good in any part of the world as the best known and best esteemed national securities. Secondly, support to public credit could be expected from the proposed associations. The organization

proposed would require within a very few years, for the deposit as security for circulation, bonds of the United States to an amount not less than \$250,000,000. Because of uniformity in credit and value, and capacity of checks and quick transportation, the circulation would likely be used more extensively than any hitherto issued, and the demand for bonds would over pass this limit. A steady market for the bonds would be established and the negotiation of them greatly facilitated. The plan would create a constant demand for United States bonds, equalling and often exceeding the supply. Thus a steady uniformity in price would be maintained and generally at a rate somewhat above those bonds of equal credit but not available to banking associations. Another advantage would be found in the convenient agencies which the associations would furnish for the deposit of public moneys. It is not proposed to interfere with the independent treasury system, which may be advantageously maintained to collect customs in coin and Treasury notes issued directly by the government. But it seems clear that the secured national circulation furnished to the banking associations should be received everywhere for all other dues than customs, and that these associations will constitute the best and safest depositaries of the revenues derived from such receipts. They would also be convenient to the government as agents for payments and distributors of stamps. A fourth advantage is that this system would reconcile, as far as practicable, the interests of existing institutions with

those of the whole people. All danger, however important, should be introduced with caution, and proceeded in with careful regard to every affected interest. The people demanded uniformity in circulation, and claimed part of the benefit of debt without interest, made into money, hitherto enjoyed exclusively by the banks. These demands were just and should be respected. But there need be no sudden change, and no hurtful interference with existing interests. The mode of substitution of secured national notes for State bank notes could be judiciously adapted to actual circumstances. The plan suggested accomplishes this. It contemplated gradual withdrawal of bank note circulation, and proposes a United States note circulation furnished to banking associations, in the advantages of which they could participate in full proportion to the care and responsibility assumed and the services performed by them. The existing banks came to the assistance of the government in the dark days which followed the outbreak of the war, and made unexpected gains from it. This was a solid recommendation of the suggested plan that it offered the opportunity to these and kindred institutions to reorganize, continue their business under the proposed act, and with little loss and much advantage participate in maintaining the new and uniform national currency. The final advantage of the proposed plan was that it would supply a firm anchorage to the union of the States. "Every banking association whose bonds are deposited in the treasury of the Union; every individual who holds a dollar of the circulation

secured by such deposit; every merchant, every manufacturer, every farmer, every mechanic, interested in transactions dependent upon success on the credit of that circulation, will feel as an injury every attempt to rend the national unity, with the permanence and stability of which all their interests are so closely and vitally connected." Mr. Chase then speculated upon the proposition that if the system had existed two years before it is doubtful whether the rebellion would have occurred.

Extended argument on the constitutionality of the suggested system was not necessary. It was proposed as an auxiliary to the power to borrow money; as an agency of the power to collect and disburse taxes; and as an exercise of the power to regulate commerce, and of the power to regulate the value of coin. The Secretary thought that it was difficult to conceive by what process of logic the unquestioned power to regulate coin could be separated from the power to maintain or restore its circulation, by excluding from currency all private or corporate substitutes which affect its value, whenever Congress shall see fit to exercise that power for that purpose.

It was the Secretary's firm belief that by no means than the suggested plan could resumption of specie payments be so surely reached and so certainly maintained. The circulation of banking associations organized under a general act of Congress, secured by such bonds, could be most surely and safely maintained at the point of certain convertibility

into coin. If, temporarily, these associations redeemed their issues with United States notes, resumption of specie payments would not thereby be delayed or endangered, but hastened and secured; for just as soon as peace was restored, the ample revenue, already secured by wise legislation, would enable the government, through purchases of specie, to replace at once large amounts, and at no distant day, the whole of this circulation by coin, without detriment to any interest, but on the contrary, with great and manifest benefit to all interests. "The Secretary recommends, therefore, no mere paper money scheme, but, on the contrary, a series of measures looking to a safe and gradual return to gold and silver as the only permanent basis, standard, and measure of values recognized by the constitution."

Mr. Chase concludes his recommendations with his views upon the help that this plan would give to the negotiation of loans. He said that little direct aid could be expected from this plan during the present, nor very much perhaps, during the next year. The operation of associations organized under it must, at first, be restricted mainly to investing United States notes in bonds; issuing a circulation based on these bonds; and transacting ordinary business. As the notes received for the bonds could be reissued without injurious inflation of the currency, they would necessarily be withdrawn and cancelled. The aggregate circulation of United States notes withdrawn would be replaced by the amount of national circulation furnished to the associations. The

immediate advantage to the government would be found in the market created for bonds, and the support thereby given to the national credit. The more general advantages which had been described must attend the gradual organization of banking associations, and would only be fully apparent when the national circulation furnished to them should become the established and sole note circulation of the country.¹³

Mr. Chase's plan had the support of President Lincoln. In his annual message, 1 December 1862, the President pointed out that a return to specie payments at the earliest time possible should ever be kept in view, and that fluctuations in the value of currency were always injurious. He knew of no mode, in which the necessary provision for the public wants could be made and the great advantages of a safe and uniform currency secured, except by the organization of banking associations under a general act of Congress well guarded in its provisions. To such associations the government might furnish circulating notes secured by United States bonds deposited in the Treasury. These notes being uniform in appearance and security and convertible always in coin, would protect labor against the evils of a vicious currency, and facilitate commerce by cheap and safe exchanges. A moderate reservation from the interest on bonds would compensate the United States for the preparation and distribution of the notes and a general supervision of the system, and would lighten the burden of that part of the public debt employed as securities. The public debt would be improved, and

the negotiations of new loans greatly facilitated by the market demand for government bonds which the adoption of the proposed system would create. An additional recommendation of the measure which carried great weight with him was that it would reconcile as far as possible all existing interests by the opportunity offered to existing banks to reorganize under the act, substituting only the secured uniform national circulation for the local and various circulation, secured and unsecured, then issued by them.¹⁴

Through the influence of Secretary Chase, the President in a special message to Congress, 17 January 1863, recommended the establishment of the plan that had been proposed in the annual report of Mr. Chase. This message was sent to Congress after the bank bill that had been introduced in the house had been laid aside,[#] and before the bill was introduced in the Senate that finally became a law. President Lincoln reiterated his recommendations that he had made in his annual message, and pointed out that because of financial embarrassments of the government and of greater embarrassments sure to come if measures of relief were not provided, he felt that he would not have performed his duty without expressing his sincere desire that Congress would early sanction the substance of the measure which he has proposed.¹⁵

The special message of President Lincoln was, on motion of Mr. Washburne of Illinois in the house of representatives, to be sent to a joint committee of congress made up of five

see below p. 59.

representatives and four senators. This motion failed. He then moved that it be referred to the committee of Ways and Means, explaining that the reason for his first motion was that he thought a joint committee would be better as they would treat with the message in an unprejudiced manner. His latter motion was agreed to.¹⁶

While the house was discussing the bill providing for ways and means to support the government, the President's action in sending a special message recommending financial measures on the part of Congress, came in for some sharp criticism. Mr. Pendleton of Ohio looked upon this action of the President as a breach of privilege of Congress, because he had expressed his opinion upon a subject before it had been sent to him for approval. Mr. Pendleton stated that this message was an attempt actively to interfere with the duties of legislation; that it was an attempt to bring the power and influence to bear upon matters that were already under consideration; and that it was an attempt by the power of the executive to coerce or persuade acquiescence on the part of the legislature. Its continued repetition would degrade Congress from its position as a co-ordinate branch of the government to the level of a registry of presidential edicts.¹⁷

Mr. Biddle of Pennsylvania thought that the house could consider itself fortunate, that instead of sending them a message addressed to their discretion, the President did not issue a proclamation declaring this system of finance to be

established as a matter of military necessity.¹⁸

On 7 January 1863, Mr. Hooper introduced a bill in the house of representatives the title of which was "To provide a national currency secured by pledge of United States stock, and to provide for the circulation and redemption thereof." This was read a first and second time and referred to the committee of Ways and Means . He also secured an order to have this bill printed.¹⁹ When Mr. Hooper secured the passage of the order to print, it was realized that the only immediate result to come from that order was the distribution of copies of the bill among an interested public who might read and perhaps be convinced. Through the convictions of their constituents a realizing sense of the opportunity which was being lost might be brought home to Congressmen.²⁰

The next day Mr. Stevens made an adverse report on the bill introduced by Mr. Hooper. Mr. Morris of Ohio wanted the bill to be read but Mr. Stevens did not have it with him, so Mr. Morris objected to the report. Later the same day, Mr. Stevens reported the bill which was read a first and second time. Mr. Sheffield of Rhode Island moved that the bill be laid on the table, but Stevens wanted the consideration of the bill postponed till Friday, January 16. The latter was agreed to by the house. No action was taken on the bill until 3 February, when it came up as the regular order of business. Mr. Washburne moved to postpone the consideration of the bill for one week, and this was agreed

to. No further action was taken on this bill, as the consideration of it was set aside in favor of the bill that had passed the Senate. In the meantime another bill of a similar nature had been presented by Mr. Moorhead of Pennsylvania, which was referred to the committee of Ways and Means and ordered to be printed. This bill was never reported by the committee.²¹

On Monday, 26 January 1863, the national bank bill was introduced in the senate by Mr. Sherman of Ohio, and was referred to the committee on Finance. Notice was given by Mr. Sherman, 2 February, that he had been expecting to report the bill with sundry amendments, and that he would call it up on the following Wednesday and ask for early action. Two days later he asked the consent of the Senate to postpone the consideration of the bank bill until the next Monday, so that other committees may transact their business in the meantime. On Monday, 4 February, after a motion to postpone was defeated by a vote of 21 to 20, its consideration was proceeded with section by section.²²

Before the debates in the Senate are considered let us examine the main provisions of the act as it was finally approved by Congress and the President.

The first four sections of the bill provided for the creation of a separate bureau in the Treasury department, at the head of which should be the Comptroller of the Currency. This officer was to be appointed by the President, on nomination of the Secretary of the Treasury, and approved

by the senate. He was to hold office for five years. It was the duty of this officer to execute this law and all other laws passed respecting the issue and regulation of a national currency secured by United States bonds. The Comptroller, after due examination, was to issue a certificate of association to any number of persons, not less in any case than five, whereupon the bank should be entitled to commence business. The bank was to publish this certificate in some newspaper of the city or county where it was located, for at least sixty days after it was issued.

The capital stock of any bank was not to be less than \$50,000; and in cities of 10,000 inhabitants, or more, not less than \$100,000. At least thirty per cent. of the Capital Stock was to be paid in at the time of commencement of business, and the remainder in installments of ten per cent. of the whole amount, as often as once every two months after the beginning of business. Each bank was required to deposit interest bearing United States bonds, coupon or registered, to an amount not less than one-third of the Capital Stock paid in. After making this deposit with the Treasurer of the United States, the Comptroller of the Currency should deliver to the bank, circulating notes equal in amount to ninety per cent. of the current market value of the bonds, but not exceeding the par value of them. The total amount of these notes should at no time exceed the amount of the capital stock actually paid in to the Treasurer.

The entire amount of circulating notes to be issued under this act was not to exceed \$300,000,000; \$150,000,000 was to be apportioned to banks among the States, Territories, and District of Columbia according to existing banking capital, resources, and business. The denominations of the notes should be between \$5 and \$1000. These notes were to be received at par in all parts of the United States in payment of all dues of the United States, except duties on imports; and all salaries, debts, and demands owing by the United States, except interest on the public debt. No other notes could be issued for circulation by these banks.

In lieu of expenses of preparing the notes, the banks were to pay one per cent. semi-annually on the circulating notes issued to the banks. If the banks should default in paying this tax the Treasurer was to retain one per cent. on the amount of funds deposited, at each semi-annual payment of interest. Banks not authorized under this act, if they had circulating notes, were to make a semi-annual report to the Comptroller stating the gross amount of notes issued by it. In default of making this report, the banks were to pay to the United States a penalty of two per cent. upon its entire capital stock.

For the debts contracted by the banks, each share holder was to be liable to the par value of the shares held by him in addition to the amount invested in such shares.

A bank could purchase and hold real estate only under certain circumstances, as, first, such as should be

necessary for its transaction of business; second, such as should be mortgaged to it in good faith by way of security for loans made by a bank, or for moneys due to it; third, such as should be conveyed to it in satisfaction of debts previously contracted in the course of its dealings; and fourth, such as it should purchase at sales under judgments, decrees, or mortgages held by a bank.

Each bank was to make a quarterly report to the Comptroller. The banks were to publish these reports; and those in the larger cities were to publish a report every month in a newspaper of that city.

If any bank should fail at any time to redeem, in the lawful money of the United States, any of its circulating notes, when payment should be lawfully demanded, a protest should be entered by the holder of the notes to a notary public, and the protest was then to be forwarded by him to the Comptroller of the Currency. After such default the bank was not allowed to continue the banking business. The Comptroller, when satisfied that such default had been made by any bank, and within thirty days after notice of the default, should declare such bonds as were deposited forfeited. Thereupon the circulating notes of that bank would be redeemed at the Treasury of the United States. The bonds that would be forfeited were to be cancelled to an amount equal to the circulating notes redeemed and paid; or such bonds could be sold, and after retaining a sum sufficient to pay the whole amount of circulating

notes, the surplus if any, was to be paid to the bank from which such bonds were received. In case of a default, as mentioned above, the Comptroller was to appoint a receiver who was to take over the bank and wind up its business. The money received from the assets of the bank was to be distributed to those who could present legal claims against the bank in proportion to their claims; and if there would be anything left over it was to be distributed to the shareholders.

The bonds deposited to secure the circulating notes were to be used exclusively for that purpose. The Comptroller was to direct the return of such bonds as were deposited when a bank would return and cancel a proportionate amount of notes; but there was a provision that ninety per cent. of the bonds that would be retained by the bank was to be equal to the whole amount of notes in circulation. If the bonds should depreciate, at less rate than that which they were estimated, in the New York Stock Exchange for four consecutive weeks, payment of interest on them was to be suspended until the current market value and the suspended interest added together made the bonds equal to the value as estimated when deposited. Every three months the interest retained was to be invested in United States bonds in trust for the association; but when bonds rose again in the New York Stock Exchange to the price at which they were estimated when deposited, and remained so for four consecutive weeks, the investment was

to be assigned to the bank, and the accruing interest paid on it.

The capital stock of any bank was to be divided into shares of \$100 each. Stockholders, individually or collectively, were prohibited from being liable to the bank, either as principal debtors or sureties or both, to an amount greater than three-fifths of the capital stock actually paid in and remaining undiminished by losses or otherwise; nor could directors become so liable, except to such an amount and in such manner as might be prescribed in the by-laws. Shareholders were prohibited from transferring their shares so long as they were liable for any debt due and unpaid to the bank, and dividends and profits could be applied by the bank to the discharge of such liabilities.

Each bank was prohibited from making loans on the security of its own capital stock.

There were to be from five to nine directors for each bank, and were to hold office for one year or until their successors would be chosen. A director was to be a citizen of the United States, and a resident of the State in which the bank was located. Three-fourths of the directors must have resided in the State at least one year before election. Each director was to own at least one per cent. of the capital stock if it was not over \$200,000; and if over that amount he must own one-half of one per cent. of the stock.

Every bank was required to have on hand at all times in lawful money of the United States a sum equal to twenty-

five per cent. of the aggregate of its outstanding circulation and deposits. Whenever the circulation and deposits should exceed this proportion for a period of 12 days, the bank was prohibited from increasing its liabilities by making new loans or discounts until the right proportion would be restored. Clearing house certificates representing specie, or lawful money specially deposited for the purposes of a clearing house association, were to be deemed lawful money. Balances which were due from banks in Boston, Providence, New York, Philadelphia, Baltimore, Cincinnati, St. Louis, and New Orleans, to banks in other places, subject to be drawn at sight and available to redeem their circulation and deposits, were also deemed to be lawful money to the extent of three-fifths of the reserve. A receiver was to be appointed by the Comptroller to wind up the business of a bank which should fail, within thirty days after notice, to make good the reserve when deficient.

The banks were prohibited from incurring debts or liabilities exceeding the capital stock actually paid in and undiminished by losses, except on account of its circulating notes; on account of money deposited or collected by it; on account of bills of exchange or drafts drawn against money actually on deposit to its credit or due to it; and on account of liabilities to its stockholders for money paid in on capital stock, and dividends thereon, and reserved profits.

No portion of the capital could be withdrawn, either in the form of dividends or loans to stockholders, for a longer

period than six months. No dividends could be made where losses equaled undivided profits, and debts overdue six months were to be accounted bad.

Interest on loans and discounts could be charged at the legal rate in the State where the association was located; and willfully taking or receiving more than the legal rate worked a forfeiture of the debt.

The liabilities of any bank on any one account at any time could not exceed one-third; exclusive of liabilities as acceptor, one-fifth; and exclusive of liabilities on bona-fide bills of exchange payable out of the State, one-tenth of the capital stock actually paid in.

No bank was to put out for any purposes any of the notes of a bank that was not redeeming its notes at par over its counter. All transfers, assignments, and deposits made by insolvent banks, or in contemplation of an act of insolvency, for the benefit of shareholders, or for the preference of creditors, were declared to be null and void.

The Secretary of the Treasury was authorized, whenever he thought that the public interest would be promoted, to make these banks depositories of public money, except receipts from customs.

A semi-annual report, under oath of the cashier, was to be made to the Controller of the Currency.

There were provisions made against evasions and violations of the act by the banks; against counterfeiting the circulation notes, and against their mutilation; and provisions for

examination into the affairs of the associations when it seemed to be required by the public interest.

Any State bank could become organized under this act, providing the directors of that bank would make out a certificate of association declaring that they were authorized by two-thirds of the shareholders to make out this certificate. Any State bank that held United States bonds to the amount of fifty per cent. of its capital stock, could transfer them to the Treasurer of the United States, or any part of them; and receive circulating notes equal in amount to eighty per cent. of the bonds that were transferred.

Every bank organized under this act was to have corporate privileges for a period of twenty years from the time of the passage of the act, though Congress reserved the important right, at any time, to amend, alter, or repeal it.

There were sixty-five sections that made up the act.²³

As has been stated above, the consideration of the bank bill in the Senate began 9 February 1863. It was first read at length, and read by sections so as to consider amendments. The amendments of the Finance committee were first taken up, and many amendments of a technical character, dealing mostly with the work and status of the Comptroller of the Currency, were agreed to by the Senate. The amount of circulating notes was increased from \$200,000,000 to \$300,000,000, so that it would cover all of the then present banking capital, and the capital of such other banks as the increased business of the country might demand. There were also amendments to the

effect that a one per cent. tax was to be paid on the amount of circulating notes received by the banks, and also one per cent. upon the gross amount of notes issued. After the amendments of the committee on Finance were disposed of, Mr. Sherman offered some minor amendments, which were agreed to without any discussion.

The first amendment that occasioned any discussion was one, made by Mr. Sherman, to the effect that any bank in existence putting out circulation on 1 January 1863, organized by any State or Territory, could within a certain time become a bank under the provisions of this act after taking the proper procedure. Mr. Lane (Kans.) objected to the inclusion of territories, and moved that the term be stricken out. His objection was that many spurious banking establishments, claiming a sort of existence, were operating in Kansas, and the courts had declared them to be illegal. Mr. Howard (Mich.) thought such decisions of the courts to be wrong. In the course of debate it was brought out that Congress had, 1836, made the banks established in the Florida territory illegal, and that no banks could be established there except by positive act of Congress. Mr. Howard thought that this was a high handed proceeding, unless the right of Congress was reserved in the charter of the bank. Mr. Grimes (Iowa) claimed that Congress had power in regard to all legislation in the territories. Mr. Lane's amendment was accepted.²⁴

Mr. Sumner (Mass.) wanted to know the motive of proposing an amendment such as the one proposed by Mr. Sherman. The

reply, by Mr. Sherman, was that it was a very serious question of law as to whether a bank organized by a State, could, as a corporation, accept the provisions of this act. This amendment enabled them to do that, but perhaps a change in the State charter would be necessary. This was a question which was left open, in the amendment, to the banks and to the State governments. It gave the assent of the United States to an existing bank to come in under this bill; and probably the assent of the State government would be necessary also. Mr. Harris (N. Y.) wanted to make it possible for State banks to deposit United States stock with the Secretary of the Treasury and receive the national currency for circulation, but still be organized under State charters and State laws. Mr. Grimes seemed to think that Harris's plan would be a violation of the State charter; and Mr. Fessenden (Me.) said that it would mean that the converted banks would not carry any of the liabilities of the national banks and would be supervised by the States, while Sherman's plan would make them come under national supervision. Mr. Powell (Ky.) wanted Harris to extend his proposal to mean that no bank authorized under this act should be organized except by the consent of the State where it was to be established. He felt that Congress did not have the power to authorize individuals of a State to organize a corporation of any kind, without the consent of the State in which it was to be located. Mr. Clark (N.H.) saw no reason why the existing banks could not avail themselves of the opportunity to organize as national banks

under the act as was proposed. Mr. Harris stated that he was not opposed to the bill as a whole, but felt sure that no bank in New York would come in under the law if the present amendment would be adopted. Mr. Sherman then wanted to know what privileges, except the issuing of circulation, the banks of New York had as State institutions other than any other banking associations. The amendment was then accepted.²⁵

The question of conversion of State banks into national banks was a paramount question during the whole period of the establishment of the national banking system. Doubt was expressed as to the power of Congress to establish corporations, many thinking that it was a right wholly reserved to the States. In this very first discussion on the bank bill the question came up as to whether a State must give its sanction to the conversion of banks, operating under a State charter, to operate under a general act of Congress.

There is an indication, in this first discussion, of the great forces of opposition that throw their weight against the establishment of this banking system. The chief element of opposition comes from the proponents of the theory of State rights. While the armies of the North were fighting the forces of State rights on the battle field, members in Congress were meeting with an opposition from the exponents of State rights, and this is clearly brought out on the question of establishing a national banking system. In this first discussion Mr. Powell stands out as an exponent of the State rights theory; and later he is joined by others of both parties.

Another element of opposition, almost as strong as the above, comes from the State banking institutions. This opposition has its center in New York, and Mr. Harris is the first to launch the attack from this source against the new system.

Mr. Powell, the leader of the Democratic party in the Senate, begins the usual opposition of the minority party to the measure as proposed by the administration. He was able to hold his party together to a great extent in opposing this question. Mr. Powell also came from a State that had a sound banking system, and undoubtedly felt that he must defend that system from the encroachment that may be made by the national system that was being proposed.

The next amendment proposed by Mr. Sherman was that the stockholder should be liable to the par value of the stock that he held, and in addition to the market value of the stock. This was made to protect the noteholder, the depositor, and the creditor of the bank. This amendment was accepted.²⁶

Considerable discussion took place on an amendment proposed by Mr. Powell. This was to the effect that "each and every banking association organized under this act shall be, and is hereby, required to keep in its vaults in gold and silver coin, at all time, an amount equal to at least one-fourth of the amount of notes it is authorized to issue." In explaining this amendment Mr. Powell pointed out that gold or silver was not mentioned once in the bill. He

believed that notes issued should be redeemable in coin over the counter of the bank issuing them. He said that bonds of the United States were below par, and the greenbacks were also, and believed that the legal tender clause of the greenback law would be declared unconstitutional. If that is the case the bonds would fall still lower in market value, and hence the noteholder would not have adequate protection. His provision would give that protection. He concluded by saying that even if his amendment would be adopted he necessarily would not vote for the bill.

Mr. Sherman answered him that, according to the bill, the banks must keep twenty-five per cent. of lawful money on hand with which to redeem their circulation, and if the legal tender clause should be declared unconstitutional, then it must necessarily be gold and silver. He thought it very strange that Mr. Powell should denounce the legal tender act when it was so necessary to carry on the war. Mr. Powell replied that the war could be carried on without the issue of one greenback. This could have been done if the sub-treasury law had been repealed to the extent that public dues could have been paid by notes of solvent banks; and then if the government had gone into the market and borrowed money. He further pointed out that if this money was to be thrust upon the people by the government, it should be accepted for customs.²⁷

On the following day Mr. Sherman opened the consideration of the bank bill by making a speech defending the measure.

First, he reviewed the efforts of the Secretary of the Treasury to get Congress to sanction a bank bill, and the action of Congress in this respect. He then pointed out the different courses that could be pursued by the government in getting revenue to carry on the war: 'first, repeal the sub-treasury act, and use the paper of local banks as currency; second, increase largely the issue of United States notes; third, organize a system of national banking; and fourth, sell bonds in the open market. He pointed out the disadvantages of the courses other than the national banking system, and showed why that plan should be adopted. He explained how it would do away with the present evils of the financial situation, and the advantages that the government would derive from it. The point was stressed that this plan would make a community of interest between the stockholders of the banks, the people, and the government. But there was a still higher motive for the passage of this bill; it would promote a sentiment of nationality. "The policy of this country ought to be to make everything national as far as possible; to nationalize our country, so that we shall love our country. If we are dependent on the United States for a currency and a medium of exchange, we shall have a broader and more generous nationality." He concluded by pointing out that this bill received the the sanction of every member of the administration, and particularly the earnest sanction of the Secretary of the Treasury. It had no connection with political parties.

It had been framed without reference to political dispute, but framed "to accomplish that which we desire--to place our national credit on the surest and safest foundation."²⁸

The question then taken up was the amendment that had been presented the day before by Mr. Powell. That senator then made some remarks saying security for the billholder was necessary as the notes of the local banks of issue were selling at a premium over the demand notes of the government. Mr. Davis, his colleague, confirmed him by saying that the bank notes of Kentucky command a premium of three per cent. over government notes. Mr. Wilson (Mass.) doubted this. He said that the government notes in his State were equal to, if not in an advance, over State bank notes. In his judgment the demand notes, in the commercial points of the country, are the equal of bank paper, and in some cases a premium is paid for them.²⁹

The vote was then taken on the amendment and resulted in 14 yeas and 22 nays.[#]

The Eastern section of the country gave substantial support to the national banking system as indicated in the vote on this amendment. If the amendment would have been adopted, one of the main purposes of the new plan would have been defeated. It would have meant that the national banks would have been compelled to protect their notes by a large reserve of gold and silver, while the State banks, having suspended specie payments, would not do this, as

[#] See Appendix. Table I.

they were not redeeming their notes in specie. This would have placed the newly formed banks at a great disadvantage. The Southwestern section of the country was opposing the system; while the Middle and Western sections were divided with a margin of three votes in favor of the national banks. Considering the fact that the Civil War was in progress, it is interesting to note that of the Senators of those States below the Mason-Dixon line, including Missouri, six voted for the amendment and two voted against it.[#]

The party vote on this amendment shows the opposition of the minority party to the new scheme of banking. There were nine Democrats and five Republicans that voted for it, and twenty-one Republicans and one Democrat that voted against it.^{#a}

The original bill provided that the notes issued by the national banks were to be a legal tender for all public dues, except duties on imports. After his first amendment had failed, Senator Powell introduced another one which was to strike out the clause, "except for duties on imports." In commenting on this amendment, the author of it said that the main purpose of the whole bill was to destroy State banks. Taxation of State bank issues might as well be put in this bill as to come up later. This system would fall a dead letter if the State bank circulation was to be allowed to exist and not be taxed. His proposition was that if the

[#] Ibid. Table IA. For vote by sections.

^{#a} Appendix. Table I.

bill passed, and if the country must have this system, the government that forces this paper money upon the country should accept it for all public dues. If it is not accepted for all government dues it would be discredited from the very beginning. Unless his amendment was adopted the new paper money would go out with the condemnation of the government upon it.

Mr. Sherman explained that custom duties were paid in coin so that the interest payments on the bonds that had been issued could be met. It was stipulated that this interest must be paid in gold. Mr. Grimes asked how the importer could get specie to pay duties if there was none to get. He was answered that the importer would go on the market and buy it as a commodity. He then wanted to know if it would not be better to let the importer pay in paper rather than have him buy gold at ruinous high prices.³⁰ The vote was then taken and resulted in 9 for the amendment and 27 against it.[#]

The vote on this amendment showed a strong opposition to making the national bank notes legal tender for all public dues. A very large majority of the Senators wanted them to have the same quality in this respect as the greenbacks. The Eastern and Western sections of the country opposed this amendment by a large majority. The Middle States opposed it by a margin of one vote, while the Southwestern States supported it by the same margin.^{#a} There were two Republicans,

[#] See Appendix. Table I.

^{#a} Ibid. Table Ia.

Dixon (Conn.) and Foot (Vt.), that supported this provision, the rest of the opposition being from the Democrats.

The next amendment proposed was one by Mr. Howard. It provided that the certificates furnished to the banks by the Comptroller of the Currency, which permitted them to do business, should be published and printed with the laws of the United States. This was objected to by Mr. Sherman on the grounds that it was unnecessary, and that the publication of the laws would be too voluminous and bulky. It was rejected.³¹

Just previous to this Mr. Howard had made an amendment which had been accepted. It was to the effect that the articles of association that a bank was to enter into when it was established, should be printed and published with the laws of the United States. Now Mr. Sherman asked for a reconsideration of the vote on this amendment. Mr. Howard objected stating that the two amendments were entirely different. He asked for the yeas and nays on reconsideration.³²

The vote resulted in 21 to 16 for reconsideration.[#] The vote of the Eastern States was divided on this question, 7 voting for reconsideration and 4 against it; the votes of Vermont, Rhode Island, and Connecticut being divided. The West supported the motion 10 to 5; Illinois and California being divided. On the other hand, the Southwestern section opposed reconsideration by a vote of 3 to 1, the one vote being cast by Henderson (Mo.), a Democrat. The vote of the

[#] See Appendix. Table I.

Middle States was evenly divided.[#]

The vote on this motion was not important as far as affecting the national banking system was concerned. Although the vote was close, this can be accounted for because it is the general procedure of Congress to let an amendment stand that has once been accepted when either house acts as in committee of the whole, and then take further action upon it when the amendments are considered in the senate or the house of representatives. Mr. Sherman evidently let Mr. Howard put his first amendment through without paying much attention to it until his second amendment came up for consideration.

The votes according to party lines on the above motion showed that 17 Republicans and 4 Democrats voted for reconsideration. The votes against the motion were made by 11 Republicans and 5 Democrats. It will be noted that the Democratic vote was about evenly divided. It may be pointed out that the Republican Senator from Illinois, Mr. Trumbull, voted against reconsideration; while his colleague, Mr. Richardson, a Democrat and commonly a strong anti-administration man, supported the motion.

The senate then proceeded to reconsider the amendment, and under the influence of Mr. Sherman it was rejected.³³

The next amendment tested the sense of the senate upon the bank bill. The original bill provided that thirty per cent. of the capital stock must be paid in before the banks

began business. This was to be in lawful money of the United States. Mr. Howard proposed to change this so that the thirty per cent. paid must be in gold or silver coin. This was strenuously opposed by Mr. Sherman. He said that if it would be accepted no banks could possibly be formed, as it would be impossible for the banks to get the coin. If senators wanted to defeat this bill they would vote for the amendment. Mr. Powell thought that gold and silver should somewhere be in the bill. Mr. Howard stated that he was against any system of banking in which there was a practical exclusion of the precious metals as a basis of bank circulation.³⁴

The amendment was defeated by a vote of 21 to 19.[#] The bill, by this vote, was saved by the same margin of votes by which it was passed three days later.

The senators from the Eastern section of the country gave the most substantial support to the bill by casting 9 votes against the amendment, while the two senators from Vermont voted for it. The senators from the Western States cast 10 out of a total of 18 votes against the provision. The support from that section was not as great as it had been on the previous votes. Many of the Western States had suffered from banking systems that had issued their circulation without adequate security, and some senators from that section of the country believed that the only sound security for note circulation was gold and silver coin.

The chief support of this proposition came from the three Southwestern States that voted. All six senators cast their votes in favor of it. The votes from the Middle States were divided with a margin of one vote in favor of the amendment.#

The party vote on this amendment showed that the Democrats cast 12 votes for it, and were aided by 7 Republicans. Only one Democrat, Rice (Minn.), voted against the amendment. This vote is a good indication of how the Senators from the different sections of the country supported or opposed the bill on its final passage. It is also an indication of how the two parties lined up on the bill.

Mr. Powell seemed determined to get some amendment attached to the bill that would destroy the effective operation of this new system of banking. He offered two amendments. First, that the banks should redeem their circulating notes in gold and silver; and second, that no banking association was to be founded under this act without the consent of the State in which it was to be located. In respect to the latter he believed that it presented a grave constitutional question, and believed that Congress had no power to authorize the formation of this union of private corporations for banking, or any other purposes. Whenever the Federal government attempted to exercise such a power it encroached on the reserved rights of the States. These amendments were rejected.³⁵

The next amendment proposed was accepted. It was offered by Mr. Harris, and provided that any bank organized under State law, which held fifty per cent. of its capital stock in United States bonds, could transfer them or any part of them to the Treasurer of the United States. It was then to receive circulating notes up to eighty per cent. of the value of the bonds that were deposited. If any of these banks should fail to redeem their notes the Comptroller of the Currency was to sell the bonds in order to redeem the notes. If there should be a surplus from the sale of the bonds, it was to be turned over to the banks after the notes were redeemed.³⁶

This amendment affected a sort of a union of the existing State banks with the proposed new system. It was not so much a matter of discussion at that time, but when the bill came up the following year, this arrangement was the subject of much heated argument.

The bill, as it was reported to the Senate, provided that any five persons, or more, could organize a bank, and the minimum amount of the capital stock was placed at \$50,000. Thirty per cent. of this must be paid in before they began business. Mr. Henderson (Mo.) proposed to change this by placing the minimum amount of capital at \$300,000. His particular objection to this provision of the original bill was that as soon as five men could get \$50,000 in United States bonds they would set up a bank, and make its issues redeemable at the most obscure points throughout the

country. Mr. Sherman objected to this because \$50,000 had been set as the minimum to enable the poorer, sparsely settled communities to enjoy the privileges of this system. If \$300,000 would be fixed, it would be impossible for them to come under this plan. The reply to this, by Mr. Henderson, was that it would be better to have a few of these banks established at the commercial centers than to have the country flooded with them at inaccessible places. Difficulties of State banking had proved that it would be better to have one bank with branches; or else have just a few large banks.

Mr. Pomeroy (Ks.) thought that these new banks would be particularly desirable in the West, especially in the new States where the people had always suffered from a depreciated currency, and where the best currency that they could get was of some local bank in New England or New York. Kansas had had no currency of its own and when it paid its debts in New York or Philadelphia, it had suffered a depreciation of two, three, and even five per cent. in exchange. One of the chief reasons why he would vote for the bill was that it would give to the West more uniformity and a better currency than it could have under any system than had ever existed. If this amendment would pass it would be impossible to organize banks in the new communities because a capital of \$300,000 was entirely out of their reach. He could see many reasons why in New England and New York, where State bonds were at par, or above par, and

where they were allowed to do banking on State bonds, they would be reluctant to enter into a system of banking on the bonds of the United States. Mr. Henderson insisted that as soon as thirty per cent. of the capital stock would be paid in the banks could commence to issue notes. Mr. Pomeroy replied that if many banks would be established the bonds would rapidly rise in value. As this banking scheme would be a business enterprise there would be no motive in buying the bonds in installments, and gradually pay more for them. The full amount of bonds would be bought at once, and the banks would not wait until they approached the value of gold.

In asking for the vote upon his motion, Mr. Henderson again said that the past experience of the States proved that it would be better to have a few large banks than many small ones. It would be better to have all of the banks organized under this system in places like New York, Philadelphia, Boston, Cincinnati, and St. Louis.³⁷

The amendment was rejected 31 to 6.[#] Of the six senators that voted for the bill only one, Howard (Mich.) was from the West. The Eastern section cast 3 votes against it, and both senators from New York, the banking center of the country voted against it.^{#a} It was supported by 4 Democrats and 2 Republicans.

The result of the vote on this amendment showed that

Appendix. Table I.

#a Appendix. Table IA.

the national bank bill was not a sectional measure as yet. Only one senator from the East voted for this proposition. In advocating his proposal, Mr. Henderson had the experience of the first and second United States Banks, as well as the experience of the State banks in the West, to fall back upon. The State banking practices in Missouri, and in some States in the West were such as to discourage the establishment of a large number of small banks located at inaccessible places for redemption of their notes. No doubt, one of his motives was that he was trying to prevent a repetition of some of the abuses of the State banking systems. On the other hand, Mr. Henderson came from St. Louis. It might be possible that he had in mind the banking interests of that city when he intimated that that place could be a location for the large banks that would be established if his amendment had prevailed.

There is a question that would naturally arise from the discussion on this amendment. Was Mr. Pomeroy indicating the actual sentiment of the West when he championed the national banking system as being particularly beneficial to that part of the country? It was true that both men representing the opposite views on this question were from adjoining States. However the one, Henderson, was a Democrat and was from a State in which not a small part of the people were in sympathy with the cause of the South during the war, and hence anti-administration in feeling. The other,

Pomeroy, was a Republican, and represented a State which was but two years old, and was pro-administration in sentiment. From the vote on this proposition it would seem that the feeling of the West was such as was stated by Mr. Pomeroy.

There is no doubt but that the national bank bill was an urban measure. As yet the issue between rural interests and urban interests does not show itself. It would be difficult for the sparsely settled regions to raise even \$50,000 capital in order to establish a bank, and although the bill provided that real estate could be taken as security by the banks, their loans were not to run for a longer period than six months. Evidently agricultural interests were not considered when the bill was drafted.

Mr. Powell still insisted on having "gold and silver coin" some place in the bill. He now proposed an amendment to the effect that the banks should redeem their notes in gold and silver coin twelve months after the war would cease. Mr. Sherman said that there was no need to fix an arbitrary time for resumption of specie payments. The moment that the lawful money of the United States is equal in value to specie, the banks would pay in gold and silver. It would be injurious and unjust to make them pay it before conditions were such that they could.³⁸

The next day, 11 February, the vote was taken on this amendment. The result was an equal division of votes, 18 to 18.[#] The vice-president refrained from voting, so the

amendment was rejected.

The Southwestern section of the country supported this proposition by the senators from those States casting their votes for it. The chief opposition to it came from the New England States; the two senators from Vermont being the only ones that voted for it. The Middle States divided there votes evenly on the proposal. The West favored the amendment by a margin of two votes.[#] The vote according to party lines showed that the Democrats supported the measure whole-heartedly. They were supported by 8 Republicans.

The votes of the senators representing the Western States on this proposition seems to indicate a reversal of the stand that they had previously taken on the bank bill, when other amendments had been proposed. The senators from Illinois and Wisconsin voted for it. Those two States had suffered severely from loose banking systems, and in this measure they saw an opportunity of eliminating the abuses that State banks had practiced in securing their circulation. As to the other votes cast from that section for the amendment all were by Democratic members, except one, Howard of Michigan.

There were many individuals, in Congress as well as outside of that body, that entertained the idea that as soon as the war was over conditions would be brought back to normalcy almost immediately. This is shown in the opinion that specie resumption would come as soon as the war ceased, and this idea was held by not a few Congressmen. The vote

[#] Appendix. Table IA.

upon the above amendment was but a reflection of that opinion.

At this stage of the consideration of the bill, Mr. Collamer (Vt.) made a speech opposing the proposed banking system. The main theme of his speech was that the people would be the ones to suffer if this plan was put into operation. One of the implied purposes of the bill was to destroy and put out of circulation the existing bank notes. If this was not done the system would fail. The business of every community was interwoven with the banks, and if this bill should pass it would have a detrimental effect upon society. It naturally would follow that the next step would be that of taxing State issues. This, together with the passage of this bill, would cause the State banks to wind up their business. One could not picture the great amount of distress that would be caused by winding up the business of the banks all at once.

Mr. Collamer pointed out that there were many important principles involved in this bill. One of them was the constitutionality of the bill. He took the stand that the Supreme Court had decided that the long continued usage in this country of States to establish banks, and to make them banks of issue, was constitutional. So if a State had that right it had it independent of Congress, and Congress had no right to tax the banks out of existence. Another principle involved the freedom of the national banks from taxation by the States. It was proposed to put the whole banking capital

of the country into these banks, and then make it exempt from State taxation. Many States had depended upon their bank tax for special funds, as school funds, road funds, and so forth. This scheme would cause that burden to fall upon real estate and other taxable property, and the people that could best bear this burden of taxation would be exempt from it. He thought that the Secretary of the Treasury was given too much power by this act. That official would have a large corps of inspectors, clerks, and others working under him, and could use them to his own advantage. This might be a very dangerous machine in interfering in politics.

Mr. Collamer took the stand that the existing currency was just as good, if not better than the one proposed by this bill. The greenbacks were backed by national credit. They could be issued cheaply, and had not depreciated to any great extent. The idea of uniform currency by force of law was impracticable. The laws of commerce and the laws of pecuniary circulation were utterly beyond human legislation. The new system would not establish a uniform currency because the people would treat the notes as local issues, and would not accept them in different parts of the country.

In closing his speech, Mr. Collamer stated that some men had become obsessed with an idea that if all did not agree with measures proposed by the administration they were enemies of the country. He thought that this was a deplorable thing, as each senator had the perfect right to speak and

vote as his judgment dictated. He thought that if an experiment like the one would be tried, it should be done while the country was at peace, and when the community could better bear it.³⁹

Mr. Sherman then spoke in defense of the bill. He said that the great object of the bill was to give the United States great benefits if it would be adopted. There would be a great market opened up for the sale of bonds. He illustrated by supposing that if the banks could be induced to withdraw \$100,000,000 of the \$167,000,000 of notes in circulation, it would create a demand for over \$100,000,000 in bonds immediately, and more as the system became more widely established. The government would have fiscal agencies throughout the country so that its debts could be collected more easily. One-third of the interest on the bonds could be saved, and it would secure a uniform national currency which could be passed from hand to hand in all parts of the country without loss by exchange, deterioration, or alteration.

The Secretary of the Treasury would not gain influence but would lose influence, because through patronage an official lost friends rather than made friends.

Mr. Sherman stated that there was nothing in the bill that aimed to destroy State banks. They could easily come in under this law, and if they did not organize under it they could go on and bank anyway. There were no compulsory provisions in the bill. All banks that would organize under it would do so voluntarily. As far as the tax on the new

bank was concerned it would bring revenue into the Treasury without taking a dollar from the States. Two per cent. of the interest on the bonds would be used for the tax. Winding up the State banks would not produce the calamities that Mr. Collamer suggested. Most of the State banks were of twenty years duration, and the States wind them up that often without any dire consequences. The banks could come into this new system without deranging any of their business at all. In closing, Mr. Sherman appealed to the Senators to present a better plan before they would vote to destroy this one.⁴⁰

Mr. Collamer again took the floor and said that it was a misrepresentation of him to believe that his concern was with the banks. He did not care for them, but he was thinking of the distress that would come to the people. This bill did not furnish any security against an excess of circulation. The people could buy bonds with greenbacks, organize as a national bank, and receive bank notes. The government could then reissue the greenbacks, so there would be a greater redundancy of currency than before. The banks that would come in under the Harris amendment would not be under the supervision of either the State governments or the national government. This would enable them to engage in worse abuses than they had heretofore. With respect to winding up the banks every twenty years, this could be done if the charter ran out. However it may be just one bank at a time, and not all of them as the proposed system would provide.

This was bound to bring distress upon the people.⁴¹

Mr. Chandler (Mich.) made some remarks on the bill. He said that if this bill would amount to anything in its practical operation it would do some good. How much in circulating notes would be demanded could not be said. In his judgment the East would demand little; while the West would demand much. He believed that all that there was in the bill was good. It would produce a demand for bonds. It would supply a better currency than the local banks could furnish. It would furnish a currency based upon United States stocks, whereas the circulation of New England banks was based upon nothing. He was interrupted by Mr. Clark (N.H.), who said that their banks were visited twice a year, and that the circulation was sound. Mr. Chandler replied that a bank commissioner didn't know whether the paper in the vault of a bank was "good, bad, or indifferent." This bill would keep the national finances sound, and if this was done the war could be won. It would be no more than right to tax the State bank issues so that their circulation would be reduced. This would create a vacuum for the United States circulation. The matter of circulation was mere profit, and the tax upon the banks did not tax their capital. He had hoped that the New England and other Eastern banks, that had been flooding the West with their paper money for years, would be patriotic enough to come in and take these bonds, and circulate this new currency instead of the rags that they were using then.

The West preferred that government notes should circulate there instead of the notes of the Eastern banks. "This is a question of whether you will legislate for a few petty banks in New England or whether you will legislate for the preservation of the Union."⁴²

There were two amendments that were then proposed. One by Mr. Clark (R.I.) to insert Providence as a commercial center, and another by Mr. Sherman to insert Chicago and St. Louis. These were adopted.⁴³

Mr. Powell offered an amendment, as an additional clause, that Congress reserved the right at any time to amend, alter, or repeal the act. He offered this as a matter of security. Mr. Sherman thought this was unnecessary as Congress had that power anyway. The amendment was adopted.⁴⁴

When one considers the Dartmouth College case it would seem that a provision of this kind was necessary. It at least gave to Congress the unquestionable right to modify this bill during the next session. It may be wondered if even Mr. Powell realized its significance.

With the adoption of Mr. Powell's amendment the consideration of the bill as in the committee of the Whole was completed, and it was reported to the senate as amended. The amendments were then concurred in.⁴⁵

Mr. Powell renewed the amendment that he had made in the committee of the Whole requiring the banks to keep in their vaults one-fourth of the amount of their circulation in coin. Mr. Sherman asked for the yeas and nays on this.⁴⁶

The vote was 15 yeas and 23 nays.[#] This amendment was defeated by the same margin of votes by which it had been defeated as in committee of the Whole. As far as the vote of sections of the country are concerned it was practically the same.^{#a}

Mr. Powell then proposed to renew his amendment that the banks should redeem their issues in coin twelve months after the war should cease. Mr. Sherman opposed this on the same grounds that he had previously done.⁴⁷

This amendment was defeated 22 to 14.^{#b} It will be recalled that the previous vote on this amendment had been equally divided, 18 voting for it and the same number against it. In comparing the two votes on this amendment it will be seen that the Democrats supported it both times without a dissenting vote. When the vote was taken as in committee of the Whole they were supported by 8 Republicans. Now the only Republicans voting for it were the two senators from Vermont and King (N.Y.). The two senators from Wisconsin, that had supported the measure the first time, were absent when the second vote was taken. Cowan (Pa.), Howard (Mich.), and Trumbull (Ill.) changed their votes by opposing it on the second vote.

The voting according to sections of the country showed the the vote of the Eastern section was the same on both votes. The Southwestern States supported it unanimously,

Appendix. Table I.

#a Appendix. Table IA. Compare 1 and 7.

#b Appendix. Table I.

casting 4 votes the first time and 5 votes the second time. To offset this gain of one vote the Senators of the Middle States, instead of dividing eight votes equally, now voted 3 for the proposition and 5 against it. It necessarily follows then that the greatest change in votes came from the West. That section had supported the amendment the first time by a margin of two votes. It now opposed the proposition by a margin of five votes.#

After the bill had been ordered to be engrossed for a third reading, and had been read a third time,⁴⁸ some of the senators proceeded to give their reasons why they favored or opposed the bill.

Mr. Howard was the first to give his reasons why he felt in duty bound to oppose the bill. The main reason was that this scheme of banking did not accord with his ideas of a safe circulating medium. The constitution of his State would not sanction a plan of this kind, so he could not support it. This would be an unfortunate time to revolutionize the banking business of the country. If the plan would go into operation it would encounter the strong and vigorous opposition of all of the State banks that were in good standing in the loyal States. It would at the same time cause political dissension, and that was something that should not be done at this time when there was Civil War and much criticism in the States against the administration.⁴⁹

Appendix. Table IA. Compare 6 and 8.

Mr. Carlile (Va.) said that with gold at a premium of sixty per cent. an individual could by many transactions finally get \$100,000 in United States bonds by paying for them in greenbacks. He would get six per cent. interest on them, and this would be in gold. It would not be long until the original investment would be recovered. He could not vote for such a bill.⁵⁰

Mr. Davis (Ky.) opposed the bill because the system of banking embodied in it was the greatest departure from principles of currency that he had ever known. This proposition would establish a union of the power of the purse and of the sword, and he was decidedly opposed to that. This was supposed to be a war measure but it would turn out to be an anti-war measure as it would cause disharmony, discontent, and dissension. If this bill would go into effect it would be a gross encroachment upon the rights of the States. State banks and State governments were inseparably combined, and the State banking systems were more sound than a national banking system could ever be, because the State governments were more stable than the national government. He thought that the leaders of the measure had their followers so well in hand that the followers would go where they were led. As they were bound to do their mischief, there was nothing to do but await the consequences.⁵¹

Mr. Wilson (Mass.) took exception to the remarks of Mr. Davis about party organization and party following.

He said that this measure was not intended as a war upon State banks and was not proposed as such. He could not see the ruin that would come as some alarmists in the senate had predicted. Within two years there would be very few persons that would raise a cry against this system; even the small banks would cease to clamour. He thought that if the bonds of the government were not a sound basis for banking there was nothing in the country that was sound. If the government of the country was not sustained, and if its credit was not maintained, the banks of the country would be ruined because they had to take the legal tender notes of the government to do their business. The city banks would adopt the new system, and it would gradually spread to the country banks. He would vote for the measure because it would be a means of sustaining the credit of the government to carry it through the crisis, and also because it would give the nation what it has long demanded-- a sound national currency.⁵²

Mr. Doolittle (Wis.) believed that as an original question under the constitution the States did not have a right to incorporate any bank to issue paper money. Usage and the decisions of the Supreme Court have made it possible for them to do so. By the time war began the country was flooded by irredeemable bank paper. Because that was the only money in circulation the government felt constrained to issue paper money in order to carry on the war. Now that the country must go on with the war on paper money, it was

essential that the government should get control of that paper money. The great question was to decide upon a mode of control. If the banks were to continue to flood the channels of circulation with their money, and the government issued paper money at the same time, the government would destroy itself. The banks should be restrained in their practice. The only way that they could be restrained was by inaugurating a better system than what existed, and it was maintained that this bill provided for a better system. There had been many strong arguments presented against this plan, but no better system had been proposed. As no better system had been proposed this one should be tried. The bill holder was secure as he was pledged by the bonds of the United States, which were secured by the whole property, personal and real, of the Union. This new system was not liable to all of the objections that were brought against the old United States bank. The main objection against that bank had been a monopoly which had control of the whole currency of the country. The present system created no monopoly; it was open to everyone. He sustained this measure because the friends of the administration looked upon it as one of those measures which would enable the government to go on under the great and pressing necessities of the hour.⁵³

Before the Senate adjourned it was agreed to vote upon the passage of the bill the next day at one o'clock without further debate.⁵⁴

The next day, February 12, the vote was taken on the passage of the bill and resulted in 23 yeas and 21 nays.##

The votes of senators according to sections of the country showed the same general trend as the votes upon amendments that had been made to prevent the effective operation of this new system of banking. In the Eastern section the senators from Vermont voted against the passage of the bill as they had voted for the amendments. To their opposition was now added that of Dixon (Conn.). This gave the bill a support of 8 to 3 from that section of the country. The other section that supported the bill throughout the debate in Congress and in its final passage was the West. Its vote had always been divided but it generally gave a substantial margin in favor of the bill. The Southwestern States, as usual, opposed the bill, and in its final vote did not cast a single vote for the bill. The Middle States divided, but gave a margin of 3 votes in opposing the final passage of the bill.##a

There was only one Democreat, Nesmith (Ore.) that voted for the passage, and 22 Republicans. Thirteen Democrats and eight Republicans voted against the bill. The close margin of votes by which the bill was passed showed that there was strong opposition to it in the senate. The fact that it did pass by such a small majority of votes had some effect upon its course through the house of representatives.

Appendix. Table I.

##a Appendix. Table IA.

As a matter of speculation one may consider the possibilities of the result if all of the members of the senate had been present when the final vote was taken. There were three Democrats and one Republican absent. Providing the three absent Democratic members had voted against the bill and the Republican had voted for it the result would have been a tie vote, and the vice-president would have had to decide, if he would. If Mr. Nesmith had cast his vote with the other Democratic members that were present, the result would have been an equal division of votes.

This may go to show by what a close margin the bill was successful in passing the senate.

The house of representatives began the discussion of the senate bill during the evening sitting on 19 February 1863. There was an attempt on the part of the Democrats and of the State bank supporters to delay action on the bill and try to prevent final decision on its passage. They used various means to side track it as will be shown in the opening discussion on the matter.

Mr. Cox (Ohio.) brought up the point of order that the bill should be referred to the committee of the Whole because it was an appropriation bill. He based his contention on the ground that the section that provided, that the tax on the notes of the National banks should be used to defray the expenses of making the notes made an appropriation of money. The speaker over-ruled the point of order.

Mr. Hooper (Mass.) was in charge of the bill. He was

given the floor, and stated that the bill had been before the house in various forms for more than twelve months. All sections of the bill had been carefully considered and various gentlemen had spoken upon it during the time that financial questions had been before the house. He then moved its reference to the committee of Ways and Means. Upon request of Mr. Spaulding (N.Y.), Mr. Hooper yielded the floor to him. Mr. Roscoe Conkling (N.Y.) wanted to make an inquiry about amendments because he had some to submit. He would like to know if the above motion was for the purpose of cutting off amendments. Mr. Stevens (Pa.), chairman of the committee of Ways and Means, replied that after proper discussion it was intended to withdraw the motion to commit, and then amendments could be offered. He wanted a discussion on the motion to commit.⁵⁵

Mr. Noell (Mo.) asked Mr. Spaulding to yield to him so that he could make an amendment to the motion to commit. Mr. Spaulding would not yield, so Mr. Noell rose to a point of order. It was that he was entitled to enter his amendment to the motion to commit. The speaker overruled the point of order. Mr. Holman (Ind.) rose to a point of order which was that he wanted to know whether the merits of the bill were debatable upon a motion to commit. The speaker replied that they were under the rules of the house. Mr. Noell then wanted to know whether all discussion as to the course that this bill should take would be smothered. Mr. Holman then raised the question again about this being an appropriation

bill, but he was overruled. He then appealed to the house on this decision of the Speaker. Mr. McPherson (Pa.) moved to lay the appeal on the table. The vote was taken on the latter motion, and was carried, 98 for to 22 against.⁵⁶

Mr. Spaulding proceeded to give his speech. The constitutionality of the law was not to be doubted. There were no coercive features against the State banks, and he intended to give the bill his vote. His main reason for giving his support to the bill was, that although it would not afford any relief to the Treasury for two or three years, it would be the commencement of a permanent system providing for a national currency. It would be of great benefit to the people, and a reliable support to the government. There would be various inducements to organize banks under this plan. First, the banks would be given six per cent. interest on the bonds and six or seven per cent. on the notes that they loaned out. Second, the national character of the bills would cause them to circulate at par in all parts of the United States. Third, the notes would be receivable for all public dues, except customs, and would be payable to all creditors of the government, except for the interest on the public debt. Fourth, the banks would be exempt from all State and Federal taxation, and would pay only two per cent. for the expense of preparing their circulating notes. Just how practicable it would be to extend the organization of banks under this scheme could only be ascertained by experiment. Large banking associations in places like New

York, Boston, Philadelphia, etc., would be a great aid to the government in carrying on its financial transactions. The men that would invest in these banks would have a great interest in the government. It was well known that the government never lost any of the money that it deposited in the First and Second United States Banks. Sound and well managed banks tended to increase public and private credit, and extend as well as facilitate commerce with States and individuals. No settled policy had as yet been established by the government in respect to a national currency. As long as it would not establish such a policy, the State banks would go on filling the channels of circulation with their notes. It seemed that the time was ripe for establishing a national system of currency. This measure should be enacted as a permanent system, and the duty of the government in providing a national currency should no longer be neglected. Congress had the constitutional power to establish uniform national currency. During the long interval of peace it did not exercise this power, and did not need to, but being engaged in a gigantic struggle it should exert all of its power to maintain itself, and enforce its own high prerogatives. If this great power of Congress would be exercised by courageous, strong-minded men, and would be put into full execution, the rebellion would be put down. There was much distrust in the imperiled state of the Union, and if this could be dispelled the United States bonds would not be five per cent. below par, while the bonds of New

York are selling at a premium of twenty-eight per cent. Capitalists were naturally timid but if they would be assured that the Union was to be maintained, bonds would rise to above par, and they would invest their money in national banks. In closing Mr. Spaulding stated that the war was a great drain upon the country. Taxes were high, and would be made higher as the war progressed. He pointed out that great obstacles must be overcome before the South was conquered, and that the successful prosecution of the war would require concentrated effort on the part of the loyal States. This measure was a war measure, and should receive the support of all members of the house. "Considerations infinitely above mere party or pecuniary gains or losses should impel us to united action."⁵⁷

Mr. Spaulding appealed more to patriotic sentiment than to the merits of the bill in his speech. He, like so many Congressmen at that time, was using war talk to put ~~the~~ ~~bill~~ across.

Some remarks were made by Mr. Harrison (Ohio.). He believed that as long as the business of the country was to be done with paper money, it was best to do it with money issued directly by the government. This was an expediency resorted to in an emergency, and because it was an emergency its evils could be borne because it was known that they would be discontinued when the emergency was over. The proposed scheme was to inaugurate an expediency into a policy, and would fasten permanently upon the country evils otherwise

of a temporary nature. If this system of banking should be put into effect, the results would be vast speculation, extravagance, and recklessness; and finally the day of reckoning would come.⁵⁸

Mr. Fenton (N.Y.) obtained the floor, but on request of Mr. Noell yielded to him in order to make an amendment to the motion to refer the bill to the committee of Ways and Means. The amendment was that the bill should be referred to the committee on the Judiciary with instructions to inquire and to report on the following points. First, how far the bill would interfere with the States to regulate their own financial concerns. Second, whether or not the effect of the bill was to charter within the limits of the States local banks having no national character, and whether or not, in this, the bill was unconstitutional. Third, how far the bill would interfere with vested rights under existing valid laws. Fourth, whether, if the above propositions could be answered negatively, the time within which the bill would go into operation ought not to be so extended as to enable the States without great inconvenience to accommodate their local institutions to its provisions.⁵⁹

Mr. Fenton then proceeded to give his speech. He pointed out that this subject should be regarded as the most important subject pressing for attention. "Upon the firmness and reliability of the currency depends in a great measure the more speedy, and may be the successful, issue of our national struggle." Success in business, development of resources,

accumulations of wealth, and the national success and prosperity called for a sound system of finance. The bill would reach these desirable results, and all should forego former theories, and make sacrifices of opinion. He did not believe that the interest of bankers, and those owning stock in banks would be affected adversely to any serious extent by this change of system. Those that carried only pecuniary burdens of the war should not murmur in view of the trials heaped upon a patriotic people for a national existence, and in view of the trials of the soldiers in the fields. The government had been given vast powers for carrying on the war. Congress had authorized vast expenditures; the taking over of telegraph and railroad lines; the pressing into service of a large part of the merchant marine; and had set into motion a vast and complicated system of internal revenue. Now Congress should be willing to arrange a system of national finance so as to bring the ordeal to an end. The existing money system was inadequate to meet the needs of the times. There could be no doubt but that the banks had helped the government considerably during these trying times. But it was a wonder that they could subserve the commercial interests of the country even previous to the outbreak of the war. The government came to the rescue and issued Treasury notes; if it had not the misfortune would have been as great as a disaster in the field. This scheme was to provide for the future exigencies of the country. It would have uniform value, and would

ultimately become the circulating medium of the country. He then pointed out the evils of the system of currency that then existed, by showing the condition of State bank circulation as has been given in the preceding chapter of this paper. He dwelt at length on the situation in New York. That State had a sound banking system, but ventured to affirm that the same patriotic conduct which had animated the citizens of that State in the past would continue with them to the end, and they would accept this new system. It was urged by some bankers there that one oppressive effect of this national system would be to subject them to depreciation and loss on their State securities, as existing banks would be obliged to abandon their present system and organize under this one that is proposed. There was reason to believe that the New York State stocks would be required for private and foreign investment, and therefore suffer no loss in depreciation. The banks of New York owned \$12,000,000 in government securities, and held loans and discounts to the amount of \$136,000,000, thus making \$148,000,000 in all. It could hardly be doubted that the banking interests of New York were largely concerned in the adoption of such a system as would save the national debt. In his opinion all of the banks in the country would find it to their advantage to gradually work into this system, and thus there would be established one reliable uniform currency. He then read an extract of a letter from a banker in New York. This man thought that this scheme would compel the local banks to go

in under it. He was willing to do this if the lawgivers thought that it would be best for the country, even, though it would work a private hardship on him. Mr. Fenton then said that government bonds were among the safest and most desirable obligations that could be obtained for the security of currency and loans. If confidence was not to be placed in such securities, it would be difficult to conceive of any obligations which could insure it. The whole capital of the nation would be pledged for the redemption of that currency. In closing he said that he believed that this system would aid in extricating the country from the financial difficulties in which it found itself. He came to this conclusion the more willingly because the Secretary of the Treasury had given the whole subject his anxious and deliberate consideration, and now came to them with deep convictions in the entire necessity for its adoption. He closed by saying, "Nations, like individuals, are most heroic amid suffering and sorrow, and no great deeds ever immortalized a people except through self-sacrifice, endurance, and patriotism."⁶⁰

The house then adjourned and the next day, 20 February, Mr. Baker (N.Y.) opened the discussion with a speech. He began by saying that the bill was very imperfect and would fail to realize the objects anticipated. It was not claimed that this was a measure to give immediate relief to the finances, therefore it would not accomplish the object that was the most desired. He proceeded to point out some defects

of the system. A most serious defect was that it would not nationalize the banking system of New York, or any other State. The circulation would be irredeemable except over the counter of the bank of issue, and hence would not be of uniform value. There was no provision for the redemption of the currency at any other point. This was one of the serious defects of the Illinois banking system. High discount and exchange rates would be charged unless there would be central points of redemption. To remedy this defect, and make the currency of uniform value, it would be absolutely necessary that the banks should be compelled to redeem their notes over their counters, at the commercial center of the State in which they were located, and also at New York City, the commercial and moneyed center of the Union. Another defect would be that of requiring the banks to keep on hand twenty-five per cent. of the amount of its circulation and deposits in lawful money. He asked what lawful money was. At that time it meant legal tender notes, which were forty per cent. below the value of coin. At some distant period it meant coin. With a superabundance of legal tender notes the new banks would go on very smoothly. But suppose, and it is not unlikely, that the Supreme Court would declare the legal tender issues unconstitutional. Then the banks would have to buy coin at sixty, seventy, or eighty per cent. premium in order to fulfill the requirements of this act. A third defect would be in the fallacy as to the alleged profitableness of banking under this much lauded

scheme. When the time came when coin should be the lawful money, each bank would have to keep on hand twenty-five per cent. of its circulation and deposits in coin. It was not possible for a bank, hampered in its circulation and business, and taxed as it would be under this act, to earn fair dividends with that amount of its capital in coin lying dormant in its vaults. He went on to say that the advocates of this scheme have charged the deplorable depreciation of the paper money to "those poor maligned institutions, the State banks." Since suspension the State banks had increased their circulation from \$130,000,000 to \$167,000,000. Yet the agents of the government charge the woeful depreciation of the currency, not on the \$400,000,000 of United States notes issued by the Treasury department, but upon the insignificant \$37,000,000 issued by the State banks. If one studied the act and observed to what expense, by taxation and otherwise, the banks would be subjected, how little circulation they would be permitted to use and how much capital would be kept idle by the twenty-five per cent. lawful money reserve, it would be seen that the capitalists would not be greedy to purchase the bonds of the United States as had been stated. As the sub-treasury law would virtually be repealed by this act, the pet bank system would be re-established, and the proffered advantages might induce a few banks to organize under it. This system demanded a total annihilation of the existing banks. It would be of

no force or value unless they were driven out. If this should happen he said that the result would be as Mr. Collamer had stated in the Senate, that is, deplorable distress and ruin would follow. Mr. Baker then suggested a plan that he thought would meet all difficulties. It reminds one very much of the old United States Bank. A national bank, with a branch in each principal city of the Union, should be established on the same principles as this system. It should have a moderate capital of twenty or thirty million dollars. The circulation should be obtained from the Treasury department on a deposit of United States bonds, and that currency would be redeemed at each of its branches. This would give a uniform currency as far as needed. The bank and branches could also be used as depositories of public money, and thus aid in the collection and payment of all public dues. He then objected to the vast power that was placed in the hands of the Secretary of the Treasury and the Comptroller of the Currency. In closing he pointed out that there was no need for this new scheme because as soon as the war was over the country, South as well as North, would soon recuperate and recover financial soundness.⁶¹

Mr. Noble (Ohio) was the next to deliver his opinions on the general features of the bill. He believed that nothing he could say would change the vote of the house on this bill, because it was a pet measure of the Secretary of the Treasury, and its passage was a foregone conclusion. It was not demanded by the people, but was being pushed

through Congress. It, like all paper money schemes, was fraught with dangers and he desired to put himself on record against it. He believed that this law was unconstitutional. The Secretary of the Treasury had said that it was proposed as an auxiliary to the power to borrow money, as an agency of the power to collect and disburse taxes, and as an exercise of the power to regulate commerce and of the power to regulate the value of coin. It was difficult to see how any of these contentions bear upon the subject. Any system that would help the government to borrow money or collect taxes should be devised by the one paying the money, and this system would not give him money to pay. The claim that it would regulate commerce seemed a little too far fetched to be worthy of serious consideration. As to regulating the value of coin, paper money never did affect the real value of coin. Coin was, and ever would be, the standard of value the world over. The framers of the constitution never intended to authorize anything to be made a legal tender in payment of debts, except gold and silver. The main contention of Mr. Noble's speech was that this scheme would cause an expansion of currency which was unnecessary. This would bring calamity upon the country just as it was doing with the rebel government. It was an erroneous assumption that many people had that it takes more currency to meet increasing expenditures of the government. The salaries that were paid to the employees of the government were formerly paid by other employers. Supplies sold to the government were

formerly sold to other purchasers. The nation consumed no more, except the waste of war. There was no need for an expansion which would be inevitable followed by an increase in prices, general disturbance in financial affairs, and finally by general disaster to all the business of the country. If the government must have an amount of money equal to its expenditures to carry on the war, the total amount of money in both America and Europe would not be enough. What the government should have to carry on the war was means, capital, munitions of war, etc. The only way to get them was by draft upon the citizens and their property. The Secretary of the Treasury was wrong when he stated that gold and silver were demonetized, and hence were out of circulation. Gold had not gone out of circulation, simply because it was at a premium over paper. It was used as money the same as before but did not circulate as freely because it was superior to paper. It was erroneous to think that, in the course of business, if an inferior currency was introduced into circulation which could be used only at a discount, that the superior currency on which there was no discount, was thereby demonetized and no longer occupied the character of money. Another consideration which he dwelt upon was the great danger of fraud that must attend any system that was not guarded on all hands by private interest, as well as by public law. He objected to having the Treasury department print and engrave the notes. It would be safer to have private contractors do this work as

had been the experience in the past. He did not doubt the honesty and integrity of the present Secretary, but they did not know who would be his successor. The chief source of fraud would come in the subordinate employees. As to the economy of this printing scheme, one needed only to call attention to the fact that anything that the government manufactured or wanted, cost more than if it would secure it from private contractors. It looked to him like it was only another of the many schemes that had been brought forward by the administration which had so abundantly opened the door to fraud and plunder upon the bleeding Treasury.⁶²

Mr. Noell made some remarks upon the reasons why he proposed his amendment. There was involved in this bill some questions of constitutional law, which the house should not discuss, if it could be avoided, without having them first referred to the committee on the Judiciary. In the past there was a grave question as to whether Congress had the power to charter a United States Bank. Now the question was whether the government possessed power to inaugurate a system of local banks independent of each other, and having no national characteristics about them. It was not clear whether Congress had the right to exonerate the property owned by the citizens of a State from taxation by the State. After the Judiciary committee had given its report the house would be better able to discuss it. He took his stand as a friend of the bill, and as a friend of any measure that had the slightest tendency to help the government in the work in which it was doing. At the same time he took a

slap at the administration by stating that it was a notorious fact that the administration group had been ignored in Missouri, and its opponents had been upheld. If the administration had a right to call on its friends to sustain all of its public measures necessary to carry on the war, it was the duty of the administration to stand by its friends. As a friend of the administration and of the government he did not feel himself at liberty to vote against the bill. At the same time he begged the friends of the government to take the course that he had suggested, so that afterwards it would not be said that the bill had been pressed through in hot haste, without due investigation and deliberation upon the important questions involved.⁶³

Mr. Alley (Mass.) had an amendment that he wanted to propose, and his speech was devoted mainly to the advocacy of that amendment. The amendment was that the circulation of the new banks should be taxed one-half of one per cent. semi-annually instead of one per cent. Although he was informed by the Speaker that no amendments could be received at that time, he proceeded with his remarks. If this amendment would be adopted and the banks would organize under the bill, all the well regulated banks would earn from six to eight per cent. annually. He knew that many objected to the reduction of the tax on the grounds that the people were entitled to the income of a tax upon circulation, and that the government was really the party that should have all of the profit of the circulation. This was true to a degree,

but not to the fullest extent. The government could not conduct the business of banking any more than it could any other business. Therefore it was not entitled to the legitimate profits of a business. The government had a right to a fair tax upon the business of banking, and this it got in the three per cent. on the whole income of the banks, and in the additional one per cent., under his amendment on the circulation. Even if it was granted that the government was entitled to the full benefit of the circulation, they should treat it as a practical question, and do that which on the whole was for the good of the people. He thought that it was for mutual interest--government, banks, and people--that they should relinquish this benefit to others. He was very much opposed to taxing the circulation under this bill more than one per cent., because as long as the issues under the old system were not taxed more than this, the new system would not go into operation. Mr. Alley then proceeded to say something about the general features of the bill. He had been engaged in financial operations the greater part of his life, and thought that the subject of finances was the most intricate of subjects, and few understood it. If this scheme of banking would be adopted with suitable provisions and liberal action towards existing banks, and if the effect would be to establish a sound and uniform currency, inestimable blessings would be conferred upon posterity for ages to come. The blessings would be scarcely less valuable than the preservation of the

Union itself. All values were regulated by the volume of currency. Expansion of currency always caused inflation and high prices; contraction produced depression and low prices. This was as inevitable as the law of nature. If that was the case the best remedy was to have governments control the currency and protect the people from vast irredeemable issues that would bring disaster. For his part he was unable to suggest a better scheme than the one proposed. If the people of the loyal States had confidence that the Union would last and that its debts would be paid, the bonds of the government would require a premium. Plenty of loose capital was being placed in enterprises in which capitalists had confidence. So the important thing was to maintain a sound credit, and this could be done by good management. The credit of the United States was already impaired, because of the unskillful management and indifference on the part of Congress. The power of Congress existed for protecting the credit of the government to the fullest extent. This measure would not wage war on the banks, but it would be allowing the banks to go to their destruction if their irredeemable paper money was not checked and their issues regulated. The best way that this could be done was by identifying them with the government in the supply of currency for the country. This would make it for their mutual interest to sustain one another, and this bill would do that. The bill would not deprive the banks of any of their legitimate functions or interfere with their circulation.

It would provide them with a better circulation than they had, and would give it greater security besides making it of uniform value all over the country. It would also prevent any undue expansion, and prevent any increase other than the supply of the demands of natural and increased trade. If Congress would enact this bill with his amendment, it would do more to conserve and protect the business interests and labor of this country in a greater degree than had been done by the enactment of any single measure since the organization of the government in 1789 down to the present time.⁶⁴

After Mr. Alley had finished his remarks Mr. Hooper said that he had no desire to continue the debate, and believed that the house had heard as much on this bill as it desired. He, therefore, moved the previous question on his motion to refer the bill to the committee of Ways and Means. Mr. Sheffield (R.I.) appealed to him to withdraw that motion so that he could speak in opposition to the bill, but Mr. Hooper replied that he could not.

A point of order was raised by Mr. Roscoe Conkling that during the discussion of last evening an agreement had been entered into in which Mr. Hooper, the Chair, and the whole house were parties. It was that pending the motion to commit, and before the demand for the previous question, a fair opportunity to discuss the bill would be afforded, and after that an opportunity would be given to offer amendments. He said that it was in violation of that agreement now,

before two o'clock, to say that the time had run, and to call the previous question. The Speaker announced that he did not feel called upon to enforce propositions of agreement which were not stated to the house from the Chair. Therefore he overruled the point of order.

Mr. Hooper then withdrew the call for the previous question, and also the motion to commit; and made the demand for the previous question on the passage of the bill. Mr. Noell thought that this could be done because he had made an amendment to the motion to commit. He was informed that his amendment fell with the withdrawal of that motion. He then wanted to make a motion to refer the bill to the committee of Ways and Means, but he was not allowed to do this unless Mr. Hooper would withdraw his demand for the previous question.

Mr. Roscoe Conkling again made a point of order that Mr. Hooper could not demand the previous question on the passage of the bill because of the agreement that was entered into. Mr. Washburne (Ill.) stated that he dissented from any agreement by which the bill should be open to amendment, unless the house would refuse to second the demand for the previous question. As far as Mr. Stevens was concerned, he said that when Mr. Conkling made this suggestion he did say that after the debate would be closed amendments would be allowed before the previous question would be called. If he had got the floor to call the previous question, he would withdraw it for the mere purpose of allowing Mr. Conkling

to make an amendment. Acting on this suggestion Mr. Hooper said that he would withdraw his demand for the previous question for the purpose of allowing Mr. Conkling to offer his amendment. Mr. Thomas (Mass.) objected to this, and the Speaker stated that Mr. Hooper could not yield the floor without yielding it completely. As objection had been made, Mr. Hooper adhered to his motion.⁶⁵

The question recurred upon seconding the demand for the previous question and tellers were appointed. The vote was 71 to 67 in favor of seconding it. Mr. Frederick A. Conkling (N.Y.) demanded the yeas and nays on ordering the main question. They were ordered, and the question was taken and decided in the affirmative, 75 yeas and 73 nays.⁶⁶

As has been stated above the opponents of the bill tried to sidetrack it in the very beginning when the bill came up for discussion in the house. Those who had charge of the bill, however, were able to forestall this, and in turn used their position to very good advantage in pushing the bill through to its final passage. How successful they were can be realized when it is remembered that the bill came up for consideration during the evening sitting on 19 February, and it was passed the next afternoon presumably about three o'clock.[#] When the opposition realized that the discussion of the bill would go on, their next attempt was to get the opportunity of making amendments, but in this

[#] This time is computed from the fact that when R. Conkling objected to cutting off amendments it was about two o'clock. After that four votes were taken by roll call and the bill was read in full.

they failed also. No doubt many of the friends of the bill thought that Mr. Hooper was using a more or less highhanded procedure in pushing the bill through to its ultimate conclusion. This may account for the extreme closeness of the votes on the seconding of the demand for the previous question and on ordering the main question. The leader of the friends of the bill no doubt realized that if the bill was to become a law during that session of Congress, no dilatory measures could be allowed. He had attempted to get a similar bill through Congress for the last two sessions, and now when the opportunity came he made the most of it. There were other attempts made to defeat the bill, or to set it aside, but before those attempts are discussed let us analyze the vote on ordering the main question.

As has been stated the vote was extremely close; a margin of two votes in the affirmative.[#] According to sections of the country the Eastern States opposed this motion by a margin of one vote, while the greatest opposition came from the Southwestern section; which gave 6 affirmative and 13 negative votes. The Middle section was evenly divided in the votes that were cast from that section. The West upheld the motion by a vote of 29 to 19, thereby making it possible for this motion to prevail.^{#a}

There were 65 Republicans, 4 Democrats, and 6 Unionists that voted in the affirmative. The negative votes were made up of 32 Republicans, 34 Democrats, 5 Unionists, and 1

Appendix. Table II.

#a Appendix. Table IIa.

Fusionist (Smith of New York). The Republicans were divided on this question, while there is an indication that the Democrats were virtually solidly opposed to it. The Unionist members came from the border States and were about equally divided in their votes.

The next move made by the opponents of the bill was a motion by Mr. Sheffield (R.I.) to lay the bill on the table.⁶⁷

There were 57 votes cast for this motion and 89 votes against it.[#] This procedure on the part of the opposition presented a real threat to the Republicans to set the bill aside for that session of Congress. It had the effect of gaining 12 Republican votes for the support of the bill and of diminishing a like number of votes from opposing it, when this vote and the one on ordering the main question are compared. This would strengthen the idea that some friends of the bill were opposed to the tactics of Mr. Hooper in forcing the bill through as he had done. Of 97 Republican votes on the motion to lay on the table 77 opposed it. Of the Democratic votes 5 opposed, and 32 were in favor of the motion. Of the 11 Unionist votes the bill gained one friend over the previous vote so that 7 voted against the measure. The Fusionist member supported the motion.

The only section of the country to give a margin of votes in support of this motion was the Southwestern States. The margin however was small, only two votes. The other sections opposed the sidetracking of the bill with the

following margins: Eastern, 5 votes; Middle, 14 votes; and Western, 15 votes.[#]

After the result of the above vote was announced the question recurred upon ordering the bill to a third reading. Mr. Sheffield demanded the yeas and nays, and they were ordered.⁶⁸

The result of this vote was 83 in the affirmative and 66 in the negative.^{#a} The question of ordering the bill to a third reading was supported by 73 Republicans, 3 Democrats, and 7 Unionists. It was opposed by 25 Republicans, 36 Democrats, and 5 Unionists. The vote on this question showed a slight gain of the Democrats in opposition to the bill, while the Republican strength in supporting the bill was slightly diminished.

The Southwestern States, as a section, again opposed the bill by a vote of 13 to 8. The Eastern section was equally divided out of a total vote of 22 members. The Middle States and the Western States substantially supported the question; the former giving a margin of 10 votes and the latter a margin of 12 votes in its favor.^{#b}

Mr. Washburne wanted to dispense with the reading of the bill in full, but Mr. Roscoe Conkling objected to this and the Speaker upheld him. After the bill had been read Mr. Hooper demanded the previous question, which was seconded and the main question ordered. Mr. Holman wanted

Appendix. Table IIA.

#a Appendix. Table II.

#b Appendix. Table IIA.

a call of the house before the vote was taken on the passage of the bill. The Speaker would not allow that motion because it was not in order after the main question had been ordered. Mr. Holman then moved that the house adjourn, but this was not recognized as there was a special order that the house was to take a recess at half past four. He then tried to get the unanimous consent of the house on his motion but Mr. Bingham (Ohio.) objected to this. Mr. Holman then moved that the bill be laid on the table. The question was taken, and the motion was not agreed to. Mr. Cox (Ohio.) proposed that, by unanimous consent, the vote on the passage of the bill should be taken that evening when there would be a full house. To this Mr. Stevens replied that "half of us might not be able to get back that evening. Many are old, and cannot come."⁶⁹

Thus all efforts to delay the passage of the bill were frustrated, and the final vote was taken which resulted in 78 yeas and 64 nays.[#]

The vote on the passage of the bill shows that 70 Republicans voted for it, and 25 opposed it. The opposition among the Republicans had the same strength as the vote on the third reading of the bill. Of these 25 Republicans 23 voted against the measure both times. On the other hand, the Republican support of the bill diminished by 3 votes when comparing it with the vote on the third reading. The votes in the house among the Republican members indicates

[#] Appendix. Table II.

that approximately one-fourth of them were against the establishment of the national banking system. Two members-- Granger (Mich.) and Haight (N.Y.)--of the Democratic party supported the passage of the bill, while 35 voted against it. The opposition party was practically united in its opposition to the measure. The Unionist members were about evenly divided on this vote, 6 voting for the proposition and 4 (all from Kentucky) opposing it. Even if the total Unionist vote would have been cast against the bill it would have prevailed by a majority of two votes. If that would have been the case the two Democratic votes would have saved the bill from defeat. In order to get the exact position of the political parties as to their stand on the final passage of the bill it is necessary to consider the possible vote of the members that were absent, or refrained from voting at that time. There were 11 Republicans that did not vote. Of these 7 would have voted in the affirmative and 3 in the negative as far as can be determined by the preceding votes on the bill. The other one (Walker of Massachusetts) is hard to determine as the only vote that he cast was in the negative on ordering the main question. As has been stated the vote on that question was not a true indication of the stand that members of the house took on the principles of the bill. Of the 4 Democratic members that were absent, very likely 3 would have supported their party in its opposition to the measure and one would have supported the bill.

The two Unionist members that did not vote would most likely have divided their votes equally. Mr. Smith, the Fusionist member, most likely would have opposed the passage of the bill if he had voted at that time. By these assumptions as to the votes of absent members, the support of the measure would have received an addition of 9 votes, and the opposition would have been strengthened by the addition of 8 votes. This is not considering the vote of Mr. Walker. From this it would seem that the margin of votes by which the bill was passed would not have been changed to any material extent.

The votes according to sections of the country do not show any great change over the preceding votes on the measure. The greatest opposition was shown by the Southwestern States which gave a margin of four votes against the passage of the bill. No other section opposed it. The Eastern States still divided their vote evenly out of the same total number that had been cast on the question of the third reading of the bill. The greatest change of votes was of the representatives from the Middle States. Although they had divided their votes on the preceding questions there was always a margin of at least 10 votes in favor of the bill. On the final vote this margin was decreased to 6 votes. The Western section supported the passage of the bill by a vote of 31 to 19, the same margin as it had supported the question of the third reading of the bill. #

In comparing the votes of the senators and representatives

according to sections of the country some differences are noted. The two sections of the country that voted consistently on the national bank bill were the Southwestern and the Western States. In the senate the Southwestern States opposed the bill from the beginning. All of the votes that were cast from that section on its final passage were negative votes. In the house they were divided but a margin was in opposition all of the time. The Western States supported the measure in both houses of Congress, and this support was generally by a substantial margin. The other two sections, Middle and Eastern, voted differently in the two houses. In the senate the Middle States opposed the measure by a two to one vote, while in the house they supported it by a relatively small margin. The greatest difference in the vote of the two houses came from the Eastern section. The bill was given substantial support in the senate from this section but in the house the vote for the most part was equally divided. Relatively speaking, when the vote of the two houses is considered, it would seem that the sections that were in favor of the bill were the Eastern and Western sections. The Southwestern section was opposed, while the Middle section was divided. When the votes of the individual States in the latter section are analyzed it would seem to indicate that the two States, New York and Pennsylvania, that had the important banking interests located within their borders, favored the proposition. In the senate the vote was equally divided, and

all four senators were members of the same political party, so party affiliation would not enter in to help to determine the vote of individual senators. In the house, New York representatives favored the measure by a vote of 14 to 8; and Pennsylvania members by a vote of 12 to 8. Here partisan lines may enter in to a certain extent. Of the 14 New York votes in support of the bill, all but one were cast by Republicans, and all 12 of the Pennsylvania affirmative votes were by members of the same party. The opposition votes show that Republicans cast 5 from New York, and 2 from Pennsylvania. This shows that party vote was not a determining factor in these two States, but had some influence in opposing the bill. From the States, then, most vitally concerned in this section of the country it would seem that the proposition was favorable.

The minority party in the thirty-seventh Congress was almost solidly opposed to the establishment of the national banking system. On the final votes in the two houses its members gave only three affirmative votes, two in the house and one in the senate.

The argument of encroachment upon the rights of the States was a favorite one for some Congressmen during the establishment of the national banking system. This argument was connected very closely with the opposition of the State banks to the establishment of the new system of banking. As has been shown in the debates, some members of Congress believed that to interfere with the issuing of paper money

by the State banks would destroy them, and hence it would be taking from the States a power that had long been exercised. The State rights question was undoubtedly the most important question that entered into the project of giving to the national government the power to control the currency of the country through a system of banks. Whether or not the opposition to this bill from that source was the most effective element can be open to conjecture. The State banks were powerfully organized, and had the means behind them with which effective opposition could be made. No doubt many members of Congress were sincere in the matter of upholding the rights of States when this measure came up for decision. They were incidentally serving the interests of the State banks in using this argument against the bill. On the other hand, Congressmen that were definitely serving existing banking interest found it to their advantage to use the old State rights argument as a means to gain their end.

The constitutionality of a measure of this kind would necessarily link up with the question of State rights. Although constitutionality was brought up in both houses of Congress it was not seriously questioned to any great extent. It would seem that the legislators were fairly well agreed with Mr. Chase that ample power existed under the constitution to establish a system of national banks.

The system of banking established by this act of Congress was strictly an urban proposition. It would seem then that

the rural districts of the country would oppose it. Features of the bill that would necessarily limit the organization of banks in larger cities are found in various sections of the act. No bank could be organized with a capital less than \$50,000, and in places of 10,000 inhabitants, or more, the capital was to be at least \$100,000. Loans could be made by the banks on real estate as security, but no loan could run for a longer period than six months. The rate of interest was to be the same as that fixed by the State in which the banks were to be located. This would vary from six per cent. in most of the New England States, to two per cent. per month in California. Evidently the framers of the bill did not intend for it to be of benefit to the farmer in helping him directly. There was, however, no direct controversy between the rural districts and urban centers as far as the debates of Congress show. The only references made to the effect that the operation of the bill would have upon the rural districts were made by Mr. Collamer in the senate and Mr. Baker in the house. Their arguments in this respect were based upon the assumption that the State banks would go out of existence, causing deplorable conditions to result, and that society would be injured. There is no reference to agricultural credit. The fact that the West supported the measure as it did would indicate that the more sparsely settled rural districts were much in favor of the new system.

There can be no doubt that by playing upon the patriotic

sentiment of members of Congress the leaders of the bill helped to get the measure enacted into law. The debates in the senate were for the most part on the bill proper. However some of the members of that house were using this method to get votes for the act. In the house this was especially true. Every representative that spoke in favor of the measure wanted it made known that this proposition was necessary for carrying on the war to a successful close, and that those that opposed it were opposing the interests of the Union. It will be brought out in the next chapter that the question of "loyalty" came up again and again in Congress during the Civil War period, and that it was mostly when financial bills were being discussed. That this sort of argument played no little part in swinging wavering congressmen to vote for the measure cannot be doubted.

It has been stated that the bank question in Congress really started with the first legal tender note act. During the second session of the thirty-seventh Congress there was enough opposition that a national bank bill was not considered, although Mr. Hooper had introduced one. Then at the next session of the same Congress a bill was successfully passed, and received the approval of the President, 25 February 1863. Within a period of two weeks a proposition was enacted into law, that had been opposed a year before by the same Congress to such an extent that it was not even brought up for consideration. Why did Congress change its attitude?

The delay of Congress had the effect of showing that State banks would not give up voluntary privileges of their State charters and accept a currency issued by the government. Some of the strongest banks expressed willingness to take federal charters, as well as federal circulation. Saving banks discovered preference of their depositors for government notes.⁷⁰

The new plan appealed to the growing feeling of Nationalism in all phases of political action. It found favor with those who were jealous of the power of private corporations. Many wished to relieve the government from distressing bargains, and hoped that the government would thus gain the ascendancy in the control of capital. This new plan also appealed to those who feared that the further issue of United States notes would ultimately ruin both government credit and private credit.⁷¹

The change of attitude of Congress was no doubt affected by the above reasons, but the most important cause for the change was the course of current events at that time. Foremost in their influence were those of a military and of a financial character. The summer of 1862 had greatly changed the views of the people as to the period which might be set for the end of the war. The failure of McClellan's peninsular campaign, followed by the disasters in the immediate vicinity of Washington, had brought with them a realizing sense of the greatness of the task of conquering the South. The hopelessness of a speedy termination

of the war had given place to a determination to prosecute it to the bitter end. The battle of Antietam had for the time being settled the question of an invasion of Pennsylvania. The changeable campaigns, under different generals, which resulted in Fredericksburg and Chancellorsville were being conducted when the national bank act was brought to the consideration of Congress through its introduction in the senate by Mr. Sherman. The military situation, and the fact that Mr. Chase had said that without its passage he was powerless influenced the senate to its reluctant adoption of the measure.

The financial situation was as strong in influencing Congress to adopt the recommendations of Secretary Chase. Pronounced success in the field at an early date in the war would have confirmed the existing belief that the conflict would not last long. As a consequence, it would have been assumed that the finances of the country would not have been seriously deranged. On the other hand, lack of success in the field brought home to the people that the continuous and increasing expenditures of the government, occasioned by the military necessities, demanded pecuniary sacrifices from the people. It might even call for a revolution of the banking system of the country.

In July 1861, Secretary Chase reported that the exigencies of the government would require for the year ending 30 June 1862, the sum of \$318,000,000. This amount was five times the total of the national debt in July 1860,

and three and one-half times that of the debt of 1861. The size of these figures did not seem to disturb the optimism of either Congress or himself. By December of the same year, the difficulties of procuring the funds for such large expenditures brought to the Secretary a keener perception of the task before him. Congress, however, was not at this time aroused to a full realization of what the Secretary was confronted with. The estimate of \$318,000,000 for the expenditures of the fiscal year fell short by \$240,000,000. As early as December 1861, Mr. Chase realized that he had not only underestimated the expenditures but that he had overestimated the receipts. He then thought that it would require an additional appropriation of \$214,000,000 to make up the probable deficiency, being still short of what was actually required upward of \$25,000,000. Experiences like these served to open the eyes of those who were in charge of affairs to the difficulties of the task that was before them.

Congress then gave authority to the Secretary to negotiate the sale of bonds; to issue legal tender Treasury notes; fractional currency; certificates of indebtedness; and compound-interest notes. The \$91,000,000 of national debt in 1861 became \$524,000,000 in 1862, and rose to \$1,120,000,000 in 1863. The extraordinary expenditures which brought about this enormous increase of debt from year to year necessarily compelled consideration of the recommendations of the Secretary of the Treasury.

By the legislative act of 25 February 1863, the national banking system was definitely established. The next year an amendatory act was passed which specifically repealed this bill, but there was no question but that the system would remain in effect. The act of 1864 elaborated and perfected the plan of banking as was established in 1863, but there was no serious question of abandoning it. There were motions in both houses of Congress providing for the repeal of the entire system but these were voted down by large majorities. The new system of banking was permanently established.

CHAPTER III.

THE AMENDATORY BILLS IN THE HOUSE 1864.

Considerable time elapsed after the passage of the bank bill of 25 February 1863 before the first national bank was organized. The State banks had acted together in making previous loans to the government, and there was some evidence of an organized resistance to the operation of the system. They did not believe that it could be set in motion without their co-operation, but were somewhat mistaken in this. The first bank which was organized was by a New Yorker, Mr. John Thompson, who was outside of the State bank financial circle. The priveleges granted by the act brought the State banks around and after one or two had taken the lead, resistance began to break down. The efficient administration of the act by Mr. Hugh McCulloch, the first Comptroller of the Currency, did much to remove the objections of the State bank officers.¹

Even after the first banks had been organized the system developed slowly. By 1 October 1863, sixty-six banks had deposited \$44,000,000 of United States bonds, and when the Comptroller sent in his first annual report to the Secretary, 28 November, there were 134 banks which had come into the

system. The aggregate capital of these banks was \$16,081,200. These banks were chiefly in the Western section of the country which had seventy-nine banks. Ohio led all of the States in the number of national banks, having thirty-eight of them. There were thirty-eight banks in the Middle States, Pennsylvania having twenty, and New York sixteen. The Eastern section had fourteen, Connecticut and Massachusetts having four and three respectively, while the rest of the States in that section had one or two banks. There were only three banks organized in the Southwestern section, two in Missouri and one in Kentucky.² This indicated that the section of the country which supported the bill in Congress was the one that was making use of the opportunity to operate under it. At the same time the section which opposed the bill was refraining from establishing these banks.

The friends of the new system of banking were disappointed over the progress that had been made. On 2 November 1863 Mr. Hooper wrote to Mr. Chase from Boston and closed his letter with the following expression of his disappointment at the situation: "I do not like having only small banks organized under the new law, and regret that no large banks are yet organized in the principal cities to be made depositories of public money, as it seems to me very desirable; though I doubt if any large banks here or at New York would receive deposits of the public money on the conditions that I understand to be prescribed by the Treasury Department.....!"³ When Mr. Hooper wrote this he seemingly

sounded the true cause for regret. On 19 November 1863 Mr. Chase in writing to Mr. Harrington, assistant Treasurer, said that 130 banks had been organized. Small as this number was it was not the real source of disappointment which he felt at the slow movement of his scheme. It was easy enough to secure a few banks in the principal cities, but their capitalization was not large, and the men who furnished the capital were not leading financiers.⁴

It was evident that the bill would have to be modified in order to induce existing banks to come in under the system, and also to get new banks to organize under it. Mr. Chase was advocating the system in a perfected form as tirelessly as ever. While the Amendatory Act was up in Congress he wrote to the President under date of 14 April 1864, and stated that if Congress would make the national banking system safe and at the same time acceptable, and at the same time enact a tax law which would yield at least one-half of the expenditures, there would be no need to fear financial disasters.⁵ Mr. Chase in a letter to Mr. S. DeWitt Bloodgood, of New York, brought out the need of a working national banking system. "The great error which my opponents have committed is, in my judgment, their endeavor to maintain a system of State banking unsuited to the wants of a great nation obliged to incur a large debt. The National Banking System is a necessary and indeed an inevitable step in our financial progress to a more perfect political Union. Had such a system existed, or rather had such a system been

possible, at the beginning of the war, specie payments need never have been stopped."⁶

In his annual report⁷ 10 December 1863, Secretary Chase restated his views with respect to a uniform national currency issued through national banks. The fact that Congress had given its sanction to his views at the last session at once inspired faith in the securities of the government, and more than any other one cause enabled the Secretary to provide for the prompt payment of the soldiers and the public creditors. If this policy should be judiciously carried out, and proper measures adopted to induce the conversion of State banks into national associations, all the money needed for carrying on the war could be obtained by loans on reasonable terms. Also if this were done resumption of specie payments could be brought about sooner than expected.

Mr. Chase then referred to the report of the Comptroller of the Currency and said that all of the banks which have been organized had, upon his suggestion, adopted the name of "National Banks" distinguished by order of organization and by locality. Besides the banks reported as actually organized, there were many others in the process of organization. There was hardly a loyal State, and hardly a considerable city in which a national bank had not been organized, or was not in the process of being organized. The work of introducing a permanent national currency had been entered upon in a spirit and with an energy which promised success. He ventured to say that within a year the

benefits of the system would have so approved themselves to the sense and patriotism of the people, that it would be beyond the reach of successful assault.

The Secretary endorsed the amendments to the law recommended by the Comptroller, and asked the special attention of Congress to the proposition of a uniform rate of interest, and the repeal of the section which connected the issues of national banks in any degree with State banks. Besides the recommendations of the Comptroller, Mr. Chase recommended a tax of two and two-fifths per cent. a year on corporate circulation. This would mean a tax of one-fifth of one per cent. per month. In addition he suggested one-twenty-fifth of one per cent. per month on deposits. This small addition to the existing rate of taxation would not be regarded as unreasonable when it was considered that all corporate circulation was in fact a loan by the people to the banks without cost, except that of preparation. It was also without interest, except the taxes imposed on it. It was proposed to make the tax payable in small percentages, because it would be distributed over the business of the year. By requiring monthly returns with reference to the taxes, information would be regularly obtained about the amount of circulation of all descriptions in the country. The publication of these reports would be an important benefit to all men of business, as well as a valuable guide to financial legislation and administration. He referred to Congress the question, whether the tax on national currency

and the deposits of national banks should correspond with the taxes on other circulation and deposits. He thought that for the time being some discrimination in favor of the national banks could be properly admitted in consideration of the great importance of a national currency.

The question of taxing the circulation and deposits of national banks proved to be a question fraught with no little amount of difficulties. It will be recalled that the tax upon the circulation of national banks by the act of 25 February 1863, was two per cent. annually. On 3 March 1863, Congress passed an act which repealed the provision concerning taxation of national bank issues, and imposed a tax upon both the State and national bank paper. This act provided that all banks, associations, corporations, or individuals issuing notes or bills for circulation as money should pay a duty of two per cent. annually upon the average amount of circulation issued beyond the amounts provided for in a sliding scale. This scale was that banks with a capital of not over \$100,000 should pay taxes upon circulation which was issued beyond ninety per cent. of that amount; banks with capital of \$100,000 to \$200,000, eighty per cent.; \$200,000-\$300,000, seventy per cent.; \$300,000-\$500,000, sixty per cent.; \$500,000-\$1,000,000, fifty per cent.; \$1,000,000-\$1,500,000, forty per cent.; \$1,500,000-\$2,000,000, thirty per cent.; and over \$2,000,000, twenty-five per cent. Deposits except in savings banks, were subject to a tax of one-fourth of one per cent. annually.⁸

Accompanying the Secretary's report to Congress was the first report of the Comptroller of the Currency, Mr. McCulloch. He suggested that the act should be carefully revised. Those parts of it which referred to the same subject should be placed in nearness to one another, and it should be relieved of certain obscurities and inconsistencies that rendered some of its provisions of difficult construction. Some instances were given of where the act could be made better in this respect.

There were some important changes in the act which the Comptroller deemed it wise for Congress to make. The section, providing for the limitations of the total liabilities of any person or company to any association, should be struck out. There were exceptional cases where large loans to a single individual or firm were both necessary and judicious. Mr. McCulloch thought that this matter should be left to the discretion of the managers of the banks. An amendment should be made so that the banks could have not more than thirteen directors instead of nine, and only two-thirds, instead of three-fourths, of them should be required to be residents of the State in which the banks were located. Many State banks had thirteen directors and wanted to keep that many, while many of the national banks which were organized wanted more than nine directors. Many of the persons who carried on business in the large cities resided in neighboring States, and should not be disqualified from being directors of the city banks. The individual

stockholder liability provision should be changed so as to place liability upon the officers and directors of the bank. The existing provision prevented many prudent men and men of wealth from becoming stockholders in national banks. Instead of having the quarterly reports published in a newspaper of the capital of the State where banks were located, if no paper existed in the city where the banks were organized, they should be published in the nearest newspaper to those cities.

The provision which provided that stockholders of banks of large capital should be eligible to be directors, who owned at least one-half of one per cent. of the capital stock, should be changed. As it was, no stockholder could be a director of a bank of \$10,000,000 capital without owning at least \$50,000 of its stock. This was unwise as the best brains and highest integrity might be excluded from the management of the banks. Another objection to this provision was that a stockholder who owned but \$1500 could be a director of a bank with \$300,000 capital, while one must own \$2,000 of stock to be a director of a bank with \$200,000 capital.

The banks should not be subjected to the caprices of the New York Stock Exchange, as this was not just to them, and at the same time be compelled to furnish government securities as a pledge for their circulation at the rate of ninety per cent. on the dollar. Therefore, the section which provided for maintaining the proportion of the value

of bonds to circulation depending upon the quotations of the New York Exchange should be repealed. The original act authorized the organization of banks with a capital of \$50,000 and required the payment of only thirty per cent. on the commencement of business. This meant that a bank could commence business with a paid in capital of only \$15,000. It was suggested that this section should be amended so that no bank could commence business with a less capital, actually paid in, than \$50,000. It was very questionable, according to the Comptroller, whether a bank should be organized with a capital less than \$100,000, of which \$50,000 should be paid in at the commencement of business, and the balance in installments of ten per cent. every sixty days. It was suggested that a provision should be inserted for the voluntary closing of the banks, and regulations for them closing were recommended.

A recommendation of the Comptroller which occasioned a great deal of discussion in Congress was that of a uniform rate of interest and the penalty for usury. He recommended that the rate of interest charged by the banks should be uniform in all of the States, and that the penalty for usury should be a forfeiture of the interest, instead of a forfeiture of the debt on which more than the legal rate was taken. Also, the banks in the large commercial cities of the seaboard States should be relieved in certain contingencies from all penalties for usury. If this was done they could prevent, as far as practicable, excessive importations

of foreign merchandise and heavy exportations of the precious metals by raising the rate of interest. According to Mr. McCulloch, the expediency of a uniform rate of interest was manifest. The objection to national legislation upon the subject was, that the States were supposed to have the exclusive right to regulate the interest upon loans of money. It was true that States had regulated rates of interest, except in case of the United States Bank, and it was also true that the laws had been various and changeable. Few things had been more embarrassing to the trade between the sections of the country, and none had caused more litigation and conflicting judicial decisions, than the different and frequently changing legislation of the States in fixing the value of the use of money. The regulation of commerce between the States could not be perfectly accomplished without the establishment of a uniform rate of interest throughout the Union. Congress had the exclusive right of regulating this commerce, and therefore it should have the incidental power of preventing the States from embarrassing commercial intercourse between the people of the States, by fixing different rates of interest upon money. Unless Congress possessed this power, the national government would be compelled to divide with the States the control of the affairs of banks created to carry out its functions. As the law stood, banks in New York and Michigan could charge seven per cent., while those of New England and most of the other States were restricted to six per cent. State

laws could be so framed as to attract capital to be invested in national banks too largely in particular States, or to prevent such an investment of it in such States altogether. It was recommended, therefore, that the uniform rate be fixed at seven per cent. Mr. McCulloch concluded his stand for a uniform rate of interest by pointing out that if Congress had the constitutional authority to pass the national bank act, it unquestionably had the incidental right to regulate the rate of interest which should be charged by the banks organized under it. Without this right, State laws could so control or impede the business of the banks as to render the act practically inoperative.

On the question of usury, the Comptroller pointed out that notwithstanding the fact that money was the standard of value, it was not free from the operations of the regulating law of supply and demand. No legislation had been able to control the effect of this general law. There was no need for usury laws in most of the States at the time, but when the war was over and business would get back to its accustomed channels, there would be need of them as borrowers would be plentiful and lenders few. Because usury laws had been evaded, it necessarily did not mean that they were unwise. They have had the effect of preventing, to some extent, excessive charges on the loans of money. Money was a creation of the government, and the government which fixed the value that was placed upon it had the right to say what should be charged for the use of it. On the

point of what penalty should be attached to the violation of usury laws, Mr. McCulloch was of the opinion that it should not be of such a character as to tempt too strongly the borrower's honor, or to compel both the lender and the borrower to resort to shifts for its evasion. He believed that it would be found that those laws which made the penalty for usury the forfeiture of interest, leaving the lender to collect only the principal of the loan, were more equitable in their operations. If it would be thought inadvisable by Congress to make the suggested amendments in regard to interest and usury; he would recommend, as the national banks were to be subject to State laws in regard to the interest that would be charged, that they should be also subject to the penalties for usury which the State laws would impose. Under the existing provisions of the act, Congress would adopt State legislation whatever it should be upon the subject of interest, while it inflicted a penalty for a violation of State laws which the State laws did not themselves impose.

The Comptroller recommended that the section of the act which provided that banks should make semi-annual reports should be repealed. These reports seemed unnecessary when the banks were required to make full quarterly reports. In place of this section there should be one inserted which would authorize the banks to make semi-annual dividends of profit. But before the dividends would be declared, the banks should be required to carry to the surplus one-sixth

of their net profits, until the surplus funds would amount to thirty per cent. of their respective capitals.

According to the provisions of the existing act it was the duty of the Comptroller to furnish national currency to any banks authorized by State law upon their delivery to the Treasurer the required securities. If State banks claimed to be the holders of United States bonds to the amount of fifty per cent. of their capitals, they could deposit any part of these bonds and receive circulation for them. This could be done no matter what would be the restrictions of the State law upon the issues of State banks. It was difficult to conceive, thought Mr. McCulloch, of a measure better calculated to bring the national currency system into conflict with the States, and into disrepute with the people than this. Under it there would be banks receiving government notes without being in any measure under the supervision of the government. They would derive all their corporate powers from the States, and yet would be issuing notes not authorized by State laws. The government should have no connection with institutions not created by its own laws. If the two systems of national and State banking were both to exist, they should be as separate and independent systems. He had found this part of the act objectionable in every aspect which he had viewed it, and therefore recommended its repeal.

Additional recommendations by the Comptroller were that it be made the duty of the national banks, if required by

the Secretary of the Treasury, to act as financial agents of the government, and to receive on deposit public money. Satisfactory security for the performance of the duties required of them should be made. He suggested that the national banks in the commercial cities should be required to keep their reserve of lawful money in their own vaults. The redemption of their notes by the interior banks at the commercial cities would tend to increase largely the deposits of the banks in those cities. Therefore, it was a necessity that the latter should keep constantly on hand a large reserve.

The subject of the conversion of State banks into the national system was a subject which Mr. McCulloch dealt with at length. He stated that the rapidity with which national banks were being organized in the Western States indicated the popularity of the system there. But comparatively few banks had been organized in the eastern States, but even there the idea was rapidly gaining ground that the national system would supersede the State system of banking. It was desirable that this should be done by a transfer of capital from the latter to the former without any serious interruption of business. Some of the older States had capital enough invested in banking, and the bank note circulation of those States should be curtailed rather than increased. This system was not created to increase the banking capital of the seaboard States in which there was enough of such capital already, but to supersede the systems of banking in those States by attracting to it the

capital of existing banks. The idea that the national banks could not supersede the State banks without breaking them down was an erroneous one. It could only be honestly entertained by those who had not carefully considered the subject, or noticed the process of conversion which had changed some banks in the west and was changing others in the east from one system to another. No war was being waged, or was intended to be waged, by the national system upon State banks. The idea had at last become quite general among the people that the whole system of State banking, as far as circulation was regarded, was unfit for a commercial nation like the United States. The issue of United States notes had taught the people the superiority of a national circulation over that to which they had been accustomed. Everywhere the opinion was prevailing that the circulation of local banks had about had its day, and would have to yield to the demands of the people for a circulation of which the government was the guarantor. By the national bank act this principal was for the first time recognized and established. "The country has at last secured to it a permanent paper circulating medium of uniform value, without the aid of a national bank. This national system conferred no monopoly of banking, but opens its advantages equally to all. It interfered with no State rights. It meets both the necessities of the government and the wants of the people. It needs modifications, and may require others than those which are suggested in this report; but it is right in

principle, and of its success there can, I think, be no reasonable doubt."

The work of preparing the national circulation had been attended by unlooked for delays. It was expected, however, that banks already organized would be supplied in about two months, and all others thirty days after bonds were deposited.

In concluding his report, the Comptroller stated that whatever mismanagement of the national banks should exist the noteholders would not be prejudiced by it. If the banks should fail and bonds would become depressed in the market, the notes of the national banks would still be redeemed in full at the treasury of the United States. The national currency would tend to give steadiness to trade by preventing bank note panics, and would facilitate a return to specie payments. It would aid in regulating the exchanges of the country, at the same time that it would meet the necessities of the government in the collection of its internal revenues. If the national system of banking would do all of this, it would prove that the war, calamitous as it would be, was not without its compensations, and a national debt was not without its advantages.⁹

There were some important modifications made in the national banking system by the law of 1864. The banking business was given a status somewhat more independent of the immediate control of the Secretary of the Treasury, by placing more power in the hands of the Comptroller.

No bank was permitted with a capital of less than \$100,000; in cities containing over 50,000 inhabitants the capitals were not to be less than \$200,000. However in places of not more than 6,000, banks with capitals not less than \$50,000 could be organized. Every bank was to be managed by not less than five directors. Every director was to be a citizen of the United States, and at least three-fourths of them should reside in the State or territory in which the bank was located, and be residents of the same during their continuance in office. Each director was required to own ten shares of the capital stock of the bank of which he was an officer.

The shareholders in State banks, which were converted into national banks and which had a capital stock of not less than \$5,000,000 and a surplus of twenty per cent. on hand, were made liable only to the amount invested in their shares. The surplus of these banks was to be in addition to that required by the act of other banks. Should any deficiency occur in the required additional surplus of twenty per cent., the bank was prohibited from paying any dividends until the deficiency was made good. The Comptroller had the privilege of compelling the bank to cease business.

It was understood that this provision was to apply particularly to the Bank of Commerce in the city of New York. This bank had as one of the provisions of its articles of association that personal liability of its shareholders was not to be more than the amount actually invested in the shares and this could not be changed without the consent of two-thirds of the stockholders. It had over 2200 stockholders living in twenty States and territories of the United States, in Great Britain, France, South America, Greece, Asia, and Mexico. It had been in existence for twenty-six years, and the charter privileges were to continue until 1889. The capital stock was \$10,000,000, and it had the right to increase it to \$50,000,000. The investments of this bank in United States securities alone were over \$14,000,000.

At least fifty per cent. of the capital stock of any bank was to be paid in before business was commenced. The remainder was to be paid in installments of ten per cent. upon the whole capital at periods not further separated than one month each.

Every bank, before it began business, was to deposit with the Treasurer of the United States registered (not coupon) interest bearing bonds to an amount not less than \$30,000 nor less than one-third of the capital stock paid in. The Secretary of the Treasury was then to receive and cancel any United States coupon bonds, and in place of them issue registered bonds of the same amounts, interest, and time of

maturity. The whole bank circulation was limited to \$300,000,000, but there was no restriction as to its distribution.

The banks were to publish their certificates of association in the newspaper which was published nearest to the location of the bank, if there was none in the city or county where the bank was situated.

The notes furnished to the banks were to be in denominations of one, two, and three dollars below five dollars. But not more than one-sixth part of the notes furnished to the banks should be of a less denomination than five dollars, and after resumption of specie payments no notes below five dollars were to be issued by the banks. Whenever the market or cash value of any bonds deposited with the Treasurer should fall below the amount of the circulation of a bank, the Comptroller was authorized to demand the amount of such depreciation in other United States bonds or money which were to be deposited as long as the depreciation continued.

No bank was to loan money except on personal security, or could it hold possession of any real estate under mortgage, or hold the title of any real estate purchased to secure any debts which were due to it for a longer period than five years. The total liability to any bank on any account could not exceed at any one time ten per cent. of the capital actually paid in. The discount of bona-fide bills of exchange against actual existing values, and the discount of commercial

paper actually owned by the party negotiating it were not to be considered as money borrowed.

Every bank could charge interest at the rate allowed by the laws of the State where the bank was located. Where, by the laws of any State, a different rate was limited for State banks of issue, the rate so limited should be allowed for banks organized under this act. Where no rate was fixed by the laws of the State the bank could charge not more than seven per cent. In case of usurious transactions there should be a forfeiture of the entire interest which the evidence of debt carried with it. Persons who paid a higher rate than the one specified could recover twice the amount of interest paid in.

Banks in the cities of St. Louis, Chicago, Louisville, Detroit, Milwaukee, New Orleans, Cincinnati, Cleveland, Pittsburg, Baltimore, Philadelphia, Boston, New York, Albany, Leavenworth, San Francisco, and Washington were required to have on hand at all times, in lawful money of the United States, an amount equal to at least twenty-five per cent. of the aggregate amount of their notes in circulation and deposits. Banks located elsewhere were to keep a fifteen per cent. reserve. The banks in the several specified cities were each required to select a bank in the city of New York at which to redeem its notes at par. The banks organized elsewhere were required to select a bank in one of the specified cities at which it would redeem its notes at par. Every bank was also to redeem its notes over its counters in

lawful money on demand. No bank was to pay out or put into circulation the notes of any bank whatsoever which should not be receivable at par on deposit, and in payment of debts by the bank so paying out or circulating such notes. No bank could pay out the notes of any bank which at the time of paying out was not redeeming its notes in lawful money of the United States.

Before dividends were to be declared one-tenth of all net profits was required to be carried to the surplus fund of every bank until such fund should amount to a sum equal to twenty per cent. of the capital. Monthly statements and quarterly reports were required to be sent by each bank to the Comptroller. Provision was also made for the publication of these reports.

In lieu of all other taxes each bank was required to pay into the United States treasury a semi-annual tax of one-half of one per cent. upon the average amount of its notes in circulation; one-fourth of one per cent. each half year upon the average amount of its deposits; and one-fourth of one per cent. upon the average of its capital stock beyond the amount invested in United States bonds. The shares of the banks were subject to taxation in the State in which they were located but not at a higher rate than paid by State banks. The real estate of the banks was also subject to State, county, or municipal taxation to the same extent as other real estate was taxed.

Banks which voluntarily went into liquidation were to

give up to the United States treasurer lawful money to the amount of its circulating notes outstanding. The treasurer was to deliver up the securities pledged for the security of the notes and then the notes were to be redeemed at the Treasury and destroyed by burning.

State banks could be converted into national banks by a majority of the directors designating that two-thirds of the shareholders had authorized them to make out a certificate of association which complied with the provisions of this act. No State bank so organized could have a less capital than the amount prescribed for banks under this act.

All banks, when designated for that purpose by the Secretary of the Treasury, were required to be depositories of public money, except receipts from customs, and they could also be employed as financial agents of the government. These banks were to deposit United States bonds as security.

This act repealed the law of the preceding year but the banks which had been organized under that law were to have all of the privileges and assume the responsibilities provided for in this act.

The banks were to have corporate privileges for twenty years from the time they were organized.

Congress did not take any action upon the recommendations of the Secretary or the Comptroller until 14 March 1864, when Mr. Hooper in the house of representatives reported House Bill No. 333. It was ordered to be printed, and was made a special order for 23 March and from day to day until it was disposed of by the house.¹⁰

On 23 March, the bill came up for consideration and Mr. Pendleton (Ohio) suggested that it be referred to the committee of the Whole with the understanding that the consideration of it be continued from day to day in this committee until it was disposed of. Also, he suggested, that it should take precedence over all other business in the committee. Mr. Stevens objected to it taking precedence over the other special orders in the committee of the Whole. He thought they could consider and amend it in the house just as well. There seemed to be a desire to have the bill read, so Mr. Hooper asked that he should have an opportunity of presenting the amendments which were recommended by the committee of Ways and Means. Mr. Fenton thought the house did not care to have the entire bill read, but Mr. Holman demanded its reading so it was read by the clerk.¹¹

After the bill had been read Mr. Hooper asked leave to present the amendments recommended by the committee of Ways and Means. Mr. Brooks (N.Y.) desired to have the amendments printed before any action was taken on them, and proposed that the bill should lie over until the next day. Mr. Washburne thought it would expedite the consideration of the

bill if Mr. Hooper would explain the amendments. This was agreed to and Mr. Hooper explained the first amendment which was to amend section six. Mr. Brown (Wis.) wanted to make some amendments to the first sections of the bill, so Mr. Steele (N.Y.) appealed to let the bill be referred to the committee of the Whole as it would eliminate all the confusion of the proceeding. Mr. Stevens then made a motion that the house resolve itself into the committee of the Whole, and that the bill should be considered a special order to take precedence of all others and should be considered until the committee disposed of it. This was agreed to, and the clerk proceeded to read the bill by sections.¹²

The first section dealt with the appointment of the Comptroller. It provided that this officer should be appointed by the President on the recommendation of the Secretary of the Treasury, by and with the advice and consent of the Senate. Mr. Brown moved to strike out the words "on the recommendation of the Secretary of the Treasury." He based his amendment on the clause of the constitution which vested the President with appointing power, and Congress by law vested the appointment of inferior officers in the President alone, in the courts of law, or in the heads of departments. He thought the power here should belong absolutely to the President or to the Secretary of the Treasury. Mr. Brooks supported him and said that the President was the responsible officer of the government and should be given this power. Mr. Stevens had no doubt of the power of Congress upon this

subject but it was not worth while quarreling about. Since there was such unanimous confidence in the President he proposed that the words should be stricken out, and this was agreed to.¹³

Before the house adjourned for that day Mr. Hooper made some remarks upon the general character of the bill, and explained the important changes of this bill from that of the one which was passed during the last session of Congress. He said that it should be kept in mind that this was not a bill to establish the system of national banks. Its only purpose was to amend the act which established that system, to correct what the experience and observation of the past year had shown to be imperfect, and to render the law so perfect that the State banks would be induced to organize under it. It was unjust to look upon the national banking law as being inimical to the State banks. On the contrary, the object had been to offer every facility to the State banks to organize under it, because it encouraged banking upon sounder principles. He believed that the system of State banks had outlived its usefulness, as it was unequal to the exigencies of the times. He then considered what the financial conditions would have been if the changes which were made had not been made, and if the government had relied upon the State banks to furnish all the currency which was needed. He reviewed the history of the financial operations of the government since the beginning of the war,

paying special attention to the part played by the legal tenders as a necessary means of sustaining the government. If reliance would have been placed upon State bank notes there would have been an inflation of the currency such as had not been known since the days of the French assignats. The loan bill, including the issue of greenbacks; the national bank act; and the tax law were recommended by the Secretary of the Treasury as the three measures to carry the notion through the financial difficulties of the war. The last Congress had enacted them, and it was the duty of Congress now to do all in its power to perfect them.

Mr. Hooper continued by saying that this bill presented many amendments of the bill of the last Congress, but most of them were of a verbal character which were made with a view of making the meaning of the law more clear and distinct. It also contained some amendments of a substantial character to which he called the attention of the house. One of the purposes of the amendments was to remove objections made by the State banks to the existing law, which in some cases were well grounded and in many other cases were only apprehensions in regard to the possible construction of the language of the law. One section of this bill provided for the Bank of Commerce of New York to be organized as one of the national banks in the only way in which the bank could organize under the law. This was by removing, in regard to that bank, the individual liability of its stockholders for

the debts of the bank. The reason for this was that one of the articles of association under which the bank was formed, and which could not be changed, was that no stockholder should be liable beyond the amount invested by him in the bank. Mr. Hooper's own preference was to strike out the individual liability clause altogether from the bill, as the circulation was made secure by the pledge of government bonds for its security and their redemption by the government, if the banks failed to redeem them. One of the most important amendments was the provision that every bank should redeem its circulation at some one of the commercial cities named in the bill; as well as at its own counter. This would mean that no note could be in circulation which was not redeemable at par in one of the ten or twelve commercial centers of the country. None of the notes could then be at any considerable discount in any part of the country. Another important amendment made the maximum rate of interest uniform at seven per cent. Mr. Hooper preferred to make it six per cent, as he believed that to be as much as capital should ever be allowed to take from the industry and labor which made capital profitable. A higher rate benefited and stimulated speculation more than it benefited the regular employment of the industry of the country. There was an amendment which limited the minimum capital of any bank at \$100,000, instead of \$50,000, and required fifty per cent of the capital to be paid in before business was commenced. The

balance of the capital was to be paid in at the rate of ten per cent each succeeding month. Another provision was that each director should be the owner of at least ten shares of the capital stock. There were other amendments of less consequence, to which Mr. Hooper would call attention as they came before the house to be acted upon.¹⁴

In this speech of Mr. Hooper there is an indication of what questions occupied the greatest attention of Congress when the amendatory act was under discussion. It will be noted that most of the changes proposed were the ones recommended by the Comptroller of the Currency. There was one question which was not touched by this opening speech of Mr. Hooper, which caused more debate than any other. This was the question of taxation of national banks by the States. This was the great obstacle which the friends of the bill had to overcome before a final decision was given on the act of 1864.

The next day, 24 March, after the second section had been read, Mr. Brooks made a speech in opposition to the national banking system. He came from the city of New York and openly stated in the house that he represented the banking interests there. He was the leader of the opposition to the amendatory act in the thirty-eighth congress. His opposition was probably more intense from the fact that he was a Democrat.

Mr. Brooks said that in the matter of money and currency he was a disciple of Mr. Hooper. He had read his books and the author showed himself to be a hard

money man of the strictest kind, and a State bank man of the straightest school. But yesterday his teacher had made a speech which recommended as desirable the issue of irredeemable paper money. He will find that his pupil was not as easily uneducated. Exception was taken to the idea that the State banks had outlived their usefulness. It seemed that a period in the history of the country had been reached in which too many of the State rights and State institutions had outlived their usefulness, in the opinion of many. The legislature at Washington in the last two or three years had been directed to take from the States many of their powers and lodge them in the general government. For the first time in history it was heard that the successful creatures of the States, the State banks, had outlived their usefulness. He was opposed to this whole scheme of trampling down the States, and of reducing them to mere corporations. Here was a system of Federal centralization and consolidation never dreamed of by any of the monarchist framers of the constitution, or ventured even by Alexander Hamilton. He claimed that the State banks could have carried the country through the existing crisis, and had a pamphlet written by James Gallatin to show this. This was to the effect that if Mr. Chase had not misused the \$170,000,000 of gold which he had withdrawn from the banks, and if there had been wise financial administration the State banks could have successfully administered "this government as a hard money

government to carry on a hard money war." Mr. Brooks claimed that there was over \$700,000,000 in paper passing as currency in the country. Added to this would be \$300,000,000 if this scheme should go into effect. The effect of such an enormous expansion of currency was readily realized when the daily clearances of the banks of New York were considered. Since the beginning of the issuance of this paper money they had increased from \$22,000,000 to \$146,000,000. This had been attended by a wild orgy of speculation, and would be worse if this bill went into effect. He went into a lengthy discussion of the history of the wars in this country and in other countries, and pointed out that whenever there was a resort to paper money to carry on those wars it had failed. The example of leaders of paper money schemes in the past should serve as a lesson not to follow such schemes. If the present scheme should go into effect, Mr. Chase and some others would go the same way that John Law and Nicholas Biddle had gone. This scheme did not introduce the free banking system of New York. That system, under the superintendence of the banking department, was kept distinct from the treasury throughout, and not entangled at all as in this bill. The New York system was based upon redemption in gold and silver, while this system was based upon paper money exclusively. Mr. Brooks thought no matter what was done this bill would become law and wanted to cooperate with the leaders of the bill in bettering it as much as he could. He then called attention to a few of the deficiencies of some of the provisions of the

bill. In the first place the bill did not provide for the uniform currency which was promised. Instead of providing for only one place of redemption of the \$300,000,000 of currency it provided for ten places; one of those was the distant city of San Francisco, another was New Orleans. There could not be a uniform currency unless one central place was provided for redemption, and that place should be New York. In the second place, the sub-treasury system was abolished by this bill. This system was the pride and honor of the Democratic party, and now the old corrupt system of pet banks of the thirties was to be substituted for it. Another deficiency of the proposed system was that the United States had to pay the cost of the transfer of the public money. Under the old United States bank this had to be paid by the bank. Finally, this system would lead to corruption.¹⁵

Mr. Kernan (N. Y. City) wanted to call attention to some features of the bill which should be amended. By the act the Federal government would be given greater power than had ever been wielded by any party or administration in power. He objected to the power which was given to the Comptroller, and thought some of the power, as that of liquidating a bank when it refused to pay its notes, should be given to the courts. He objected to the section which provided that the tax upon the circulation of the banks was to be in lieu of all other taxes upon the banks. This meant that the national banks were to be exempt from State taxation. All the wealth of the country, all the personal property to the amount of \$900,000,000,

could be put into these banks. The only limitation was that there should be \$300,000,000 of currency, and for that currency there should be deposited United States stocks. But no bank was required to put up stock beyond one-third of its capital. All the capital which was put into these banks was by law exempt from taxation. This was not wise or just, because the banks shared in the benefits, protection, and machinery of State governments. If millions of personal property were taken from under the taxing power, the tax would be thrown upon real estate and would work a great hardship. Mr. Kasson (Iowa) stated that this prohibition did not extend to the tax upon the income of the stockholder of the bank. The clause only extended to the exemption of the corporation as a corporation. Mr. Kernan objected to this because it had been the universal policy of the States and the general government to tax corporations, and Mr. Kasson's suggestion would be to impose an income tax upon the corporation and make individuals pay it. He also stated that non-residents of the state in which the bank was located, could not be reached by that State for taxation, while they were enjoying the benefits of the State in protecting their property. He gave notice that he would, at the proper time propose an amendment which would subject the banks to State and municipal taxation.¹⁶

By these remarks of Mr. Kernan the subject of State taxation of the national banks was inaugurated which proved to be such a stumbling block in getting the bill through both houses of Congress.

Mr. Pruyn (N.Y.) thought it was evident that the bill would pass. This addition was to be made to the powers of the central government. It would be the greatest blow yet inflicted upon the States; the greatest stride of despotic power which the administration was carrying on. He asked those in charge to remove the bureau, which was created by the bill, as far as possible from the fluctuations of politics. It should be made a separate administrative department of the government, and it should be placed at the commercial center of the government, at New York and not at Washington. He then proposed an amendment to this effect, which was to take the place of the first section of the bill. Mr. Stevens objected because the amendment was out of order. The first section of the bill had been passed. Mr. Pruyn asked unanimous consent to go back to the first section so as to present his amendment. Mr. Stevens objected, and said that it would be offered when the bill was reported back to the house. Mr. Pruyn did not follow this suggestion but called for a vote on his proposition. No quorum voted, so rather than break up the committee he withdrew his amendment intending to offer it at another time.¹⁷

The clerk then continued the reading of the bill and no discussion took place until the seventh section was read. This provided that no bank should be organized with a less capital than \$100,000, nor in a city whose population exceeds 50,000 persons with a less capital than \$200,000.

Mr. Kasson moved to amend this section by adding a proviso that a bank could be organized with a capital of not less than \$50,000 at any town having a population

of not more than 50,000. But in such case the entire amount of capital should be paid in before business could commence. He said that in many of the more thinly settled States there was an amount of capital proportioned to the amount of business transacted in certain local centers. Many banks under State authority were established upon a basis of \$50,000. It was important to conform the provisions of the bill in that particular to the condition of things in different portions of the country. Mr. Kellogg (Mich.) moved to amend the amendment by striking out the clause by which the entire amount of capital should be paid in before business began. He stated that in Michigan, and other States, banks were wanted in small towns, and \$50,000 was sufficient capital to meet the wants of the localities. He saw no reason for putting such banks on a different footing from banks in larger places. Mr. Kasson objected to this because there was no banking system which authorized a bank with less capital than \$50,000. No bank should begin business with less than \$100,000, but it was desirable in this case to have those for \$50,000. However, this amount should be paid in before business started. It seemed to Mr. Pike (Me.) that if this banking system was a good one, it would be well to distribute it as widely as possible. The limit in Maine and Iowa, and other States was \$50,000. Mr. Kasson pointed out that there had been inconvenience experienced under the existing system which authorized the commencement of business on less capital. Mr. Pike thought the size of the bank had nothing to do with the question. Banks, large and small, were organized on the same

principle. The amendment made a distinction between the two. Besides it proposed that banks with \$50,000 capital should be located only in towns with less than 5000 persons. Mr. Kasson interrupted and said that the proposition was for the express purpose of giving banking priveleges to towns of less than 5000 persons. Mr. Pike answered that this proposal would prevent banks from being established in towns having a population slightly exceeding 5000 with a capital of \$50,000. To this Mr. Kasson upheld that it was necessary for a minimum of capital to be fixed. Otherwise the entire system would be brought into discredit by allowing men of small means and without the requisite knowledge of banking, to establish a number of these small banks. Some limit should be selected as a basis of action and he took the means of the general estimates which were made. This was 5000, and he supposed that any town with a larger population would be able to raise a bank with a capital of \$100,000. Mr. Kellogg (Mich.) could not see the reason for throwing obstacles in the way of the small banks in organizing under this law. He came from a sparsely settled country of the west, and that country desired to avail itself of this national system of banking. He was willing to leave the matter to the discretion of the Secretary of the Treasury to say in each instance whether a bank of \$50,000 should be established, but when authority had been given by the Secretary, he wanted all to be placed on the same footing.¹⁸

Mr. Kellogg's amendment to the amendment was adopted, and then the amendment as amended was defeated. Mr. Stevens

moved that the committee rise, and after this was done he moved that all general debate on the national bank bill should be closed in five minutes after its consideration would be resumed. The next day, 25 March, when this motion came up, Mr. Brooks wanted to make a suggestion that a number of men connected with the clearing house of the city of New York desired to be heard upon the subject of a national banking system. These men had their amendments in print and desired to present them to the house. He wanted the bill to lie over until Monday so that they might be heard. Mr. Davis (N. Y.) endorsed this suggestion for the reason that there were many bankers to whose notice this bill was presented only within the last two or three days. They wanted to confer with members of the house on the subject. Mr. Stevens said that sufficient time for deliberation on this measure had been given. The gentlemen referred to had prepared amendments, and they had been fully heard before the committee of Ways and Means. Mr. Brooks thought Mr. Stevens was mistaken in saying that these men had been heard before the Ways and Means committee. Appeal was made to Mr. Hooper who said that Mr. Lyman, with Mr. Gallatin and eight or ten others, had spent nearly a whole forenoon with the committee. They had presented their amendments and most of them had been adopted by the committee before the interview. The only ones which were not adopted were those which proposed to remove the office of the Comptroller to New York. 19

Mr. Brooks then tried another course to delay the consideration of the bill. He had not had time to consider the amendments proposed by the representatives of the banks of New York, and wanted until the next Monday to examine them. Mr. Wasburne said that it was only the representatives of the banking interests who had applied for a continuance. The people who were more interested than anybody else were not asking a continuance. The question was taken on the motion to close debate in five minutes and resulted in a tie, 46 to 46. The Speaker voted in the affirmative and announced that the motion had carried. Mr. Brooks tried to call for the yeas and nays on this motion but was told that the call came too late. He then said that he could assure Mr. Stevens that no progress would be made on the bill that day. The yeas and nays were then taken on the motion to go into the committee of the Whole. This resulted in 57 yeas and 42 nays.²⁰

An analysis of this vote shows that it was an obstructionist measure. All of the Democratic members voted against it except one, Wilson (Ia.). They were supported by four Unionist members, and one Republican. Fifty-four Republicans, two Unionists, and one Democrat voted for the motion.

The vote according to sectional lines does not indicate any particular stand of the parts of the country on the bill, as it was almost strictly a party vote. The Southwestern States opposed the consideration of the bill

by casting six out of nine votes against it. The Middle States opposed it also, by a margin of one vote. The Eastern and Western sections supported the motion by margins of twelve and seven votes respectively. The vote indicates that in the States of Ohio, Indiana, and Illinois the Democratic members outvoted their rivals on this proposition.[#]

Mr. Hooper proposed a proviso, to the section under consideration, to the effect that banks with a capital of not less than \$50,000 could with the approval of the Secretary be organized in any place the population of which did not exceed 6000. Mr. Brooks objected to this because it gave the Secretary power to say whether a bank could or could not be established. Mr. Ross (Ill.) moved to amend the amendment by striking out the clause "with the approval of the Secretary of the Treasury". The time limit for general debate expired and the debate then went on under the five minute rule. When the question was taken on Mr. Ross's amendment no quorum voted. Tellers were appointed and they reported no quorum. Roll was called and the committee reported back to the house and the rest of the day was spent in hearing excuses of absentee members.²¹

No further action was taken on the bill until 29 March. The question was on Mr. Ross's amendment which was rejected. The house then agreed to Mr. Hooper's amendment.²²

Mr. Boutwell (Mass.) moved to amend section eight so

that the banks could not sell and buy gold and silver nor loan money on real and personal security. He proposed to give them authority to sell any coin received as interest on United States bonds held by the banks. He did not want the banks to have the authority to loan on real estate, and authority to loan money upon personal security was the same as doing the business of pawnbroking. The banks by having the power to issue currency could inflate prices and hence should not be given the power to buy and sell coin and bullion. Mr. Stevens said that the time had passed when gold was considered as currency. If the banks had a quantity of gold, and if it would be above par, they would not loan it out but sell it the same as State banks. Personal security did not mean the security of personal property but of the person. This bill provided that the banks could make loans in addition to those upon real estate. They could accept collateral security as a mortgage upon real estate. This was safe for the bank and handy to the lender. When the vote was taken no quorum voted but the call for a division was withdrawn and the amendment was rejected.²³

Mr. Brooks then proposed to strike out real security. Experience in New York had taught that discounting on security of real estate was a dangerous thing. The Western States which adopted it suffered, and their currency became unavailable when in a crisis it was demanded for immediate use. The principle of banking required available

securities. Mortgages on real estate were not available as they had to be foreclosed, and a long time would elapse before the banks could realize upon them. He did not wish to insist upon a division of the committee if the amendment was not adopted. That would disclose the fact that there was no quorum, and that the most important currency and banking bill which ever came before the country was acted upon without the presence of a quorum. The amendment was rejected.²⁴

Mr. Brown (Wis.) proposed to strike out the clause in section nine by which a person should be a citizen of the United States in order to be an officer of a bank. He thought the capacity of an individual to manage a bank did not depend upon the question of citizenship. Mr. Stevens thought a man should take the vote of allegiance to the government if he was to manage the moneyed institutions of the nation. The amendment was rejected by a vote of 28 to 68.²⁵

Mr. Eldridge (Wis.) submitted an amendment that any person liable to be enrolled to serve the government could hold the office of director, if such person should own the requisite amount of stock required by this act. This question affected the people of the West. The foreigners who settled there brought this money to the United States. If they desired to invest it in banking, they should be entitled to the privilege of holding property in the banks after they had declared their intentions to become citizens, and

since they were liable for military service. Mr. Stevens did not think such persons were sufficiently educated to become directors of these banks. He supposed that those who foster this amendment meant it to apply to slaves and persons of color for they were also enrolled. Mr. Eldridge supposed that Mr. Stevens would go for it as it included the blacks. If those of color could qualify under this act for a directorship, he should be willing that they serve if they could be elected. This amendment was rejected.²⁶

The next amendment proposed was by Mr. Eldridge, to section twelve, to the effect that the stockholders should be held individually or jointly responsible for the debts of a bank to the extent of the amount of their stock at par value, in addition to the amount invested in such shares. Mr. Holman (Ind.) thought the creditor should have the right to bring action against one or all or any of the shareholders, and that the liability incurred should be apportioned among themselves. This amendment was rejected. Then Mr. Holman made an amendment which provided that the shareholders would be responsible ratably and equally for all the debts contracted by a bank. If there would be only one responsible shareholder, he would be liable for these debts. This amendment was also rejected. He then moved another amendment making the directors individually liable, while they were acting as such. The honest and poor creditors should be protected. Mr. Stevens said that this amendment was unnecessary. The poor man was secured

by the law as it stood. The United States was security for every dollar of circulation which the banks would have. As to the depositors, they were not poor men but were rich men and capable of taking care of themselves. When the vote was taken on this amendment no quorum voted, but after the committee reported to the house a quorum appeared. The committee then resumed consideration, and Mr. Holman said that he trusted that, inasmuch as one other question had been reserved for a vote in the house, no one would object to this being reserved for the same purpose. Mr. Stevens objected by saying that if a half dozen men were entitled to call for a vote in the house on a threat to break up the committee, let them break it up. Mr. Halbfleisch (N.Y.) answered that was not half as bad as for one man to control the committee. The amendment was rejected.²⁷

The next section to which amendments were proposed was the twenty-second. Mr. Ganson moved to amend this so that the banks could issue notes of one, two, and three dollar denominations. The bill provided for the issuing of five dollar notes as the lowest denomination. Mr. Hooper did not have any serious objections to this amendment, but wanted to call attention to the fact that the treasury department was authorized to issue legal tender notes of less denominations than five dollars. The Secretary intended to increase the issue of small notes, and he thought they could be made sufficiently abundant without authorizing

their issue by these banks. Mr. Beaman (Mich.) said that the large Treasury notes were very little circulated in the West. It seemed that there should be small notes to accomodate the people of this section. Mr. Washburn (Mass.) supported the measure because all sections of the country, with the exception of the large cities, felt the necessity of having small bills. If the banks would issue them instead of the government, each bank would get its share of small bills and each section of the country would be supplied with them. Mr. Wilson (Ia.) also supported this amendment. He thought the small notes issued by the government, being legal tender, would be hoarded by the banks and thus withdrawn from circulation. Thus the banks would derive the benefit intended to be conferred upon the people. This amendment would prevent that. Mr. Hooper stated that his object in restraining the banks in issuing small notes was to let the government have the profit derived from them. Mr. Pike wanted to know why it was that if it was well to let the government have control of circulation below five dollars, why not as well above five dollars. Mr. Hooper replied that when specie payments were resumed there should be no issue below five dollars. The substratum of circulation should be filled with coin. Mr. Hotchkiss (N.Y.) moved to amend the amendment by inserting "four". This question was a matter of convenience between the banks and the customers. Gold and silver could not be had so small bills would be relied upon for use. The amendment

to the amendment was rejected, and the amendment was accepted. Mr. Hooper then moved by adding the proviso that not more than one-sixth part of the notes furnished to a bank should be of a less denomination than five dollars, and that after specie payment would be resumed no bank should be furnished with notes of a less denomination than five dollars. The committee agreed to this amendment.²⁸

The next day, 30 March, when the committee resumed consideration of this section of the bill, Mr. Brooks moved to amend it by providing that the Comptroller could have plates for the bills engraved without the direction of the Secretary. The bill provided that the Secretary should give his direction for this work. Mr. Brooks thought the Secretary had too much to do anyway, and therefore this should be left exclusively to the Comptroller. Mr. Stevens objected to this because it went on the supposition that the Comptrollership was a separate department, for the object was to take from the Secretary all control of it. The whole bill went on the supposition that the Comptrollership was a part of the treasury department, and that the Comptroller should be under the direction of the Secretary. The amendment was rejected.²⁹

Mr. Brooks made another attempt to amend this section by providing that the notes should bear such devices and other statements, and should be in such form as the Comptroller (instead of Secretary) should direct. The reasons why he insisted upon this point were that the centralization of power, was given in this bill in the hands of one

man without responsibility, was a centralization and consolidation of power frightful in its consequences. He then stated that he believed in the honesty and capability of the Secretary then, but someone got \$450,000 for helping to float the loans of the government. This was being used in the establishment of anti-Lincoln Republican papers in the city of New York and elsewhere. Mr. Stevens explained that the \$450,000 had gone for the expense of floating the government loans. He did not believe there were any anti-Lincoln clubs or papers that were being established in the country. There was perfect unanimity of the representatives in the house. If there was a movement against Lincoln it was by the small men of the party, and was not alarming to the administration. Mr. Brooks answered this by upholding his charges against the Secretary. He said that he did not allow himself to be bound to the mechanism of a party which was obliged to vote according to the directions of Stevens or anyone else. He would not be a party dog in time of war, and it was his honor to be sent to Congress to support the administration in what was right and condemn it in what was wrong. He was making his persistent efforts to get this amendment through because he distrusted the Secretary, and stood, not on party principles, but as a guardian of the treasury. His amendment was rejected. ³⁰

The sections of the bill were then read to the thirtieth section. This section provided that there should be a uniform rate of interest, fixed at seven per cent. It also provided that the penalty for usury was forfeiture of

interest to twice the amount of interest paid. This section was in accordance with the Comptroller's recommendations. The question of a uniform rate of interest was one of the most discussed questions in Congress at the time.

Mr. James G. Blaine (Me.) moved to amend this section by striking out seven per cent, and inserting "established by law in the State where the association is located."

Mr. Holman moved to amend, by way of a substitute for Mr. Blaine's amendment, by striking out "seven" and inserting "six". Mr. Blaine replied that Mr. Holman did not have the floor to offer his amendment. Furthermore Holman's object would be reached by his amendment. If the committee wanted to insert six per cent, he would go for it wholeheartedly.

Mr. Cole (Calif.) supported the amendment but on different grounds than Mr. Blaine. He would strike out the whole section and leave it entirely to the States to regulate the rate of interest. It was well known that interest varied in different localities. It was higher in the West than in the East, in a new section of the country than in older sections. In California the rate was two per cent per month, and people were glad to get it at that rate. There was no reason for any law upon usury any more than there was one for regulating the price of wheat or the wages of labor. If this section was adopted, it would interfere with the laws of the several States. Mr. Driggs (Mich.) stated that the legal rate of interest in Michigan was seven per cent, but by contract could be increased to ten per

cent. He believed that Mr. Blaine's proposition covered the matter satisfactorily. The amendment to the amendment in the nature of a substitute was rejected. The question then recurred on Mr. Blaine's amendment.³¹

Mr. Price (Ia.) offered an amendment to the amendment which provided that "such rate of interest for delay in the payment of money under contract between the parties by the laws of the several States in which the associations are respectively located, and no more." His purpose in offering this was to accomplish the same object sought by Mr. Blaine, with an additional object. This would allow the rate of interest to be as it was established in all of the States whether the established rate was fixed with or without contract. Mr. Blaine objected to this as it would give to the banks in the Western States a certain advantage in getting high interest which they did not then have, but which individuals loaning money outside of the banks did have. Mr. Price's amendment was rejected.³²

Mr. Stevens thought the bill should be left as it was. It professed to establish a uniform system of banking and it should be uniform in the matter of interest as well as in everything else. If the States would be allowed to fix the rate of interest, the whole system would be broken in upon and the management taken away from Congress and given to the States. Mr. Pike suggested that Mr. Blaine's amendment was according to existing law, and that this bill was an innovation on that law. The question

was then taken on the amendment and it carried.³³

Mr. Beaman (Mich.) moved to strike out the clause which provided that in case a greater rate of interest than seven per cent had been paid, those paying it could recover twice the amount of interest paid, provided that action for recovery was commenced within two years from the time the usurious action occurred. He thought the punishment provided in the first part of the section was sufficiently stringent. This was the forfeiture of the entire interest before its payment. Mr. Holman moved to amend the part proposed to be stricken out, by putting in six instead of seven per cent. Mr. Blaine said that the adoption of Mr. Holman's amendment would provide that the States should establish the rates of interest, and then that any bank which would charge more than six per cent would be prosecuted. Mr. Holman replied that it was in the nature of a proviso on the existing power. If the banks would charge more than six per cent it could be recovered. Mr. Kellogg (Mich.) wanted a uniform rate of interest throughout the whole country. He thought it would be better for the West if not a dollar would be brought in from the East. He favored the imposing of severer penalties for usury. If money could not be procured at seven per cent with which to do business, it was best to do without it and let the business remain undone. He was opposed to this amendment for another reason. He was tired of hearing this talk about States, State corporations, State powers, and all that. He

"prays to God that we may have a United States by and by". The amendment to the amendment was accepted by a vote of 47 to 46. Mr. Stevens then moved that the committee rise, so that the committee of Ways and Means could consider whether they would further press the bill. The amendment adopted took away its whole virtue.³⁴

The next day, 31 March, the question before the committee of the Whole was Mr. Beaman's amendment. This was rejected. Mr. Stevens then proposed to strike out all of section thirty and insert a substitute. Mr. Holman objected to this on the grounds that it was the same as the section of the original bill. Mr. Stevens pointed out that originally the section made the rate of interest absolute at seven per cent. The substitute modified it so as to allow the banks to take less interest than seven per cent but not a larger rate than that. If the national banks wanted to conform to State laws fixing six per cent they could. He trusted that those who were in favor of this system would consider this a test question. The committee were willing to make it a test question. If this section was to be mangled, the whole bill was worthless. Mr. Blaine said this proposal of Mr. Stevens was a new feature in banking; the banks could take less than the legal rate of interest. This should not be the case. This whole system of banking went upon the plan of driving the State banks out of existence. For seventy years the rate in New England had been six per cent. Now

Congress proposed to add one-sixth more interest, or the price of money would increase one per cent more than had been paid during that time. The committee of Ways and Means intimated that if they were not sustained on this point they would give up the bill. He believed the country would survive if the bill never passed. Mr. Holman moved to amend the substitute by striking out seven and inserting in its place six per cent. He made a long plea for six per cent and based his argument mostly on the point that if seven per cent would be charged it would be against labor, and capital only would receive the advantages of it. It would give the banks a benefit of thirteen per cent--six per cent on bonds deposited and seven per cent on loans. It would mean that the entire banking, currency, and capital of the country would be regulated and controlled by these grasping corporations. It would also mean discrimination against State banks as in most States they were allowed only six per cent, and hence could not compete with these national banks. The price of money should be cheapened so as to favor labor at a time when it was called upon to bear such enormous burdens of taxation. Mr. Kasson regretted that the debate had taken a turn so as to lose sight of the great objects of the bill in the desire of some to introduce into the bill their special view resulting from established systems in the different localities of the country. The rate in Iowa was ten per cent, and he had been besought by banking interests there to concur in

allowing the States to regulate the rate of interest. But he had protested against this on the ground that this system was demanded by the whole country in the interest of uniformity. In respect to commerce and manufacturing, which furnished the basis of banking, there were no States in the Union. There was one country in respect to these interests. By express provision of the constitution the interstate commerce was put under the control of Congress, for the reason that whatever affected the commerce of the country should not be allowed to be obstructed by State legislation or State lines. He held that Congress could not with safety give this power to the States as it was incidental to the commerce clause. The question was then taken on Mr. Holman's amendment and it was defeated.³⁵

Mr. Pike then moved to amend the substitute so that the rate should not exceed the rate established by law of the States, provided the rate did not exceed seven per cent. This idea was the same as Blaine's proposal had been. He thought this bill was not in the interest of the government, if the \$300,000,000 additional was to be issued he was in favor of having an additional issue of greenbacks. He opposed the substitute on the same grounds as Mr. Holman; that labor would be unnecessarily burdened while the capitalists would be benefited. Mr. Alley (Mass.) opposed Pike's amendment because there should be a uniform rate of interest. He was in favor of six per cent. as was also Mr. Hooper, but the latter had introduced seven per cent. as a compromise to meet the wishes of the majority of the

house. The amendment was rejected.³⁶

In order to test the sense of the committee on this question Mr. Alley proposed an amendment to the effect that any State should have the right to reduce the rate of interest below seven per cent., as applied to any national bank located within its limits. He said that if his amendment was not accepted it would mean that the bill as it was indicated the will of the house, and he would support it. Mr. Pike and Mr. Stevens thought the wording of the amendment was wrong. As it was the State legislatures could fix the interest of National banks at five per cent., while the State banks could charge six per cent. and thus kill off the national banks. The amendment was then modified so that no State could make the rate of interest less than the legal rate in the State. The amendment was then rejected.³⁷

Before the vote was taken on Mr. Stevens's substitute some further discussion was entered into by some of the representatives. Mr. Blaine could not agree with all that had been said about not allowing States to do anything in regulation of their domestic affairs. While perhaps the very seed of all the existing evils was in the heresy of State rights, he thought a good many in the house were running to the opposite end of the pole and reducing the States to countries. Mr. Kasson said that capital would go where it was best placed. One could not get a uniformity of system from the complex systems existing under the

various laws of the states. The thing should be equalized. Mr. Driggs thought that if the States would not regulate the rate of interest, the poor man would be crushed to the earth. Mr. Pike again insisted upon letting the government issue greenbacks. Then there would be a uniform currency. Under this system proposed there could not be uniformity as notes would pass at a discount from one section to another. Mr. Cole thought the rate of interest had nothing to do with the uniformity of the currency. According to him, the committee of Ways and Means had not given one valid reason why the States should not regulate the interest rate. Mr. Miller (N.Y.) said that unless the national system was meant to be killed it was unwise to leave the regulation of interest to the States. The amendment in the form of a substitute was then agreed to by the house.³⁸

By the acceptance of Mr. Stevens's substitute the question of the rate of interest was settled temporarily. The members of the house who supported the proposition of the States regulating the interest rate did not rest until they had secured further concessions on this point from those who had charge of the bill. They had the act of 1863 to fall back upon as that left this question to the States.

The next important question which was debated concerned the places of redemption of bank notes. Mr. Hooper moved to add Detroit, Pittsburg, Cleveland, and Milwaukee as centers of redemption. Mr. Griswald (N.Y.) wanted to

insert Troy but this was not accepted because New York State had two places of redemption. On request of Mr. Blaine Portland, Maine was added. Buffalo was added upon motion of Mr. Frank (N.Y.)³⁹

Mr. Wilson (Ia.) then moved to strike out all of the places except New York. He said there was no way of establishing that uniformity, which the friends of the bill contended that it would, except by fixing one place of redemption. That place should be the money center of the country. Mr. Hooper thought that it was far more important that every locality should have its place of redemption at the central point of business, than it was to make New York the central point of the whole country. The approval of the Comptroller was required for the selection of the point at which a bank would make its redemption. This would prevent any bank from having its redemption point in a very distant section of the country. Mr. Brooks thought Mr. Wilson's measure was very sound. The people in New York had no special interest in the matter, because the more the currency was deranged the more money they would make out of it. The proposed amendment would make a dollar worth the same in every section of the country. Mr. Alley thought that Mr. Wilson started out from the wrong premise in his reasoning on this point. It was absurd to compare the state of things which would exist under this bill with what had existed in the West in regard to exchange. This bill would secure so nearly

a uniform system of currency that the exchange could be nothing more than the insurance and cost of transportation of the paper money from one section to another. It could not be over one-fourth of one per cent., and need not be over one-eighth of one per cent. He said that it was only natural that Mr. Brooks would support this proposition, as he would like to have all the rest of the country tributary to New York. The rest of the country could just as well redeem its currency in other places than New York. Mr. Randall (Pa.) stated that he had always resisted centralization of political power of the government, and he stood against the financial centralization contemplated by Mr. Wilson. Mr. Wilson replied to Mr. Alley that a western man could not be taught anything in relation to the rate of exchange which they had to pay. Others could theorize upon the facts but the West had the stubborn facts before them. It probably would be that they would not have to pay as high a rate of exchange under this system, but it would be two or three per cent. unless the banks were required to redeem at New York. Mr. Stevens moved to amend the amendment by striking out New York and providing that the notes of each bank should be received at par by every other national bank. He was opposed to the whole scheme of central redemption. If his amendment would be adopted the notes could go from one end of the country to another at par. Mr. Morrill (Vt.) hoped that the provision which was originally reported by

the Ways and Means committee would be adopted. These changes which had been proposed were made, no doubt for the purpose of defeating the operation of this system. He hoped that when the vote was taken in the house all the little places which had been inserted would be cut out. Mr. Stevens's amendment to the amendment was defeated by the chairman in casting a negative vote after an equal division of votes had resulted.⁴⁰

According to Mr. Hooper an amendment had been prepared for the next section of the bill, which provided that the banks would have the option of redeeming their circulation at New York. Mr. Wilson replied that this did not meet the idea which he had in mind. He wanted to compel the banks to redeem at New York. If they determined not to redeem at New York the amendment would not amount to much. Mr. Blow (Mo.) was surprised that a man from the neglected West would offer to part with the privilege that the banks had of redeeming at home. The people of the West had been shaved simply for the want of a uniform system of banking. Now when they were to have a law which would protect the people there from enormous losses, a man from that section moved this proposition. Mr. Wilson replied that he was not surprised at the remarks of Mr. Blow. The fact that in the bill, as reported, St. Louis was a place of redemption was a sufficient explanation. Mr. Wilson's amendment was then rejected.⁴¹

Mr. Price (Ia.) then moved to strike out all the places named for redemption except New York, Philadelphia, and

Boston. The section (thirty-one) under consideration did not compel a bank to redeem at all; it only fixed places where the banks could be allowed to redeem. The next section was the one which compelled redemption. His proposition fixed three points where a bank could keep a balance. Mr. Eldridge (Wis.) wanted to know what was meant by redemption. In Kentucky it was paying in whiskey and tobacco; in Wisconsin it was badgers in some places, and shingle-blocks and white-fish in other places. It had been said in the house that redemption in lawful money would soon take place after the war was over. He thought that the youngest man in the house would not live to see the time when this paper currency would be redeemed. It had been said of this character of paper, that it "knoweth not that its redeemer liveth". He doubted whether any of them could say that it ever would have a redeemer. The amendment of Mr. Price was rejected.⁴²

Mr. Cravens (Ind.) moved to add after New York the word Indianapolis. Then on motion of Mr. Morrill the committee rose, and before it resumed consideration of the bill had agreed to close all debate on the pending section within one minute. The amendment of Mr. Cravens was rejected, and consideration of section thirty-two began.⁴³

This section provided that if the banks should fail for a period of thirty days to redeem their notes in lawful money, the Comptroller could wind up their business. Mr. Eldridge moved to substitute coin in

place of lawful money. He again asked what was meant by redemption. Mr. Shannon (Calif.) said that if Eldridge would tell him when he and his Democratic friends would cease croaking and harping, and weakening the confidence of the people in the stability of the government; and if he would tell when they would cease to aid Jeff Davis, then he would answer his question. If Congress would not impose any abnoxious laws to impede the mineral resources of the Pacific coast, it would be but a short time after the war was over that redemption would be in gold and silver. Mr. Eldridge replied that he and his friends would support the currency when Mr. Shannon gave them a good currency. They would give him their sympathy and support if he would give them back the constitution of the country; when he respected the liberty and rights of the people; and when he gave his support to the constitution and the Union. Mr. Price then moved to insert New York, Philadelphia, and Boston as places where banks should redeem their notes, and that the rate of exchange should be one-fourth of one per cent. Before the question was taken on this amendment the house adjourned.⁴⁴

The next day, 1 April, before the house went into committee of the Whole, Mr. Morrill proposed that all debate on the bill should terminate in one minute after consideration was resumed. This was opposed by Mr. Brooks, so the motion was changed to apply to the pending section. This was accepted. Mr. Price's amendment was rejected.

He then moved to make it compulsory for banks to receive each other's notes and to treat them as their own. This was also rejected. Another amendment was rejected, which was made by Mr. Davis. It provided that the banks should have the option of selecting New York as a place of redemption.⁴⁵

Mr. Stevens proposed to strike out all of section thirty-nine which provided that the national banks could not pay out any notes of any other banks in doing business. Mr. Stevens thought this was unjust to the State banks and also the national banks. A bank established upon these principles could not ever do a business worth mentioning. Mr. Hooper said that Mr. Stevens misapprehended the effect of this section. It meant that the banks could not put into circulation notes which they were not willing to receive. Mr. Stevens thought these banks should be allowed to deal in just such notes as other banks were allowed to deal in. If they were willing to take them and others were willing to receive them, there should be no obstacles put in their way. Mr. Hale (Pa.) said that the original section amounted to a repudiation of State bank notes. He presumed that the object of this section was to reduce the circulation of State banks, but did not think that it would have that effect. Mr. Kasson explained that this section provided that the national banks could take in any currency they pleased, but it prohibited them from putting in circulation notes as were

not fit for circulation or redemption. Every bank desired to keep its own currency out as long as possible. It would then therefore send its own currency to some remote part of the country for circulation, while it would pay out to its creditors in its own immediate neighborhood the notes of other banks. If this section would remain in the bill, the national banks would receive the notes of State banks and keep them on hand until a reasonably large amount had accumulated. Then they would send them to the banks, from which they were issued, for redemption. This should be the law where a solid system of currency was wanted. Mr. Stevens thought that this restriction would cause the States to retaliate by passing laws by which their banks should take the notes of no other State banks or of a national character. Mr. Stevens's amendment was then accepted.⁴⁶

The forty-first section was then considered. It provided that the taxes levied upon the banks by this law should be in lieu of all other taxes. This provision caused more debate and discussion in the two houses of Congress while the amendatory act was before them than any other measure.

The first amendment proposed to this section was by Mr. Kalbfleisch. He moved to strike out the clause by which these taxes should be in lieu of all others on the national banks. His object was that this section would not be construed to prevent States, counties, and cities

from imposing a tax upon these banks. It struck directly at the power of the States and local governments to tax any of the banks organized under this law. The amendment was rejected.⁴⁷

Mr. Griswold (N.Y.) moved to amend so that these taxes should be in lieu of all other national taxes on such banks. Also he added a proviso that these banks should severally be subject to State and municipal taxation upon their real and personal property the same as persons residing at their places of business were subject to taxation by State laws. Mr. Hooper supposed this proposition came from Albany, where they had a proposition before the New York legislature to tax the national banks. Mr. Kalbfleisch answered that if it was the intention to prevent the State of New York from exercising its sovereign power, he hoped that the house would not do this. The national banks should be subject to State and other taxes, the same as individuals and other banks. This amendment was rejected.⁴⁸

Mr. Tracy (Pa.) moved to add a proviso to this section to the effect that no provision of the act should be construed as to prohibit any State from taxing the dividends of national banks. He hoped that Congress was not going to override taxation, and release the great moneyed interests from taxation and impose it entirely upon other interests. Mr. Hooper explained that the States were not excluded from taxing the personal property of an individual which was invested in the banks. It simply

prevented taxation of the bank itself. Mr. Eldridge looked upon the proposition of this section of the bill as monstrous. The whole tenor of the bill was to drive the entire banking capital of the country under these banks and relieve it from taxation. The idea that the personal property of an individual invested in these banks could be taxed was not a practical one, as it would be hard to find those individuals. They would be located in a different place from where the bank was located, or they could be in foreign countries. Mr. Morrill thought this question was not fully understood. The facts were that this capital was to be entirely composed of bonds of the United States. If it was left at the option of the States to tax this capital, the government would be prevented from getting any loan from the issuing of these bonds. It was not true that this capital was exempt from taxation in any other form than as indebtedness of the United States. The national banks were to be taxed fully by other parts of the bill. Their circulation would be taxed; the banks would be taxed on license; and they would be taxed on their incomes. Mr. J. C. Allen (Ill.) protested against this kind of legislation which would enable individuals to invest their entire capital in government bonds and in that way exonerate themselves from paying their proportion of the State taxes. This principle could not be defended on grounds of reason or justice. Mr. Grinnell (Ia.) said that every state had a

common interest in the national currency. If it would be left to the States to tax these banks as they pleased, some States probably would tax them out of existence. Those who opposed this bill claimed that they controlled the State of New York. Then that State would certainly tax out of existence any banks which would be organized under this law. Even if a few rich men would not appear to be taxed as heavily as they would otherwise be, it should be remembered that they invested their all, and that they came forward and put their shoulders to the wheel, and expressed confidence in the government and in the payment of the national debt. Mr. Washburn (Mass.) thought the tax upon the circulation of the banks was not altogether just. The effect of it would be to put the tax upon the country banks, as the city banks had very little circulation. This would place the burden upon the smaller banks who were least able to pay it. He was much opposed to giving the States permission to tax the capital of the banks. The great object of this bill was to make a great national system, and to carry that out it would not do to place this power in the hands of the States. The main object would be to tax the capital of these banks by the general government. It was not right to exempt the bonds of the government from taxation. Mr. Stevens did not suppose that there was any member in the house who was for violating the pledges made to the nation. when the bonds of the government were issued it was under the plighted faith of the nation that they should not be touched.

The general government had reserved the right to tax them for national purposes. But they could not be taxed by State authorities, unless Congress was willing to disregard the pledges which were solemnly given by the government. It had been decided that banks chartered by the government could not be taxed in the States. On this point he appealed to the States of Maryland, Kentucky, and Ohio. Mr. Tracy's amendment was then rejected.⁴⁹

Mr. Hotchkiss then moved that nothing in this section should be construed to exempt the national banks from the same State and municipal taxation which was imposed upon other corporations in the States where such banks were located. In support of his amendment the author stated that there was no existing law which exempted the banking business in any State from taxation. There was no contract which existed between the government and the holders of the bonds, in case they would invest them in the banking business, that this business should also be exempt from taxation. The proposition as it stood would make the law odious to the people. If it would be adopted there would be such an outcry on the part of the people that they would defeat the party which had established it. Mr. Wilson contended that the power to levy a tax upon these banks created by Congress under its power to regulate commerce was one which should be exercised by Congress alone. It could not be delegated by Congress to the several States. The amendment was then rejected.⁵⁰

Mr. J. C. Allen (Ill.) obtained the floor but Mr. Stevens wanted to move that the committee should rise to close debate upon this section. Mr. Allen would not yield and spoke in favor of letting the States tax these banks. His main point was that it was unjust to the people of the States to exempt this class of property from taxation, as it would throw greater burdens of taxation on other classes of property. It was then decided to close debate on this section within one minute. Mr. Kasson moved an amendment which carried. It provided that the words "from time to time" should be inserted. The clause would then read that the taxes imposed by Congress from time to time should be in lieu of all other taxes. After the forty second amendment had been read, the house adjourned.⁵¹

The next day, 2 April, when the forty-fourth section was discussed much comment was made on the amendment proposed by Mr. Hooper. The section dealt with the conversion of State banks into national organizations. The amendment to it was that if any existing bank's articles of association prohibited the changes as expressed in this bill, the bank could come in under the bill anyway. Mr. Randall charged Mr. Hooper with making this amendment for the purpose of facilitating the bringing in of the Bank of Commerce. He had the clerk read the sixty-third section which provided that this bank could come in under the bill without changing its articles concerning the liability of

its stockholders. The personal liability clause of this bank was that the stockholders should not be liable beyond the amount they had invested in bank stock. On the other hand, the liability of stockholders of national banks, was double the amount of stock which they held. Mr. Alley thought that Mr. Hooper should have gone farther in his amendment and exempted all stockholders from personal liability beyond the amount of stock which they owned. He opposed any distinction in favor of any class of stockholders. He was also opposed to the idea of stockholder's liability where the redemption of the bills was provided for by ample security. He made an amendment providing for the above ideas. Mr. J. C. Allen opposed this amendment and favored the original provision of the bill. The stockholders should be made personally liable, not only for the redemption of bank notes, but also for deposits and bills of exchange drawn upon the banks. He opposed Mr. Hooper's amendment because of discrimination against the smaller banks. He was much opposed to giving the Bank of Commerce this privilege as was proposed in Mr. Hooper's provision. The house disagreed to Mr. Alley's amendment.

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Another amendment, which was rejected, was made by Mr. Broomall (Pa.). This was to the effect that as soon as a State bank became a national bank its charter, that had been granted by the State, should be annulled. He was opposed entirely to mixing the authority of the State

governments and the national governments in the banking business.⁵³

Mr. Brown (Wis.) wanted to know what banks there were to which Hooper's amendment would apply. He also wanted to know why section sixty-three was not abided by, instead of proposing this general amendment. Mr. Hooper replied that he knew of no bank but the Bank of Commerce which would be affected by this provision. That bank had been very loyal, and had done more to sustain the government in the rebellion than any other bank. Its directors were anxious to come under this law, but the personal liability clause of its articles prevented it from doing this. It had a paid up capital of \$10,000,000, and he thought it would be well to bring it under this law. As to the form of the amendment, that was a mere matter of taste. His only reason was that this was a general law and that this should be a general provision which applied to any of the banks. Mr. Stebbins thought this section with the amendment was the best that could be had. In order to make the law of 1863 more perfect, the amendments which were proposed by the committee of Ways and Means, he thought were necessary. This bill was nothing more than an amendatory act, and this was an effort of Congress to render a law efficient which was inoperative. In order that it be made more effective it was necessary that the local banks should be properly protected and conciliated. One of the first difficulties was in regard to the Bank of Commerce. It

was a large and powerful organization, and if left under State law it probably would be found in a very few years in antagonism to the national system. Mr. Alley made two other unsuccessful attempts to get amendments through, which would give the priveleges to other banks in respect to personal liability which were proposed to be given to the Bank of Commerce. Mr. J. C. Allen was intent in trying to get double liability extended to the Bank of Commerce as well as other national banks. Mr. Stebbins defended the provision of Mr. Hooper, and showed clearly that the particular bank in question could not change its articles of association on the personal liability of its stockholders without the consent of the stockholders. This was impossible to do because the stockholders were scattered all over the world. He said that it was understood that this bank was perfectly satisfied with its condition as a State institution. At the same time it was willing to come under this new law. The directors were willing to show by their example what they conceived to be the value of this new national system. He thought it would be for the interest of Congress to make an exception in this case in order to obtain the influence which such an institution could exert. Mr. Davis (Md.) saw a serious struggle which would take place between the national and State banks. It was impossible that the State banks could be allowed to stand side by side with the national banks. If there was to be that struggle, it was best to enlist

on the side of the national banks the greatest and most powerful money corporation in the United States. Mr. Stevens then moved that the committee rise to close debate on this section.⁵⁴

The yeas and nays were taken on the motion to close debate upon this section, and the result was 69 for to 42 against.[#]

This was another obstructionist measure and the vote was cast very closely along party lines. Only one Democrat supported it and only two Republicans opposed it. Three Unionists and the same number of Emancipationists voted affirmatively, while one Unionist voted in the negative.

The vote according to sections would indicate the States where the administration had its greatest strength. The Eastern States voted by a large majority for this motion, while the Middle States were about evenly divided, giving only a margin of one vote in favor of it. This indicated that party strength in those States was about equal. The Southwestern section voted two to one in favor of this motion, which would seem that it supported the friends of this bill. However, the members of these States voted inconsistently and were always a doubtful factor in supporting or opposing this measure. This was due to the divided border State population at the time. The Western States gave a margin of six votes to this motion, and the votes were cast upon strictly party lines with the

exception of Wilson (Ia.), a Democrat who voted in the affirmative. The situation in the West as far as party strength was concerned, was about the same as in the Middle section--about evenly divided. On certain amendments, some members in the evenly divided sections did not follow party lines in voting and their votes had a great deal of influence in determining whether or not those amendments carried. #

This question was taken on Mr. Hooper's amendment and it was accepted. Mr. Holman moved to add that the individual liability provided for in this bill should not be impaired. This was rejected by a vote of 47 to 45. ⁵⁵

Mr. Boutwell (Mass.) proposed an amendment which provided that any State bank which was a stockholder in any other bank, by authority of State laws, could continue to hold its stock, though either or both banks would be organized under this act. This was accepted. ⁵⁶

The forty-fifth section dealt with the banks being depositories of public funds. Mr. Boutwell proposed an amendment to the effect that all banks under this bill, when designated for that purpose by the Secretary of the Treasury, could be (instead of should be as the bill provided) employed as financial agents of the government (instead of depositories of public funds). His object was to take from the Secretary the power of making the banks the depositories of public money. The sub-treasury system should be maintained and used for such depositories.

Mr. Stevens opposed this amendment because if the national banks would not be fit places to deposit the government funds, it would be better to have no banks at all. To require taxes to be deposited in a sub-treasury would create trouble and inconvenience which ought to be avoided, Mr. Ward (N.Y.) approved the amendment because the judgement of the people had become confirmed in the approval of the sub-treasury system. This section of the bill virtually repealed the sub-treasury act, and created another source of increased loans, discounts, favoritism, and centralization of power. It proposes to revive substantially the "pet bank" system for deposit of government moneys. Mr. Boutwell's amendment was not accepted.⁵⁷

An amendment was accepted which was made by Mr. Kalbfleisch. It provided that the Secretary should require the banks to be depositories, instead of leaving it discretionary with him. The next three sections were then read and the house adjourned.⁵⁸

On 4 April the consideration of the bill was resumed and the sections were read to and including the sixty-second section. This last section provided that all banks were required to be numbered one, two, three, etc. in the different States where they were organized. Mr. Hooper proposed an amendment providing that the banks could take any name which they preferred and which was duly certified by the Comptroller. This applied to banks

already organized or were in the process of organization. They could not however make the change after six months from the passage of this act. The amendment was accepted.⁵⁹

Mr. Hooper then moved to strike out the sixty-third section which dealt with the Bank of Commerce. He proposed to insert in place of it another section. This provided that persons who held stock as executors, administrators, guardians, and trustees should not be personally subject to any liabilities as stockholders. But the funds and assets in their hands should be liable to the same extent as the testator, intestate, ward, or person interested in such trust funds would be if they were living and competent to hold stock in their name. Mr. Nelson moved to amend the amendment by substituting a section to the effect that notes issued by State banks, the redemption of which was secured solely by a pledge of United States bonds and to the same extent as the circulating notes issued by national banks, should be receivable for taxes and all government dues except duties on imports and interest on the public debt. Also the affairs of such State banks should be subject to the inspection and examination of the Comptroller. He argued that this would make a sale for the stocks of the United States. This would allow the State banks to remain as they were, or would allow them to come under the provisions of this act. After some discussion this amendment was rejected.⁶⁰

Mr. Cox (Ohio) was in favor of striking out the section

as proposed, but he did not favor the substitute. He was also against the amendment which had been previously adopted which enabled the Bank of Commerce to come in under that general clause. He gave notice that when the proposition came to be voted on in the house he would call for the yeas and nays. The effect of granting these priveleges to the Bank of Commerce would be to create a great monster national institution with branches all over the country.⁶¹

Mr. Ward proposed as a separate section of the bill that any State bank which proposed to organize under this act should withdraw its State circulation before the organization was completed. He supported this by saying that there was apprehension in all parts of the country, and unless the undue expansion of paper money was immediately checked the people would be burdened with debt and taxation which had not been paralleled. He criticised the policy of the treasury department in relying upon short time loans, and believed that a vigorous system of taxation should have been used instead. His amendment was rejected.⁶²

The question of a uniform rate of interest came up again. Mr. Blaine moved to amend by an additional section that the rate of seven per cent. interest, fixed in section thirty, should be deemed lawful in all States where no rate was established, but each bank should be bound by the State law regulating interest in the State where it was located. He said that this amendment had been up before in two different forms but had been defeated. It

was introduced again for the reason that when it had been up before the objection was made that it would destroy the uniformity of the bill. Since that time the uniformity of the bill had been dreadfully interfered with, and as the committee had given way in two most important particulars it should give way in this. He claimed that uniformity had been defeated in the failure to establish some central point of redemption, and the adoption of the principle that there was not uniform personal liability of stockholders. The clause pertaining to the Bank of Commerce and all similarly situated banks wiped out uniformity completely. Before this amendment was adopted Mr. Wilson unsuccessfully attempted to attach a provision to the effect that the rate established should not exceed seven per cent.⁶³

The question of State taxation came up again and was not as easily disposed of as the question of the rate of interest. Mr. Van Valkenburg (N.Y.) submitted as an additional section that nothing in this act should be construed to prevent the taxation by the States of the capital stock of the national banks the same as the property of other moneyed corporations for State and municipal purposes. He said that he had heard no reason offered why this capital should not be taxed the same as any other property. Mr. Holman believed that the only objection which could possibly be urged against this amendment was that it did not exempt from taxation the

bonds of the United States. As far as the general principle of taxation was concerned, the amendment was right. He said that this system could carry a possible capital of \$900,000,000 which was subject to no State taxation whatever. The power and wealth created by this bill would become a fearful agent of absolute centralism, and would be a power stronger than the government itself. The States had incurred debts as meritorious and oppressive, in consequence of the war, as those incurred by the federal government. The States would have to meet their engagements, somebody would have to carry the burdens and it was not just or right to exempt the capital of the national banks from taxation. He would resort to parliamentary means for delay until doomsday before consenting to the passage of this bill, unless the banks would be made subject to State taxation. Mr. Pruyn did not propose the question of State sovereignty and hoped that the house would do nothing to bring up the question. He did want to correct Mr. Holman by saying that they did not wish to tax the capital of the banks in any other way than as capital which acted under franchise granted by the government. The banks could do with their capital just what they pleased, but the franchise should be taxed by the State the same as other corporations.

The purpose of this amendment, according to Mr. Davis (Md.) was to get around the derision of taxation in the old United States bank case, and to subject these banks to the unlimited discretion of State taxation. The right of taxation

in the States placed the existence of the banks at the mercy of the States. If this was done this bill could just as well be dropped. This was a question of whether this system should go into effect or not. Mr. Kernan did not so understand this amendment. As he understood it the property of the banks would be subject to the same taxation as other corporations located in the States. Discriminating taxation would not be brought about by this provision. As far as the one-third of the capital held in United States bonds was concerned, this would be exempt, but the other two-thirds should bear a fair taxation. Mr. Davis thought Mr. Kernan was wrong when he said that the bank stock was merely to be liable to the same tax as other personal property. In the first place, this was not the language of the bill, and in the second place, all personal property was not subjected to the same taxation. There was no such thing as a uniform limit of taxation in a State to which this section could refer and therefore it left the banks subject to the unrestricted taxation of the State. This was not a question of justice. It was a question between the sovereign power of the United States and the necessities of the machinery that it created, and the necessities of the States that desired to tax these banks. If State necessity was to domineer over national necessities, and that was the generally prevailing Democratic view of the country, then the amendment should be adopted. If the main thing was to make an effective

and powerful national organization, then the bill should go through without this destructive amendment. Mr. Mallory (Ky.) thought that with all the priveleges and powers which were granted to the national banks, if the States were not given this power the banks would destroy the States. The whole purpose and object of this bill was to prostrate State power, and put it at the control of the great centralized power which was to be established. Mr. Morrill said that it was obvious that if this amendment prevailed the bill became an entire nullity. It would be just as absurd to give the States this power as it would be to allow them to tax the public buildings or the ships of the United States. Congress would not let the banks go without bearing all the burdens which they could bear. He thought the best course to follow was to allow this question to come up when the subject of taxation would be before the house. Mr. J. C. Allen did not see the force of the argument that the States would tax these banks out of existence. Their own interest, own security, and the desirableness of a uniform currency would operate against such an idea.

Mr. Davis (N.Y.) submitted a substitute for the amendment of Mr. Van Valkenburg. It provided that the Secretary of the Treasury at the end of each fiscal year should make out a report and transmit it to the treasurer of each State. This report was to show all taxes which had been collected within each State from the national

banks during the previous year. With this statement there should be transmitted one-fourth of the amount thus collected, to be disposed of by the State at the discretion of the treasurer. He offered this with the idea of suggesting a principle on which it would be possible for the house to agree. Mr. Strouse (Pa.) opposed this amendment but favored Van Valkenburg's. The latter amendment was not antagonistic to the federal government. He did not see the justice of taxing everyone except the moneylender. The national stocks were bought partly out of patriotism, and a good many were bought because they thought it was good speculation. Congress should not be so charitable as to exempt from taxation money that had been invested to make more money. Mr. Hotchkiss moved to add to the original amendment that no State should impose a tax upon any of these banks, or their capital, dividends, or business at a higher rate than should be imposed upon the same amount of moneyed capital in the bonds of individual citizens of the State. He said that the object of this amendment was to obviate the objection which would tax the banks out of existence. He did not think there was any need of this but some seemed to think the people of the States would become so enraged at this system that they would tax it out of existence. They seemed to have forgotten that it was the only system of banking which would be in existence. If the States were not allowed to tax these banks, the system would be made odious to the

people but not otherwise. Mr. Van Valkenburg accepted Mr. Hotchkiss's amendment as a modification of his own.

Mr. Eldridge said that there was only one real argument that had been made against State taxation, and that was made by Mr. Davis (Md.). This argument was that these banks were national institutions and the States would interfere with them. This was an admission that the whole object of the bill was to create a great centralized national bank system which would override and destroy the State banks, and that these banks were going to be unsatisfactory to the people. He said that this bill would be hostile to the people and in such great hour of trial it should not be attempted. His line of argument was that if the States would have any object in taxing the banks out of existence it would be because the people did not desire them. The people should not have an institution forced upon them which they did not want, so if the power was not given to the States to tax these banks it was admitting that the people did not want them. Mr. Davis replied to Mr. Eldridge by attacking the latter's stand on State sovereignty. He said that they were dealing with State sovereignty in Virginia then, and could deal with it in any other State if need be. State sovereignty was always the form which every attempt to divide, break up, and paralyze the government of the United States assumed. It was the worst shape which could be brought before the people of

the country at the time to cover any attempt to embarrass the government. As to the idea of hostility to the people, Mr. Davis said the government did not exist by the will of the people of the States but by the will of the people of the United States; and the people of the United States meant to say that no State should have the right to say that a national system should not prevail within its borders. He closed by saying, "Let us tell State sovereignty to take care of itself, and let us enforce the sovereignty of the United States".⁶⁴

Mr. Mallory (Ky.) contended that Mr. Davis was against the federated form of government and was for a central national government which would control not only the States but also the people of the United States. Mr. Davis could be pardoned for arguing against State sovereignty, but should be rebuked for arguing against the sovereignty of the people. The people should have the power to tax these banks in the States because if they were undesirable they could thus get rid of them, and should not be shackled so as to accept this legislation of Congress without any voice in the matter. He was no ultra-State rights man, and believed that the constitution, laws, and treaties should be the supreme law of the land. But Mr. Davis was going beyond the constitution because he would destroy the rights of the States reserved to them by the constitution. In closing he said that it seemed that the whole objection to Van Valkenburg's amendment was based upon the fear of Congress to meet

the people of the United States, who were yet the masters of Congress. He didn't know what the people would become when the armies had crushed out all the liberty what remained in the United States. Mr. Hotchkiss proposed to amend the original section by adding that no State tax should be imposed upon any part of the capital stock invested in bonds of the United States. Mr. J. C. Allen pointed out the fact had been assumed that United States bonds held by the banks were government property. Such was not the case. As soon as they were purchased from the government they ceased to be government property, and were the same as any other property and should be subject to taxation. The States should not have the right to tax government property but they should have the right to tax the property of their own citizens. The great objection was that if the States were not given this power, the right which pertained to the States under the constitution was stricken down. ⁶⁵

Before the house went into committee of the Whole, 5 April, an unsuccessful attempt was made to close all debate on the bill in one minute. However it was decided to close debate on the pending section within that time. The amendments to the amendment of Mr. Hooper were rejected and Mr. Hooper's amendment to strike out the sixty-third section and substitute what he had proposed was accepted. ⁶⁶

An amendment was adopted which was submitted by Mr.

Price. This provided that no bank should pay out or put in circulation any bank bills, or anything which was intended to circulate as money, which at the time of putting out was not being received by such bank at par. Mr. Washburne(Ill.) moved to strike out the enacting clause of the bill. He explained that, if adopted, this would cause the bill to be reported to the house and if upheld there it would kill the bill. If it would not be supported in the house the bill would then be recommitted to the committee. This was rejected. The last section, sixty-four, was then read. This provided that Congress could at any time amend, alter, or repeal this act.⁶⁷

A substitute for the whole bill was offered by Mr. Holman, which provided that the act of 25 February 1863, was repealed, and each bank which had been organized under that act should have three years to wind up its business. This was rejected by a vote of 45 to 63. The committee then rose and reported the bill to the house.⁶⁸

A motion was made by Mr. Stevens to amend the bill by striking out the whole of it, and to insert a substitute. This was the same as the bill as it was amended in the committee of the Whole with the exception of the uniform interest and taxation provisions. They were the same as in the original bill. Efforts were made by Mr. Cox and Mr. Washburne to get the substitute printed, but Mr. Stevens thought that it was not necessary.⁶⁹

Mr. Steele (N.Y.) made the closing speech in opposition

to the bill. His speech did not deal so much with the details of the bill, but it brought out the points of opposition to the system of banking as a whole. He deprecated the fact that any member of Congress who opposed any measure of the administration was accused of being disloyal by some member of the house. Mr. Steele was correct in this remonstrance as it was a favorite method of some Congressmen at the time to use this argument as a pressure upon the opposition and wavering members to get them to support an administrative measure. This was especially true when financial measures were being considered, but how much it influenced the establishment of the national banking system is hard to determine. It was used so much that no doubt the effectiveness of it soon amounted to very little.

The chief points of opposition presented by Mr. Steele were those which had been made against the system by its opponents all through the debates in Congress. Summing up these points; in the first place this scheme would expand and drive out all other banks and money corporations, and would control the currency of the country. Secondly, this bill would subvert the liberties of the people, and centralize power in the general government at the expense of the reserved rights of the people and the States. Thirdly, it would drive the State banks out of existence, and it would take out of the reach of the State, property which should be taxed. Congress had no constitutional

authority to do this. Fourthly, this system would not create a uniform currency. And lastly, he went into a lengthy argument against lodging so much power in the treasury department. This centralization of power overthrew the principle that this was a government of the people. While he was for restoring and preserving the union at any cost, he was not ready to surrender the liberties and personal, local, and State rights as this bill would have him do.⁷⁰

After these remarks there was some discussion as to whether the substitute proposed by Mr. Stevens should be printed. It was finally decided to have it printed, and also the original bill and amendments. During the discussion Mr. Brooks summed up what he thought were the chief points in opposition to the bill. This showed that he was working in the interests of the State banks, and it also pointed out that the two main questions connected with the establishment of this system, that is, State rights and State banks, were closely interwoven. He said what they desired to do away with was the \$300,000,000 of bank currency, and if the government desired more currency it should be legal tender notes. Currency should be made by the government and not by banks. At this point Mr. Hooper questioned him whether he meant to include State bank currency, or would he let the government issue all of the currency of the country. The reply to their (opposition) theory was that the federal Congress had

nothing to do with State banks; this was a matter for State legislation and those banks were dependent upon the State governments. Mr. Stevens entered into the discussion and said that he would prefer legal tender notes to the circulation of banks, either State or national¹. He would join with Mr. Brooks in a measure of this kind. The opinions expressed by these three men, Brooks, Hooper, and Stevens, represented the division of opinion of the members of Congress, at that time, on the matter of currency. In other words, there were those who thought that the State banks should continue to issue their notes, and in times of a crisis the government would supplement them by issuing government notes. There were those who thought that the currency of the country should be uniform and national, and should be issued through the establishment of national banks. And there were those who believed that the simplest way would be to let the government issue paper money directly, and that this should be the sole currency of the country.⁷¹

Before the amendments were taken up by the house Mr. Hooper used his hour in defending the measure. His remarks were more in refutation of the changes made by the opposition, rather than on the general merits of the bill. These remarks were more or less of a repetition of what had been said in defense of the measure during the debates. He repeated the idea that the State banks had outlived their usefulness, and upheld the financial measures of Congress

which had been enacted during the war. He answered the charge that the system was condemned because by this bill it was to be perfected, by saying that the act of 1863 established a most important principle and that the brief experience of a single year had been satisfactory. It was a novel idea that any bill amending an existing law was a condemnation of the original law. In regard to the rate of interest, he said the reason for limiting it was to prevent speculation, and allow the poorer man to borrow if need be. Seven per cent. was chosen as that was the rate of New York. He repeated the principle that the object of this bill was not to destroy State banks, but to bring them under the control of one uniform national law. This law would be applicable to every State of the Union, and the State bank circulation would be a part of the \$300,000,000 which this law authorized as the maximum amount which was to be in circulation. In closing his remarks he said that this bill did not withdraw property of individuals from State and municipal taxation, as the property of any individual invested in these banks was taxable. The Supreme Court had decided that a national bank could not be taxed because such power to tax was a power to destroy an institution created by the national government. To give the States that power under this law would destroy these banks as national institutions.⁷²

All the amendments which had been reported from the committee of the Whole, upon which no special vote was requested were then accepted by the house.

The first amendment upon which a special vote was taken was the one which provided for the establishment of banks with a capital of not less than \$50,000 in any place with a population of 6000 inhabitants or less. Tellers were appointed and reported a vote of 64 in favor and 54 against it.⁷³

The yeas and nays were called for by Mr. Holman on the amendment which provided for issuing notes of one, two, and three dollar denominations.⁷⁴ It was accepted by a vote of 76 to 54.[#]

The administration party supported this amendment by all members casting their votes for it except one each from Missouri and Kentucky. The members in the house from Missouri present varied party affiliations. They were chosen on Republican, Democratic, and Emancipationist tickets and were not consistent in their support or opposition to this bill. There were five Democrats, three Unionists, and three Emancipationists who voted for this amendment also. Two Republicans and three Unionists voted with forty-nine Democrats to oppose this provision.

The vote according to sections showed that not a section voted in opposition to this amendment. However the Western States divided their votes equally out of a total of 48 votes cast. The margins in favor of the provision from the Southwestern and Middle States were one and four respectively. The most substantial support came from the Eastern section where twenty votes were cast in the

affirmative and only three in the negative.[#]

The next amendment was accepted without a record vote. This provided for striking out section thirty and inserting a provision for taking seven per cent. interest on any loan, discount, note, or bill of exchange, and provided for punishment if more than that was taken.⁷⁵ This was further amended as shall be shown.

Mr. Kernan called for the yeas and nays on the amendment that the taxes which should be imposed by Congress from time to time should be in lieu of all other taxes on the banks.⁷⁶ This also was further amended later. The vote on the amendment resulted in 72 yeas and 61 nays.^{#a}

This amendment was supported by 66 Republicans, one Democrat, three Unionists, and two Emancipationists. In the opposition the Democrats had the support of four Republicans and a like number of Unionists.

The vote by sections remained unchanged from that of the preceding vote in the Eastern and Western sections. The former section gave a substantial majority in favor of the amendment, while the vote of the latter section was equally divided. The Middle States voted against this provision by a margin of five votes, while the Southwestern States gave a margin of two votes against it. This just reversed the vote of these two sections from that of the preceding vote.^{#b}

Appendix. Table III A.
 #a Appendix. Table III.
 #b Appendix. Table IIIA.

The next amendment upon which a special vote was taken was the one which provided that banks, whose articles of association prohibited any specified changes, could be organized under this bill. This was put in general terms but applied principally to the Bank of Commerce of New York City.⁷⁷

The vote resulted in 65 for and 63 against it.[#] The Republican vote was somewhat split on this provision, fifty-eight voted for it and eleven against it. The Republicans who voted against it were mostly from the Eastern and Middle States, only one, Washburne (Ill.), was from the West. This showed that there was a strong feeling, among a few of the administration party, against the apparent discrimination of this provision. The Democrats voted solidly against it. Of the minor parties four Unionists voted in the affirmative together with three Emancipationists, while three Unionist members opposed it.

The only section what supported this amendment was the Eastern States. This support was substantial, giving a margin of seventeen votes out of a total of twenty-three. The other sections opposed it by small margins. The Middle States by a margin of six votes, the Southwestern by one vote, and the Western by eight votes. This vote would indicate that the leaders of the bill could not rely upon their party to sustain them in all of their recommendations, and the next vote showed that they could not carry all of

their principles into the national banking system.[#]

The next amendment was to modify the provision which had been previously adopted concerning the rate of interest. It provided, as an additional section, that the rate of seven per cent. interest which had been fixed should be deemed the lawful rate in all States where no rate was established. But each bank should be bound by the State law regulating interest in the States where it was located. Mr. Blaine, who had sponsored this provision, called for the yeas and nays.⁷⁸

There were 88 yeas and 43 nays cast on the amendment.^{#a} The Republicans were divided about equally in voting on this provision; thirty-one voted in the affirmative and thirty seven in the negative. Only one Democrat, Wilson (Ia.), voted against it. The Unionist members were evenly divided, while the Emancipationists opposed it by a vote of two to one. Some of the Republican members did not follow the lead of the friends of the bill in this provision and united with the Democrats to defeat the recommendation of the committee of Ways and Means, and voted in the measure which had been sponsored by Mr. Blaine.

All sections of the country favored this amendment, except the Eastern. In this section, however, the vote was more divided than usual, with only a margin of five opposing the provision. The Middle States supported it by a margin of twenty-five votes; the Southwestern section by six; and

[#] Appendix. Table IIIA.

^{#a} Appendix. Table III.

the Western section by a margin of twenty votes. It would seem that all, except the Eastern, sections wanted the States to fix the rate of interest. They had the precedent of the law of 1863 to fall back upon, and evidently there were enough Republicans, who upheld the rights of the States in this respect, to unite with the Democrats to vote it into the measure. No doubt many of them had no thought of State rights but looked upon it as being the best thing to do from the standpoint of banking operations. #

Mr. Holman called for a vote on the amendment which dealt with the taxation of the national banks. This, it will be recalled, provided that nothing in this act should be construed to prevent the taxation by States of the capital stock of banks organized under this act, the same as the property of other moneyed corporations for State or municipal purposes. But no State should impose any tax upon these banks or their capital, circulation, dividends, or business, at a higher rate than should be imposed by the State upon the same amount of moneyed capital in the hands of individual citizens of the State. ⁷⁹

There were 78 yeas and 56 nays cast on this provision. #a
 The Republican members were again divided but not as evenly as in the vote on the preceding amendment. Seventeen Republicans supported and fifty opposed this amendment. There was not a Democratic vote cast in support of it.

Appendix. Table IIIA.
 #a Appendix. Table III

Four Unionists voted in the affirmative and three in the negative, while the three Emancipationist members opposed this amendment.

The vote by sections was in general the same as on the preceding amendment, the only differences being in the margins of votes in favor or against it. The opposition margin of the East was increased by seven votes, while the Middle States increased by one the margin in favor of it. The Southwestern margin was decreased by one, and the Western margin by sixteen. The question of the rights of the States was definitely before the house on this occasion and it was decided in favor of the States. Naturally there were other elements which were brought in, as the debates showed, but this was the most important question.[#]

This completed the voting upon the amendments to the bill, and the next question was on the substitute of Mr. Stevens. This, as has been stated, was the same as the bill which had been amended with the exception of the interest and taxation clauses. It left the rate of interest to be uniform at seven per cent., and withdrew the national banks from State taxation.⁸⁰

The vote on the substitute resulted in 59 affirmative and 78 negative votes.^{#a} As far as the party vote on this proposition was concerned it was practically the same as on the preceding amendment. No Democrats voted for it and they were supported by seventeen Republicans. Out of

[#] Appendix. Table IIIA.
^{#a} Appendix. Table III.

eight Unionist votes, these were equally divided. The opposition, of course, voted in the negative now instead of in the affirmative as in the case of the amendments. Sectional support or opposition remained practically the same.[#]

An amendment was offered by Mr. Spalding (Ohio) which was accepted. It provided that the banks organized under this act, or any other act of Congress, should receive in payment of its debts the circulating notes of all other banks deriving their powers from the same source. They were to be received without depreciation or discount from their nominal value.⁸¹

The bill was engrossed and read a third time. The yeas and nays had been ordered on the passage of the bill, when evidently the friends of the measure had become disgusted with the provisions which had been adopted, so Mr. Stevens moved to lay the bill on the table. Mr. Holman immediately demanded the yeas and nays on this,⁸² and it was carried 90 to 44.^{#a}

Again the Republicans divided on their votes in regards to the bill. Thirty-one supported the killing of the bill and thirty-eight opposed it. The split was manifest among the members of this party in all sections of the country. Evidently the friends of the bill did not want the interest and taxation clauses, as they had been adopted, and rather than see the bill go through with those

Appendix. Table IIIA.

#a Appendix. Table III.

provisions, they were ready to kill it. There was some time left before Congress closed its session and their action on the measure will be noted later. The Democrats immediately took this opportunity to put the bill out of the way, and cast only three votes against the proposition. The minor parties were also in favor of it, and only three Unionists voted against it.

The Eastern section, the stronghold of the administration party, gave a margin of three votes in opposition to this move. It was a good indication of how divided the party was on the proposition. The other sections gave substantial majorities to setting the bill aside; the Middle section giving a margin of sixteen votes, the Southwestern section four, and the Western States nineteen votes.[#]

With the exception of the questions of rate of interest and State taxation, House Bill No. 333 was backed almost solidly by the administration party, and the Democrats just as solidly opposed it. The only section of the country which consistently supported the bill was the Eastern section. This was due to the preponderance of Republican members from those States; only two Democratic members were in the house from that part of the country. The votes of the other sections varied. The Southwestern section always opposed administrative moves but their margin of opposition was usually small. The Middle and Western sections were about equally divided in support or opposition of the

[#] Appendix. Table IIIA.

measure. There were many Democratic members from those States and the strength of the two major parties was about evenly divided. Whenever a small number of Republicans would vote with the Democrats, the margin of votes would be in opposition to the measure. On many of the votes it was the substantial support of the Eastern States what saved the bill from having opposition measures tacked on to it.

It has been noted that the house defeated practically all of the amendments which had been proposed, except those offered by Mr. Hooper from the committee of Ways and Means. The bill as amended represented the recommendations of the Comptroller of the Currency in most of its aspects. There were two provisions which were contrary to the wishes of the friends of bill and the Comptroller. These were the amendments dealing with the rate of interest and taxation of the banks by the States. It was the acceptance of these provisions which determined the move for killing the bill by the friends of the measure. Both of these amendments involved the principle of State rights, especially the latter, and through the aid of some Republicans, the Democrats were able to get them adopted. In the debates upon this measure the question was not on whether to adopt the system as it had been the year before, but to perfect it. Therefore the discussions were more technical in character. Nevertheless, the two most important questions which were involved in the first bill were active again. These were the State rights principle and the determined

opposition of the State banks. The opposition party was also stronger in this Congress than in the one the previous year. This meant that if the administrative party did not hold together on all questions, opposition measures could be successfully carried.

The experiment had been launched in 1863, and the next year there seemed to be a prevailing sentiment in the house that it would be continued. The opposition party stayed its course awaiting for an opportunity to inject features into the bill which would defeat the purpose of perfecting it. Their opportunity seemed to have come on the two provisions which caused the bill to be placed on the table. It could be questioned whether either of these provisions affected the merits of the bank bill in its general features.

The national bank question was allowed to slumber in the house until 11 April when Mr. Hooper introduced it as House Bill No. 395. The consideration of it was postponed until the following Saturday, 16 April.⁸³

When the bill came up as the regular order of business on the day set, Mr. Holman made the point of order that the forty-first section was in the nature of a tax bill. This was the section which provided that the expenses of the bureau created by this act must be paid out of the proceeds of the taxes to be assessed upon the circulation of the banks. He contended that being a tax bill it should, by the rules of the house, be first considered in the committee of the Whole. The Speaker overruled the point of order on the grounds that it was not a tax upon the people and

was to meet expenses, hence not a tax. Mr. Holman took an appeal from the decision of the chair to the house.⁸⁴

The vote on the appeal resulted in 71 for upholding the decision of the Speaker and 31 against.[#] Sixty-three Republicans, six Unionists, one Democrat, and one Emancipationist voted to uphold the speaker, and thirty Democrats and one Republican voted against it. All sections of the country supported the decision.^{#a}

Mr. Fernando Wood (N.Y.) raised the point of order that this was an appropriation bill and should go to the committee of the Whole to be first considered. He based his contention on the fact that it provided for the creation of new machinery, and the appointment of new clerks to be paid out of the treasury, and not by the banks. This point of order was also overruled and he appealed to the house on the decision.^{85.}

This decision of the chair was also upheld. The vote was 84 to 9.^{#b} Only nine Democrats voted in the negative, and all sections gave substantial support to the decision.^{#c}

Mr. Holman made another point of order that the measure was an appropriation bill because when a bank became insolvent, the notes were to be paid to the note-holders in lawful money by the Treasurer of the United States. This also was overruled and an appeal made to the house which sustained the decision by a vote of 78 to 22. The yeas and nays were not taken.⁸⁶

Appendix. Table IV.
 #a Appendix. Table IVA.
 #b Appendix. Table IV.
 #c Appendix. Table IV A.

Mr. Hooper had secured recognition by the Speaker, but Mr. Stiles (Pa.) moved that the house adjourn. The Speaker stated that a motion could not be entertained unless Mr. Hooper yielded the floor. Mr. Hooper explained that the changes in this bill, from the one which had been acted upon by the house before, were principally in the section referred to by Mr. Holman with respect to taxation. This section allowed the States to tax the property of individuals invested in the banks, but not to tax the bank itself. This section of the bill stated that the tax on the circulation of the banks should be two per cent. annually on the maximum amount of the notes. Such taxes imposed from time to time by Congress should be in lieu of all other taxes on these banks. Then there was a proviso to the effect that nothing in the act should be construed to prevent the market value of the shares in any of the banks, held by any person or corporation created by State law, from being included in the valuation of the aggregate personal property of the person or corporation for assessing any tax imposed by any State or municipal authority on the aggregate personal estate of all persons subject to the authority of that State or municipality. Mr. Hooper pointed out that there had been some verbal changes made in other sections but they were unimportant. He noticed that in one place the word "and" had been printed instead of "or" and would like to have the correction made. The Speaker said it would be alright but Mr. Brooks objected saying that if they were to

be held rigidly to the rules their only safety was in objecting. Mr. Hooper withdrew the proposition.⁸⁷

Mr. Washburne (Ill.) asked Mr. Hooper to make an amendment which would strike out the right of the banks to loan money on real estate as security. This was made a motion by Mr. Hooper.⁸⁸

This was another provision which made the system more of an urban plan of banking than before. All hopes of the farmer of getting any substantial benefit from the plan were lost now. However, the question of agricultural credit was not discussed at all in the house.

Mr. Wilson (Ia.) asked that Mr. Hooper yield to him to propose an amendment that all places of redemption except New York, Philadelphia, and Boston should be stricken out of the bill. Objection was made and then Mr. Wilson served notice that he would object to Mr. Hooper yielding to anyone. There was an attempt to amend the bill by Mr. Fenton (N.Y.) but objection was made by Mr. Wilson. The bill was then read in full after attempts had been made to dispense with the reading. The question on seconding the demand for the previous question was lost by a vote of 55 to 69. After this the amendment was adopted.⁸⁹

Mr. Fenton then offered his amendment which was to strike out the proviso of section forty-one. He proposed to insert in its place that nothing in the act should be construed to prevent the taxation by States of the capital stock of bonds organized under the act, the same as the

property of other moneyed corporations for State or municipal purposes. But no State should impose any tax upon the banks or their capital, circulation, dividends, or business, at a higher rate than should be imposed by the State upon the same amount of moneyed capital in the hands of individual citizens of the State. So far this amendment was the same which had been made to House Bill No. 333. Then a proviso was added that no State tax should be imposed on that part of the capital stock of the banks invested in the bonds of the United States deposited as security for circulation. Mr. Pruyn wanted to strike out the proviso, and Mr. Brooks wanted it explained. Mr. Fenton replied that the amendment had been made to meet the objections of the bill. The only reason for the proviso was that it was important to hold out inducements to the State banks to change over to the national system.⁹⁰ The vote was taken and resulted in 70 to 60 for the amendment. #

The Republicans supported this provision by a vote of sixty to eight. It was approved by Mr. Hooper and the other friends of the bill. The Democrats opposed the amendment by a vote of fifty to three. Of the minor parties only two Unionists voted against it.

According to sections of the country, the measure was supported by the Eastern and Southwestern States. The former section cast only one vote against it, while

the latter section supported it by a margin of one vote. The Middle States opposed it by a margin of seven votes, and the Western States by two votes. If all of the Republican members would have voted for it from the Western States, it would have been supported by a margin of one vote.[#]

After the bill had been ordered to be engrossed and read a third time, the house adjourned. The next Monday, 18 April, when the bill came up for consideration Mr. Brooks moved to reconsider the vote by which the bill had been ordered to be engrossed and read the third time. He was informed that as long as the previous question was demanded that motion could not be debatable. He then asked Mr. Hooper to withdraw the demand so that he could make some remarks on why the vote should be reconsidered. This was refused, so he replied that he would not forget the discourtesy thereafter. Mr. Rollins (N.H.) moved to lay the motion to reconsider on the table.⁹¹

There were 75 yeas and 66 nays cast on this motion.^{#a} The votes according to party lines were practically the same as on Mr. Fenton's amendment. Sixty-four Republicans, six Unionists, three Emancipationists, and two Democrats voted for it. Fifty-six Democrats, four Unionists, and six Republicans voted against it.

The votes of the sections of the country changed from that on Fenton's amendment. The Eastern section remained the same by substantially supporting this motion.

Appendix. Table IV A.

#a Appendix. Table IV.

The Southwestern section, however, opposed this proposition by a margin of one vote. The Middle States increased their margin to eleven votes in opposition, and the Western section approved the motion by a margin of three votes.[#]

The next move by the opposition to prevent final action on the bill was a motion made by Mr. Holman to lay the bill on the table.⁹²

This vote resulted in 59 yeas and 76 nays.^{#a} Only one Republican voted for this motion. This was Grider (Ky.), a doubtful administrative party man. There were two Democrats who voted against it, Creswell (Md.) and Wilson (Ia.). The latter had voted with the administration party while this measure was before Congress. His affiliation to his party was evidently not very strong as he was later elected to the house on a Republican ticket. Of the minor parties three Unionists voted in the affirmative.

The Eastern States as usual opposed such a move by a large majority of votes. The Western States gave a margin of four votes in the negative. This showed that in the west by voting on straight party lines the Republicans would have a slight majority. The Southwestern States supported the move by a margin of three votes, and the Middle section by a margin of one vote. This indicated that the latter section had one more Democrat than Republican voting on the proposition.^{#b}

The previous question on the bill was seconded and

Appendix. Table IV A.

#a Appendix. Table IV.

#b Appendix. Table IV.A.

then the vote on the passage of the bill was taken.⁹³

There were 78 yeas and 63 nays cast on this final vote.[#] The vote can be considered as being virtually along strictly party lines. The only Republican who voted for it was Mr. Grider, and we have seen that he was a doubtful party man. The two Democrats who voted for the measure were the same two who had opposed the motion to lay the bill on the table. The three Emancipationist members in the house gave their votes in the affirmative, and of ten Unionist votes cast, six were for the bill.

According to sections of the country, the Eastern States voted eighteen to one in favor of the measure. The West supported it by a margin of two votes. Supposing that Mr. Wilson had voted according to party lines the votes from this section would have been evenly divided. The Southwestern section opposed the bill by a margin of one vote. A change of Mr. Grider's vote would have given the same margin in favor of the bill. The Middle States opposed the passage of the bill by a margin of three votes. This was a strictly party vote between the Democrats and Republicans, with the exception of Marvin (N.Y.) who was a Unionist and supported the measure.^{##a}

The day after the vote was taken on the passage of the bill the house permitted Messrs. Davis (N.Y.) and Dumont (Ind.) to vote in the affirmative, and Messrs. Perry (N.J.), Coffroth (Pa.), Steele (N.J.), and Ancona (Pa.)

[#] Appendix. Table IV.

^{##a} Appendix. Table IV A.

to vote in the negative. The two members who voted for the bill were Unionists and the four members who voted negatively were Democrats.

If all of the members of the house had been present when the vote on the passage of the bill was taken, the result would not have been substantially different than it was, when the possibility of their votes is considered on the basis of the way they voted on the previous bill and amendments. Fourteen absent Republicans and two Unionists would have supported the measure thereby making the total affirmative votes ninety. Nine absent Democrats and one Republican would have opposed it. This would have made seventy-seven votes against the bill. Therefore, the margin of votes in favor of the bill would have been nineteen whereas it was fifteen on the original vote.

When the absent votes are considered according to sections there would not have been much difference in the votes of members from the Eastern States. Three absentee members would have voted for the bill and one against. The position of the Middle section would have been reversed for eight votes would have been added to the twenty-two affirmative and four to the twenty-five negative votes, thereby giving a margin of one vote in favor of the bill. Two votes would have been added to the yeas and one to the nays of the Southwestern section making the vote from those States equally divided. The Western section would have been equally divided also. Two affirmative votes and four

negative votes would have made an equal division of sixty-four votes cast from those States. Basing conclusions upon these computations it would seem that no one section of the country opposed the measure. The only section which gave it material support during its passage through the house was the Eastern part of the country. The other sections were practically evenly divided in their support or opposition. These conclusions must not be taken at their face value because as has been shown it was party affiliation more than anything else that determined the votes of the representatives.

After its turbulent passage through the house the national bank bill was sent to the senate where it went through just as trying a reception as in the house.

CHAPTER IV.

AMENDATORY BILLS IN THE SENATE 1864.

House Bill No. 333 was laid on the table 6 April 1864. Two days later Mr. Sherman, in the senate, obtained leave to introduce Senate Bill No. 224. He said it was the same bill perfected in the house of representatives, but a misunderstanding or disagreement of its friends defeated it. This was referred to the Finance committee. On 18 April the Senate received House Bill No. 345 and this was referred to the committee on Finance. On 21 April Mr. Sherman reported the house bill and it was made a special order for 26 April.¹

On the day set both measures were taken up but the consideration was of the house bill. On the suggestion of Mr. Sherman, it was decided that the amendments of the committee be acted upon as the secretary reached them in the reading of the bill. In the first section the words "by, and with the consent of the Senate" were struck out. Mr. Grimes wanted to know the reason for this but Mr. Sherman would not explain as he was opposed to the amendment. Mr. Fessenden explained that it interfered with the power of removal by the President. It was held that in all other cases the power to appoint included the power to remove, and he saw no reason why the President should not have the power to remove the Comptroller

during the recess. He also saw reasons why the Comptroller should be politically independent. If the house wished to retain the word it could be settled in conference committee. Mr. Buckaleu (Pa.) thought removal should be on reasons reported to the senate. Mr. Fessenden remarked that such a provision would not interfere with the power of removal because, although the reasons might not be satisfactory to the Senate, this would produce no effect upon the action of the President. Mr. Pomeroy said the senate could then refuse to confirm the successor. To this Mr. Fessenden replied that such a course would only make confusion. Mr. Howard thought it would be best to leave to the President his full responsibility for exercising the laws, and hold him to that responsibility before the people. The amendment was accepted.²

Mr. Sherman then made a general explanation with regard to the bill. The bill repealed the act of last year and was amendatory to that act. Nearly all the provisions contained in the bill were contained in the act of last year. There were a great many changes but mostly minor ones. There were, however, six or seven propositions contained in the new bill that would likely excite the attention of the senate so he would name them in order to call attention to them and show the differences from the act of the last year. The first provided centers of redemption. The old law required redemption only at the counter of the bank. The second was in regard to taxation of the banks. The old law was not clear as to whether they could be taxed by the States or

municipalities. This bill was intended to define this. The amendment of the committee on Finance would provide for State taxation to the fullest extent, and the stockholders themselves would be taxed on their stock as upon personal property. A third important change permitted the conversion of State banks. The fourth was in regard to the rate of interest. The house bill fixed it at seven per cent., while the old act left the rate to be determined by the State. The Finance committee put it back to what it was in the old law. The fifth important change related to the kind of stocks that could be used for deposit. Under the old law any kind of United States stocks could be used but this law provided that only registered bonds could be used. Notes to a certain per cent. of their par value could be issued, and there should always be a difference of ten per cent. between the market value of the bonds deposited and the circulation actually issued by the banks. The sixth difference was the permission to issue a certain proportion of notes under five dollars, which was the lowest denomination under the old law. Mr. Collamer wanted some explanation about personal liability of stockholders. Mr. Sherman replied that the double personal liability was to extend to stockholders of all banks. The two bills were precisely the same, except that the house exempted stockholders of banks with a capital of \$5,000,000 from the double individual liability. The Finance committee changed this to apply only to the Bank of Commerce.³

A provision in regard to the Comptroller's bond was

amended so as not to require freeholders as sureties. Mr. Sherman explained that in some of the larger cities some of the wealthiest men, who would make the most responsible sureties, had no real estate. There was no reason to require that a surety should be a landholder. Some verbal amendments were made in sections six and nine. Section twelve contained a provision that the stockholders of banks with a paid in capital of \$5,000,000 should be liable only to the amount of their stock. It was amended to make the requirement \$5,000,000 paid in stock and a surplus of twenty per cent. Mr. Sherman stated that the purpose of the amendment was to enable the Bank of Commerce to come in under this act. The house provision could include other banks but this provision would confine the exception to that bank alone. He gave reasons why this bank should be given inducements to come under the act. The reasons were practically the same that had been advanced in the house. It was considered that the requirement in regard to the surplus was equivalent to the individual liability clause. This bank would be required to keep its capital stock paid up and always keep on hand a surplus of twenty per cent. more than any other bank organized under the law. Mr. Collamer thought the provision in regard to the surplus fund would apply to every bank but he was shown that it would not. Mr. Grimes was opposed to the amendment and proposed striking out the \$5,000,000 paid in capital so that this principle would apply to all banks which would have the additional twenty per cent. surplus. Mr.

Henderson could never agree to an exception of this kind. This particular bank could so inflate the currency by its immense issues under this act so that prices would become still higher than they were. He had opposed this new system of banking last year and now after a years trial he was convinced that not another bank should be organized under it. Mr. Fessenden explained to Mr. Henderson that there was a limit set upon the circulation that could be issued by the national banks. It would make no difference in this respect whether the Bank of Commerce came in or not. Mr. Sumner could see that no harm would come if this amendment would be adopted. A somewhat lengthy argument was entered into between Mr. Grimes, Mr. Henderson, and Mr. Fessenden. The first two men could see no reason why the Bank of Commerce could not come in as other banks would. Mr. Fessenden replied that it was impossible to get the shareholders together or correspond with them in such a way as to get their consent to change the individual liability provision of their articles of association. The State could not change its charter because it was founded on articles of copartnership. This was the only institution that was organized on a copartnership basis between man and man. After it was organized it availed itself of the organization of the general law of New York. It wanted to come in under this bill and Congress should not turn it down.

Mr. Wilson (Mass.) wanted to know why it was necessary to have individual liability in any case. It was an object

to get all of the State banks to adopt the national banking system. One or the other of the two systems should prevail. Another object was to secure a uniform national currency, and so the circulation was secured by government bonds. There was no reason to hold the stockholders responsible. It was not the business of the government to look after the interests of depositors and creditors. Mr. Pomeroy thought this was the wisest liability clause that ever was in a bill. It was not that one individual was liable for the debts of the concern; but they were liable ratably and not one for another. Mr. Grimes again protested against the amendment because it would mar the symmetry of the bill. Mr. Sherman replied that it was easy for senators to sneer at the bill, but thought the individual liability clause could be easily enforced. He would not give a cent for a lawyer who could not collect what was due from each stockholder. The amendment of the committee was then passed.⁴

The vote upon this amendment was 21 yeas and 15 nays.[#] There were eighteen Republicans who voted for this amendment and six who voted against it. Only one Democrat (Hale of N.H.) voted for the measure. The two Unionist members from West Virginia voted in the affirmative.

There was only one vote that was cast against the provision from the Eastern section of the country. The other sections cast margins of votes in opposition to it but these margins were small, one by the Middle, and one by the South-

western, and two by the Western States. These small margins were not enough to overcome the margin of nine that were cast by senators from the New England States in favor of the proposition. #

There were various amendments which were recommended by Mr. Sherman, and these were agreed to by the senate. These were mostly of a minor nature and occasioned little discussion. Section sixteen was so modified that any bank could reduce its capital or close up its business, and could take up its bonds upon returning to the Comptroller its circulating notes in the proportion named in the act. It could also take up the bonds upon which no circulating notes had been delivered. Section twenty-two was changed so that the aggregate capital stock of banks organized under the act should not exceed \$300,000,000, as well as the aggregate amount of circulation. In section twenty six the Secretary was authorized to permit an exchange of bonds, if he were of the opinion that such a change could be made without prejudice to the United States. Several verbal amendments then followed. Section twenty-eight was amended so that banks could hold real estate mortgaged to it in good faith for debts previously contracted. Mr. McDougall (Calif.) wanted to know what this amendment meant. Mr. Sherman replied that as the bill had come from the house it allowed the banks to loan money on real estate security. This purposed to change it so as to allow them to take a mortgage for a pre-existing

debt, but not to loan money upon real estate security.⁵

Section thirty was amended so as to permit national banks to take the rate of interest allowed by the laws of the State or territory where the bank was located, and when no rate was fixed by the law of the State or territory, the bank could take a rate not exceeding seven per cent.

Portland, Maine was inserted and Portland, Oregon was struck out as a city of redemption in section thirty-one.⁶

The tax section, forty-one, was then reached and the amendment of the Finance committee provided that every bank was to pay to the Treasurer of the United States a tax of one-half of one per cent. each half year upon the average amount of its notes in circulation; a tax of one-fourth of one per cent. each half year upon the average amount of its deposits; and a like tax upon the average amount of its capital stock beyond the amount invested in United States bonds. Then a proviso added "that nothing in this act shall be construed to prevent the market value of the shares in any of the said associations, held by any person or body-corporate, from being included in the valuation of the personal property of such person or corporation in the assessment of all taxes imposed by or under State authority for State or other purposes, but not at a greater rate than is assessed upon the moneyed capital in the hands of individual citizens of each State; and all the remedies provided by State laws for the collection of such taxes shall be applicable thereto; provided also that nothing in this act shall exempt

the real estate of associations from either State, county, or municipal taxes to the same extent, according to its value, as other real estate is taxed."7 Thus it will be noted that the senate proviso went much farther than the house section in giving the States the right of taxing these banks.

Mr. Chandler objected to striking out from the section as it had come from the house the proviso which exempted the capital invested in United States bonds from taxation. He thought the change which was proposed to be made by the committee gave the right of unlimited taxation to the States, and the effect would be to kill the bill. He hoped that if the amendment passed the bill would be set aside. Mr. Fessenden said the committee on Finance had considered and reconsidered the matter with the view not to kill the bill, but to make it acceptable to the people of the States. The committee thought the proviso adopted by them would be beneficial to the system. The question simply was whether the power of taxing the stock of the banks and of taxing the persons holding the shares should exist, and should be exercised by the States or by the general government. The proposition as it came from the house was delusive. It stated that the stock in the hands of individuals could be taxed, but exempted what was in the banks. Congress would not break faith in permitting bank stocks to be taxed even if invested in United States bonds. When these bonds were exempted they were simply exempted as property, and not as

property invested in the banking business. Those who would enter the banking business would be permitted to deposit their bonds just as they would deposit specie or any other property. The power of the States to tax was limited by the amendment. They would be compelled to tax this property thus invested, the same as they would tax other personal property, and to no greater extent. He believed that this amendment was essential to that support of the bill which was necessary or needed for it in public estimation. Mr. Chandler said that Mr. Fessenden had forgotten that the government had sequestered the entire issue of government bonds. The argument then, when discussing the tax upon bonds, was that it was for the interest of the government to hold out inducements to capitalists to take these bonds to relieve the Treasury. State and local taxation were prohibited forever upon them. He said most of the States protected their systems from local taxation by imposing a State tax in lieu of all other taxes. Mr. Fessenden thought Mr. Chandler was mistaken. In Maine and the New England States after the bank had paid a specific tax for the privilege of banking, the stockholders were liable to taxation on the value of their shares. Mr. Chandler replied that it probably was so in Maine but in his State and most of the Western States such was not the case. It was his judgment as a practical banker and as a practical business man that this taxation would kill the bill. Mr. Fessenden replied that it was astonishing what differences of opinion

existed among practical men. He had conversed with several persons probably not so practical as his friend, but they claimed to be practical bankers and interested in the subject, and their opinions were entirely different from Mr. Chandler's. Mr. Chandler replied that the senator from Maine seemed to sneer at practical business knowledge. If he would have a little more on his committee it would be better for the committee. Mr. Fessenden retorted they had made a great mistake in not having the senator from Michigan upon it, but they were getting along very well without him. Mr. Chandler replied that the senator from Michigan could stand on his own merits. Mr. Fessenden said that the senator from Michigan was the only senator who boasted of his practical knowledge every time he addressed the senate. Mr. Chandler said that he had got about enough of the gentleman's lecturing, and would thank him to lecture some one else next time. He thought that in a time of emergency nothing should be done to defeat the measure which, without this tax feature, would gain the support of the banking capital and sustain the credit of the government. He again insisted that this tax would kill the bill.⁸

Mr. Sumner remarked that whether Mr. Chandler's proposition was practical or not he was sure it was patriotic, and whatever was patriotic contained the best elements of the practical. He was opposed to the States taxing the national banks, as it destroyed the character of uniformity of these institutions. He thought the system should not be

subjected to any such conditions. Mr. Sherman said the question of taxation had given him more embarrassment in deciding upon his personal course upon the bill than any other thing connected with it. The measure as it came from the house was ineffective as to taxation. It was contradictory and could not be construed. He was in favor of taxing these institutions heavily for the support of the national government, but was opposed to the part of the section which gave the power of taxing them to the State. There could nothing result but inequality and diversity of taxation. Mr. Henderson was opposed to the bill but was in favor of the taxation proposition, because in the first place it would probably defeat the bill, and in the second place it was mere justice.⁹

The next day, 27 April, Mr. Pomeroy moved to amend the committee's tax proposition by striking it out and inserting "that nothing in this act shall be construed as exempting the capital stock of an association beyond the amount invested in United States bonds and deposited with the Treasurer of the United States as part of its capital or as security for its circulating notes, from being subject to the same rate of State and municipal taxation as is imposed upon other personal property in the State or city or town in which the association is located." He said this only exempted that portion of the capital which was invested in United States bonds from State and local taxation, and that it would tax the corporation direct and not the stockholders

whom it would be difficult to reach. Mr. Chandler hoped the amendment would be adopted as it would save the bill. Mr. Howe (Wis.) hoped that it would not be adopted. He saw no reason why the capital of a national bank should be exempted from State taxation because United States bonds were put up to secure circulation. After the bonds had been converted into bank stock they were no longer owned by the individual investor but were owned by the bank, and as this was a different kind of property than the bonds it should be subjected to State taxation. He thought the States should not be crippled by depriving them of the power to tax the property of national banks.

Mr. Collamer made some extended remarks in which he said that the fact of depositing United States bonds for circulation did not deprive the national government of the right to tax the national banks, neither would it be a breach of contract to allow the States to tax them. He contended that the taxation of shareholders was no tax on capital stock. Whoever put in United States bonds and took bank shares no longer owned the bonds. The bank then owned them. The one who put them in could not be obliged to pay the income tax on them as he did before. The main question was whether the banks should be left to State taxation. He took it that this bill would sequester all banking capital in the States and bring such capital under the national system. He then pointed out what the effect would be if the States were not permitted to tax these banks. He took for an example

the tax for the poor, for schools, and for highways and bridges. One could in each town find some man of wealth whose money was invested in bank or other corporation stocks. Suppose this law would pass without the State tax provision. That wealthy man would put his money in national bank stock. The town would levy a highway or bridge tax. The people would pay--some in money and some in labor. Some one would look at the tax list and notice that the wealthiest man did not pay a cent for the building of highways and roads, or for supporting the expenses of the State government. The people would ask why he did not and the answer would be that the law of the land provided that the wealthiest man among them was exempt from those contributions, which the rest of them felt and had to pay. The people would hold the government that made this law odious and would become very discontented.¹⁰

Mr. Chandler wanted some specific tax and a uniform tax. He was in favor of taxing the banks heavily but the tax should be uniform. He said there had never been a greater emergency in the history of the government. Receipts from the sale of bonds were not more than half of the daily expenses which were incurred. No greater inducement could be held out to poor and rich alike to take these bonds than to exempt them from taxation beyond a certain per cent. He did not have the constitution on the brain. It was constitutional to do whatever was necessary to save the constitution and the government. Some men had the constitution on the brain and

could not do anything to save the government. Mr. Johnson (Md.) thought that if the States would be deprived of the power to tax property within their borders they would be deprived of the power to pay their debts. Under circumstances less stringent many of the States had failed. If the States became bankrupt the power of the Union for good was at an end. The federal tax would be paid first and then the State tax. There could be no question but what the banks would be able to meet both taxes. It was important at the time to have the cordial support of all of the loyal States but if this power of taxation was denied to them their support could not be secured. Mr. Chandler said Mr. Johnson thought that Mr. Pomeroy's amendment exempted this capital from taxation. The fact was that it already was exempted by law.¹¹

Mr. Sumner regarded the question as a very simple one. The country had gone forth to meet a rebellion organized in the name of State rights. Every effort to increase the army, to increase the navy, and to increase financial resources, was met by objections in the name of State rights. The rebellion began in State rights and all opposition to measures made to crush it have been made in the name of State rights. The complaint had been made that the bill would sequester property from State taxation, but this sum of \$300,000,000 proposed as the capital of national banks was nothing as compared with the enormous amount of property that had been sequestered from State taxation in the shape of material for the army and navy. Milton had aptly pictured

that statesmanship which was able "to advise how war may best uphold, moved by her two main nerves, iron and gold, in all her equipage." No senator seemed to complain because the nerve of iron was protected, but complaints were registered because it was proposed to protect the much more delicate nerve of gold. Mr. Sumner proceeded at length into a consideration of the constitutional argument. According to the Supreme Court the States could not tax the banks directly, but it had been said that they could tax the shares. It may be that the tax on shares was constitutional. But it was a question of expediency which he raised for the sake of the system which was about to be established. Every consideration which could be urged against taxing the banks directly could be urged against taxing the shares. He based his argument principally on the decision of the Supreme Court in the case of McCulloch against the State of Maryland. Every argument which went to support Marshall's judgment in that case could be applied to the question under consideration. Mr. Fessenden said Mr. Sumner had given a running commentary on a decision of the Supreme Court, with which lawyers were tolerably familiar, in connection with a little poetry. The whole of his argument was poetical in that the senator drew on his imagination for the application of what he had said. It had no earthly application in the matter of law to the subject before the senate. Mr. Fessenden alluded to what Mr. Sumner had said the day before that the proposition of

Mr. Chandler was patriotic and therefore right. It would naturally follow that all who did not have the same idea would be unpatriotic. But it all turned on whether this legislation was wise or unwise, and that was what they were trying to decide. Giving the States the right to tax national banks within their borders created no inequality in interest, in business, or in anything in which they were concerned. It was not in question whether the States could tax national banks, but whether the national government could give them permission to do so. It was a simple question of expediency. It had been argued that this system was a thing of a year or two, simply for the emergency of the war. The Secretary believed and dreamed that it was to extend through all time. If this was so it was a matter of peace, as much as war, and it should be taken into consideration what would be the case when peace came. In closing he said that those who advocated this measure had been assailed as if they were preaching up the doctrine of State rights, following the lead of the resolutions of 1798 and of the rebellion and of everything else which had set up State rights against the rights of the general government. "Has it come to pass, that we cannot argue here at all upon the interests of the States which we Senators are the representatives peculiarly?"¹²

After a personal colloquy between Messrs. Sumner and Fessenden, Mr. Sherman spoke on the amendment and illustrated further his views in regard to national taxation of banks and his opposition to State taxation. He said the whole

question narrowed down to the question of whether Congress should give to the States this power of taxation. He upheld his stand of the day before that these banks should be taxed heavily, but the tax should be paid into the national treasury to help pay the national debt. Both the State governments and the national government had to be supported but the needs of the latter seemed greater than the needs of the former. He claimed the exemption from taxation of United States bonds gave the same opportunity to rich citizens to evade taxation as they would have if the States were denied the right to tax national banks. He stressed very strongly the inequality which would result from the different tax laws of the various States, and also that the amendment of the Finance committee was imperfect as it would not reach non-resident stockholders. After further argument on the part of senators Collamer and Sumner, who upheld their own views and criticised the views of others, the senate adjourned.¹³

The bill was again taken up 29 April, and debate upon section forty-one was continued. Mr. Clark (N.H.) thought that if the States were not allowed to tax these banks the entire banking capital of the country would be invested in national bank stock. The banks could keep their circulation locked up in their vaults and therefore not be taxed on it. The surplus could not be reached by this act so the only thing which could be taxed was the deposits. He objected to exempting the banks from State taxation on the

same grounds that others had. He deprecated the use that had been made of State rights, and while he repudiated the doctrine of State rights he said the States had rights and duties, and it was not fair to cast this odium upon the loyal States which had so nobly performed their duties. The States and the general government should work together in putting down the rebellion, but this could not be done if this specie of property was withdrawn from State taxation as complaint would arise from the people in the States. Mr. Lane (Ks.) wished that the States should have the power to tax so that if th^e time came when the people no longer wanted the banks they could be destroyed. Mr. Sumner desired to amend the law so the shares of stockholders should not be subject to State, county, or municipal taxation. Mr. Cowan (Pa.) remarked upon the immense profits the national banks would receive, and that State taxation could not, under such circumstances, be opposed on the ground of hardship.

Mr. Johnson (Md.) said the profits which the law gave these banks the opportunity of obtaining were so large that all banking capital would seek employment under the system, and if the States were prohibited from taxing them there was danger of impairing State credit, which was of as much importance as national credit. He referred to the decision of the Supreme Court in McCulloch against Maryland and said that Mr. Sumner's application was wrong. He had been there when the arguments were presented and when the decision was

given. It was brought out then that the State could tax the real estate held by the bank and also the shares of the stockholders, as this was not a tax upon the bank directly but would be a tax upon the property of the bank and the personal property of individuals. He said it was both unconstitutional and inexpedient to exempt national bank capital from taxation because it was invested in United States bonds. Mr. Pomeroy's amendment was then rejected.¹⁴

The vote on this amendment was 11 yeas and 28 nays.[#] All votes cast in the affirmative were Republican. The opposition was made up of sixteen Republicans, ten Democrats, and two Unionists. The Middle and Southwestern sections did not give a vote in favor of it, while the Eastern section supported it by only two votes. The Western States supported this proposition by a margin of two votes.^{#a} It would seem that the senate by a large majority was not in favor of giving the States practically unlimited taxation, except upon the capital invested in government bonds.

Mr. Howard (Mich.) then offered an amendment that the bank shares should be taxed for the purposes of the State at the place where the bank was located. The object of this, he said, was to prevent any evasion by non-resident shareholders. He argued that if unlimited power was given to tax shares a State could destroy a national bank as surely as by taxing its franchise. He said that the question of State

[#] Appendix. Table V.

^{#a} Appendix. Table VA.

right to tax shares was not involved in McCulloch versus Maryland. On this Mr. Johnson remarked that the question was necessarily involved in the case, but as a matter of fact the judges had admitted the right of the States to tax shares and real estate. Mr. Hale (N.H.) thought the proposed amendment would introduce a new and dangerous principle into legislation for it would enable one State to tax the holders of personal property existing in another State. It would mean double taxation. The question was taken on Mr. Howard's amendment and it was rejected.¹⁵

The vote on the above amendment was 11 for and 27 against.[#] The vote by parties was about the same on this amendment as on the preceding one, with the exception of one Democrat who voted in the affirmative. The votes according to sections were also practically the same as on Pomeroy's amendment.^{#a}

When the bill was taken up the next day, 30 April, Mr. Chandler moved to insert a provision by which all State, county, and municipal taxes should not exceed the amount of taxes authorized by the State upon its local banks. He said that, inasmuch as the States were limited by the amendment of the Finance committee in the taxation of national banks to an amount not exceeding the taxes assessed upon other moneyed capital in the hands of individual citizens, he wished to prevent the States from discriminating against them by laying a less tax on their local banks than was laid on money in the hands of individual citizens. Mr. Fessenden

Appendix. Table V.

#a Appendix. Table VA.

wanted time to look into this and upon his solicitation Mr. Chandler withdrew it to offer it at another time. The amendment of the committee was then agreed to.¹⁶

Other amendments of a minor nature were agreed to until the fifty-third section was reached. Mr. Henderson proposed to amend it so as to enable any individual, as well as the Comptroller, to bring suit for the forfeiture of the charter in case of violation of the law by the directors. He thought that the Comptroller would not be so well advised on this subject as individuals. Mr. Sherman and Mr. Johnson objected to this amendment and Mr. Henderson did not press it, but after it had been rejected he gave notice that he would offer it in the senate. The other amendments suggested by the committee were agreed to, and the Senate adjourned.¹⁷

The bill was again taken up 2 May in order to permit the introduction of new amendments. Mr. Davis proposed an amendment, which was accepted, to the effect that real estate taken for debt should not be held longer than five years. He then proposed another amendment by which a bank should be required to pay specie within six months from the close of the war. Mr. Davis thought this amendment was of vital importance. By the universal practice of the whole commercial world from ancient times to the existing time, money, the great representative value, had been gold and silver coin. In times of emergencies nations had issued paper money but it was just for the period of the emergency. The proposed scheme of this law would fix a paper money upon the country

which would exclude all other money from circulation. This would mean that the United States would be outlawed by the rest of the commercial world. His amendment would provide for the transition from a greatly depreciated paper money to a mixed one of paper and metal by giving the banks a certain period within which they would make the change soon after the war ceased. Mr. Johnson thought this would work a great hardship upon the banks. If the government or State banks would not resume specie payments within the six months period the national banks would be in an impossible situation. Also this amendment was unnecessary as by the last section of the bill Congress could amend the act any time it wished and therefore could require the banks to resume specie payments without this amendment. In further discussion on this provision Mr. Davis tried to show that the government had been responsible for all the inflation of the currency. To this Mr. Chandler and Mr. Conness (Calif.) took exception and claimed that the State banks had suspended specie payments first and their irredeemable paper money had helped to cause such inflation, if not the most of it. This amendment was then rejected.¹⁸

Consideration of the bill was not resumed until 5 May, and on this day it was reported to the senate as amended in the committee of the Whole. The amendments were taken up one by one. There was no discussion on any of them until section twelve was reached. This was the provision which pertained indirectly to the Bank of Commerce. Mr. Sherman

was instructed by the committee of Ways and Means to strike out the amendment which had been adopted in the committee of the Whole and insert another provision. The inserted provision was the same as the other except that it definitely stated that the twenty per cent. surplus was to be in addition to the surplus provided for in the bill. Mr. Sherman said this would meet the objections which had been made that the extra surplus would not be in addition to that provided for in the bill. Mr. Grimes thought the idea of making an exception when they were attempting to establish a uniform system of banking was so abhorrent to his sense of fair play and justice, that he felt it incumbent upon himself to ask for the yeas and nays on this amendment. The amendment was adopted.¹⁹

There were 20 affirmative and 12 negative votes cast on this amendment.[#] Seventeen Republicans, one Democrat, and the two Unionist members supported this provision; while six Republicans, and a like number of Democrats opposed it.

The Eastern and Middle sections supported this proposition by margins of seven and two votes respectively. The Southwestern section opposed it by a margin of one vote, and the Western States were equally divided.^{#a}

The other amendments were concurred in until section twenty-nine was reached. This section dealt with the rate of interest. The amendment which had been adopted in the committee of the Whole was that the banks could charge the rate which was allowed by the laws of the State or territory

[#] Appendix. Table V.

^{#a} Appendix. Table V.

where the bank was located, and when no rate was fixed, the bank could charge a rate not exceeding seven per cent. Mr. Grimes hoped this amendment would not be accepted, and after this was done seven per cent. would be struck out and six per cent. inserted. His object in taking this stand was that in the State of Iowa the legal rate was six per cent., while special contracts could call for ten per cent. Therefore the national banks could take ten per cent. while State banks would be compelled to charge only six per cent. There were only two States where the legal rate was seven per cent., these were Michigan and New York. The interest rate should be lowered in those States to six per cent. Mr. Pomeroy thought a uniform rate of seven per cent. should be fixed. Mr. Sumner also thought there should be a uniform rate but didn't know what rate should be fixed. Mr. Trumbull (Ill.) thought the States should regulate the interest rate. Money was worth more in some portions of the country than in others. It commanded a higher rate in new sections than in old sections. If six per cent would be established as the uniform rate no banks would be established in the western States. Mr. Conness (Calif.) said there would be no prospect of inducing the investment of capital in this mode of banking in his State if the rate of interest was fixed arbitrarily at six or seven per cent. The legal rate there was ten per cent, but parties to a contract could make the rate as high as they pleased. The current rate was two or two and one-half per cent per month, and the people were

willing to pay that much. After further debate it was brought out that there were some States where no rate was fixed, and in such cases where the normal rate for money was high national banks would be placed at a disadvantage by being limited to either six or seven per cent. The section was therefore on Mr. Fessenden's suggestion withdrawn to be considered later.²⁰

The amendments were concurred in to section forty-one. This was the one which dealt with the taxation of the banks. A proviso was added to the amendment which had been adopted in committee of the Whole. It provided that no tax should be imposed under the laws of any State upon the shares of the national banks at a rate exceeding that imposed on the shares in banks organized under the authority of the State where a national bank was located.²¹

Mr. Sumner opened the debate on this section by proposing a substitute for the amendment of the committee. The substitute provided for doubling the tax upon the circulation, deposits, and capital stock, beyond the amount invested in United States bonds. It also provided for the taxation of the real estate of the national banks by the State and local government, and that taxes received by the national government from the banks should be used to pay the interest and principal of the national debt. By this amendment Mr. Sumner proposed to levy a heavy national tax upon the banks but exclude State taxation on everything except the real estate held by national banks.

In his speech Mr. Sumner said that at last in this discussion it was clear they had come to the place where the road branched in two opposite directions--one way toward the support of the whole country and of that improved currency which was essential not only to the general welfare but also to the common defense, and the other toward State rights, State taxation, and State banks. He pointed out that nothing had been left undone to make General Grant strong on the field of battle, but the field of finance was just as important. There were movements pending in the field of national finance hardly less important than those in the field of war, and a defeat in finance would be hardly less disastrous than a defeat in war. The primary object of this bill was not to establish national banks but to secure a national currency. The banks were a means to an end. If this system would be put into effect the whole country would feel the benefits, but this great boon could not be secured without corresponding effort. Like victory in the field of battle it would be fought for and paid for. Senators set up claims for their States and insist upon certain rights of taxation. As he listened to the local pretensions brought forward, when national life was staked upon the issue, he was reminded of a kindred case which at the crisis of the Revolution was chastised by the humor and eloquence of Patrick Henry. It was the case of John Hook pressing his claims for supplies which had been taken for the use of the starving army of Washington. Now there was a similar cry. "Senators do not

say Beef, beef, beef; but they say what means the same thing. They cry, State taxation! State taxation! State taxation! and they hold up State banks for us to fall down and worship." He thought that the State system of banking would have to yield to the national system. He said there had been warnings not to slay the goose that laid the golden eggs, meaning by this goose the State banks; but all those who used this illustration forgot that there was another bird which laid eggs, such as no State bank could lay, not merely of gold but of victory. It was the national credit, which senators seemed willing to abandon, if not to slay. In closing he brought out that the existing time was one of sacrifice, but there was one more sacrifice which was necessary; this was the sacrifice of State banks as agencies of currency. This sacrifice required that the local taxation should be suspended with regard to the national currency, and that all the proceeds of such local taxation should be passed to the credit of the whole country.

Mr. Chandler characterized the above speech as "one of the ablest financial arguments ever delivered on this floor." He upheld the substitute amendment of Mr. Sumner, but thought the tax proposed by it was high. It, however, was a national tax and therefore would support it. He claimed that the tax of the committee's amendment would defeat the bill as the States could tax these banks out of existence. He had a profound respect for the members of the Finance committee, as lawyers and statesmen, but for their practical business

knowledge he had the same respect as they had for his legal attainments. He hoped the senate would look above little local interests, and adopt the broader view as involved in the proposition of Mr. Sumner.

Mr. Fessenden replied that he did not feel disposed to attempt the answer the speeches made by the two gentlemen, but he was not inclined to rest under the imputations. The two speakers implied that patriotism was wanting in all those who were not of their mind. This would include the majority of the senate, the committee of Ways and Means in the house, and apparently a majority of the house itself. These had sustained a reasonable degree of State taxation, and should not be represented as shouting Beef! Beef! Beef! with State taxation in it. With reference to the amendment recommended by the committee, all of it had been drawn by the Comptroller, so he recognized and adopted the principle which was denounced as "beef" with all the State rights in it. It seemed that senators who were denounced for having want of patriotism and want of sense, had very excellent company in the other branch of the legislature and also in the Treasury department. He remarked that he had letters from bankers of high standing who sustained the tax proposed by the committee. He then turned his attention briefly to the practical knowledge of Mr. Chandler. The Finance committee had the support of a great many practical business men in the other house of Congress who seemed to think as they did on the subject. They were doing the best they could and were endeavoring to

approach the high standard of Messrs. Chandler and Sumner. Those gentlemen should at least give them credit for good intentions, and not afflict them with the cry of "beef." He said that Mr. Chandler's allegation as to the danger of the States taxing the national banks out of existence was obviated by the limit which had been provided in the section. Before the senate adjourned, Mr. Sumner got an order to have his proposition printed.²²

The question of taxation was again taken up the next day, 6 May. Mr. Sherman read a letter from Mr. Chase in which he replied to an argument used by Mr. Johnson in the course of debate. The Secretary pointed out that although the States had the right to tax the real estate of the banks, they did not have the right to tax the personal property, shares, and credits because the banks would derive their value and title from national laws and should therefore be subject to national taxation only. Mr. Sherman stated that he would support Mr. Sumner's amendment because it provided for an exclusively national tax. Mr. Sumner's proposition was then rejected.²³

The vote on the amendment was 11 for to 24 against.[#] The Republican members were divided in their vote on this amendment, eleven voting for it and fifteen voting against it. Eight Democrats and one Unionist member voted negatively. The Western section again favored a proposition that would limit the taxation of the national banks by the States. No

votes were cast for the proposition from the Southwestern and Middle sections. The Eastern States opposed Mr. Sumner's proposition by a margin of five votes. #

The vote was then taken upon the amendment of the committee on Finance, and it was agreed to by a vote of 29 to 8. #a

The eight votes that were cast in the negative were by Republican members, and six of these were from the Western States. Of the six votes which had been taken on this bill in the Senate, five of them were on the taxation section. Of these five votes not a vote was cast from the Middle and Southwestern sections for a change in the proposition of the committee on Finance. The Eastern section gave two or three votes against the committee's amendments but always a substantial margin favored it. With the exception of the above vote, which was a margin of one vote in favor of the committee amendment, the Western States divided equally or else gave a majority of their votes in favor of greater national taxation of the national banks. It would seem then that all sections of the country favor some degree of State taxation with the exception of the West. #b The Democratic members of the senate voted almost solidly for State taxation, while the Republicans were divided with a majority in favor of the same.

The rest of the amendments were then concurred in, and the senate returned to the rate of interest section, which

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#a Appendix. Table V.

#b Appendix. Table VA.

had been withdrawn for revision, but it was not yet ready. Mr. Hale (N.H.) moved an amendment, which was accepted, to section nine so as to disqualify a director whose required shares were hypothecated for any loan or debt.²⁴

Mr. Chandler moved to amend section thirty-one which would permit one-half of the twenty-five per cent. reserve of the banks in redemption cities, other than New York, to be kept in banks in New York, Philadelphia, and Boston. He said that the whole business of the Northwest was done in exchange, and balances were required in these cities to be drawn on. Mr. Pomeroy and Mr. Henderson favored striking out all of the places of redemption except New York, while Mr. Collamer thought it would be best to leave only New York, Boston, and Philadelphia as redemption cities. Mr. Sherman thought that if national banks were required to redeem at par in New York, while 1600 State banks were required to redeem at their own counters only, the system would fail. This requirement as to a central redemption of national bank notes should be postponed until after the State banks had been absorbed by the system or had gone out of existence. Mr. Chandler's amendment was rejected.²⁵

The vote on this amendment was 14 yeas and 21 nays.[#] The Republican vote was evenly divided upon this measure. One Democrat favored it and six opposed. The two Unionists voted negatively. The vote by sections showed that the New England States opposed the proposition by a margin of one

vote out of a total of eight votes cast. On the other hand the West supported it by a margin of two votes. The votes from the Middle and Southwestern sections were the same; five votes were cast negatively and one vote affirmatively from each section. The one vote in favor of the amendment from the Middle section was given by a Republican, while the one from the Southwestern section was by a Democrat.[#]

The interest section was then taken up in the following form: "The rate established by the laws of the States or Territories where the bank is located and no more, and when no rate is fixed by the laws of the State or territory, the bank may take, receive, reserve, or charge, a rate not exceeding seven per cent." Mr. Sherman amended by inserting after "no more", the words, "except that where by the laws of any State a different rate is limited for banks organized under State law, the rate so limited shall be allowed for organizations established in any such State under this act." The section then as revised and amended by Mr. Sherman was concurred in without debate.²⁶

Mr. Chandler then moved to strike out all redemption cities, except New York, Philadelphia, and Boston, and to permit all the banks to redeem in those cities at a rate not exceeding one-fourth of one per cent. Mr. Henderson moved to amend the amendment by striking out Philadelphia and Boston. This was rejected. Mr. Sherman said that if Mr. Chandler's amendment would be adopted he would have to offer about

[#] Appendix, Table VA.

forty other amendments, and would have to change the entire phraseology of the bill. It was framed on the idea of centers of redemption. He objected to putting all the wealth of the country in one city where a mob might destroy it, the most uncertain place in the country. It could only be done after the State banks were absorbed. The amendment was rejected.²⁷

There were 15 senators who voted for this amendment and 14 against it.[#] Fourteen Republicans and one Democrat supported this proposition, and nine Republicans, three Democrats, and two Unionists opposed it. Thus it was not a party vote. All of the votes that were cast by senators from the Middle States supported it. The West also supported it by a margin of one vote. The Eastern States opposed it by a like margin, while the Southwest opposed it by a vote of four to one. Both New York senators supported the amendment, the Massachusetts vote was divided, and the Pennsylvania members did not vote.^{#a}

Mr. Chandler then moved another amendment which would allow a discount of one-quarter of one per cent. on the notes redeemed in the cities named. Mr. Sherman moved that the bill be recommitted to the committee on Commerce. It was incongruous as a result of the last amendment, and he wished to have nothing to do with it in this form. He would not press the motion unless senators thought it necessary. On Mr. Fessenden's suggestion Mr. Chandler's last amendment was made compulsory upon the banks and it was accepted.²⁸

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Mr. Henderson then proposed an amendment to section twenty-two. It was to strike out "\$300,000,000," and insert "the amount authorized to be issued by the Comptroller to banks already created." He said he meant by his amendment to stop the system where it was. Mr. Doolittle introduced as a substitute measure which was intended to reduce State bank circulation to the amount of the paid-in cash capital or the amount issued on United States bonds with a penalty of one per cent. per month over this limit. He said that this would allow the amount of national currency to be increased almost to \$300,000,000. The most important question was to stop the making of another paper dollar in any form or by anybody unless it was made to take the place of some other paper money actually in circulation. He had no objection in allowing State banks to draw in and cancel their circulation, and to enter into this system and issue national currency in place of existing currency. But he thought that to authorize the creation of this amount of circulation in addition to State bank notes and Treasury notes was little short of madness. He desired to permit State and national banks to stand upon the same footing as far as taxation was concerned. He thought the other advantages given to national banks would induce State banks to enter the system without the compulsion of inequality of taxation. He also deprecated any war on State banks, and thought that if State banks were to be wiped out it would be better to substitute government paper. Mr. Johnson said that Congress had no authority to

interfere with the powers conferred upon the State banks by State charters. It was clear that the United States had authority to tax State issues and State banks, but the tax proposed by Mr. Doolittle was in the nature of a penalty. Mr. Collamer thought there would be no way of carrying out Mr. Doolittle's proposition except by a bankrupt law.²⁹

Mr. Henderson objected to any proposition as Mr. Doolittle's because this bill had nothing to do with State banks; it was to organize a national system. He had seen no good reasons given for the passage of the bill. Mr. Sherman had given none, neither had Mr. Fessenden. The Secretary of the Treasury had given what he called reasons, and Mr. Henderson proceeded to show that they were feeble and did not amount to much. He went into a lengthy defense of the State banks by stating the old arguments that Congress had not the constitutional authority to destroy them; that there would be as much multiplicity of banks under this system as under the old State bank systems; and that the State banks were sound due to rigid supervision and adequate reserve. It was urged that there would be uniformity under this bill, but the only uniformity which he could see that would come from it was that it would be uniformly bad. He continued with a lengthy review of the entire subject of banking and financial history of the country. He regarded the evils which would result from this system as great. "It will neither enable the Secretary of the Treasury to negotiate a loan nor will it make a uniform currency in

this country unless it be a currency uniform in its worthlessness and corrupting influences." This speech seemed to have exhausted the Senate for the time so it adjourned.³⁰

The bill was taken up again on 9 May. Mr. Trumbull (Ill) was in favor of Mr. Henderson's amendment. He believed that it would be wise to stop this issue of currency by the national banks. The amendment was then defeated.³¹

There were 12 yeas and 23 nays on this proposition.[#] The vote on this amendment was more of a party vote, than any of the preceding ones which had been taken. There was only one Democrat, Hale (N.H.), that voted against it. The Republicans were divided but only five out of twenty-five who voted supported it. The two Unionist members voted in the opposition. This was a question of whether the new system of banking would be allowed to function or not, and the line up of sections should indicate their stand on the bill. One section supported this amendment, this was the Southwestern one, and the votes cast in the affirmative were by Democratic members. The two votes cast in the negative from that section were the Unionist senators from West Virginia. The Middle States divided their six votes equally, and two votes in the negative were cast by Democrats. The Eastern States did not cast a negative vote. The West was divided but gave a margin of two votes in the support of the bill, or opposition to the amendment. One of the five negative votes of that section was given by

a Democrat.#

The question now came up on Mr. Doolittle's amendment. In substance it was to limit banking circulation to the issues outstanding of both State and national banks. All new issues were to be redeemable in gold or silver. The national bank act was to be revoked, except the provision which permitted State banks to have circulation upon deposit of United States bonds. The circulation of all banks was to be reduced to an amount equal to the capital stock, or the excess was to be secured by government or State stocks within certain limits of time. There was to be a tax of one per cent. per month on all issues above the amount provided. Mr. Doolittle explained his amendment again as he had done a couple of days before, and to strengthen himself on the subject he read a letter from George S. Coe, President of the American Exchange Bank of New York. In this letter Mr. Coe said that Mr. Doolittle had struck the keynote--limitation of paper money to an amount outstanding in any form. This plan was the only one which the old State banks as a body would for a moment consider, and they would give it the most favorable regard. Mr. Sherman thought at first that this was just another amendment intended indirectly to defeat the bill, but he saw later that the author was in earnest, and he was surprised. He criticised the plan with much severity, and regarded it as repealing the charters of all State banks. It would in

return give them the monopoly of all benefit under the national system. Mr. Hale thought by a very brief amendment, Mr. Doolittle could reach his object directly. It would be more explicit and clear if put in the form "that all those instruments heretofore known as State constitutions be, and they are hereby abolished." He said as long as the State constitutions stood in the way there probably would be a little difficulty in Mr. Doolittle getting his object accomplished. He said the senators had been debating on the causes and remedies of currency inflation and high prices. He thought a very effective remedy would be if news came that the rumors of General Grants success were true; it would have more effect in lowering the price of gold and producing what was desired than all the acts which had been passed or would be passed. Mr. Johnson thought Congress did not have the constitutional authority to enact a provision as Mr. Doolittle's amendment. He said that it was his opinion that the \$300,000,000 which would be issued as currency under this bill would not be in addition to the paper circulation which was out, but the existing circulation would be retired and this other put in its place. He then stated what he thought were the "mischiefs" and benefits of the proposed system of banking. The "mischiefs" were, first, it brought the government more closely in connection with the money interests of the country, and second, he supposed the Senate would protect the States against this one by leaving these banks subject

to State taxation. The benefits were a promised uniform currency; easier means for the government to raise money in the future; and it gave Congress power to repeal the act at any time thereby making it unlike the charter of the old United States bank. Mr. Doolittle's amendment had been divided into two separate sections. The first dealt with the limitation of circulation, and the second with the penalty for excessive issues. The question was taken on the first section and it was defeated.³²

There were 32 votes against this proposition and only 3 votes for it. The three senators who voted for it were Cowan (Pa.), Republican; Doolittle (Wis.), Republican; and Harlan (Ia.), Republican.[#]

The question then was on the second section of Mr. Doolittle's amendment, and after some discussion he withdrew it saying that he would offer it at some subsequent time.³³

Mr. Johnson had previously made a motion to reconsider the vote by which Mr. Chandler's amendment had been adopted, which struck out all of the redemption cities except New York, Philadelphia, and Boston. Mr. Sherman now said that he would like to have this motion disposed of. He said that he had an amendment to offer in its place which went on the supposition that the cities which had previously been in the bill would be restored, and that it would require each country bank to select a redemption agent in one of those cities named, but each of the centers of redemption would be required to redeem in New York at par. To those

west of the Alleghany mountains an allowance of one-fifth of one per cent. was to be made, but to those east of that line no discount was to be allowed. The motion to reconsider was then agreed to, and Mr. Chandler, by unanimous consent, withdrew his amendment. Mr. Fessenden wanted to know if the above amendment could be changed so that the several centers of redemption would redeem either at New York, Boston, or Philadelphia. It would accommodate more, and especially in New England it would be much better for the banks to redeem at Boston. Mr. Sherman replied that Portland (Me.) could be struck out and then the New England banks would be required to redeem at Boston. Upon request of Mr. Fessenden the amendment was withdrawn for revision.³⁴

Mr. Collamer had a few amendments which he wanted to offer. The first one was to make the national currency receivable for all salaries, debts, and dues from the United States to individuals, corporations, etc., except interest on the debt and redemption of national currency. This would mean that the currency of these banks could not be redeemed in their own currency or State bank currency, but in lawful money of the United States. This amendment was accepted.

The vote on the above amendment was 23 yeas and 12 nays.[#] The Republicans were again divided upon this vote. Fifteen voted affirmatively and ten in the negative. Seven Democrats favored it and one opposed. The two

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Unionist members divided their vote.

No one section of the country opposed Mr. Collamer's amendment, however the vote of the Eastern and Western sections was close, being seven to five, and seven to six respectively. All votes cast from the Middle States were in favor of it, and there was only one vote cast in the negative by senators from the Southwestern section.#

Another amendment by Mr. Collamer provided that each bank should take at par the notes of every other bank. This was accepted. Also that banks designated as depositories should take national currency at par. The senate agreed to this. His next amendment drew quite a little discussion. It provided that each bank should hold one-half of the coin paid to it, as interest on its bonds to secure its circulation, for a reserve until all of its reserve was coin, and specie payments were resumed. Mr. Collamer said that much had been said about the time when the banks would resume specie payments but nothing had been done to prepare them for it. His amendment would do that. Mr. Sherman thought it would defeat the system and would be a hardship on the banks. He said that only victory could bring about specie resumption, and after victory it would be a gradual process, and could not be hurried as Mr. Collamer would think. Mr. Johnson moved to amend the amendment by reducing the proportion from one-half to one-fourth. Mr. Collamer accepted this as a modification of his proposition. Mr. Chandler objected to all discriminations between the national banks and

State or private banks. Mr. Henderson hoped the amendment would be adopted if for no other reason than to get the word "coin" into the bill. Mr. Sherman referred to Mr. Henderson's speech of a few days before and this started a colloquy between the two men. Mr. Collamer read a telegram from Secretary Stanton which brought news of success by Grant and Meade. This created some sensation among senators and the senate adjourned.³⁵

The next day, 10 May, after a few remarks by Mr. Collamer on his amendment, it was rejected³⁶ by a vote of 15 yeas to 20 nays.[#] Eight Republicans voted for this measure and eighteen against it. Only one Democrat voted in the opposition. This was Hale (N.H.), who had voted with the Republican majority on practically all of the amendments. The two Unionist members again divided their votes. The The Southwestern section, by a vote of five to one, was the only one which supported the law. The Middle section was equally divided, and the Eastern and Western sections opposed it by margins of one and eight respectively. This proposition would have hampered the operation of the national banks and showed the stand of the sections upon the bill to a considerable extent.^{#a}

Mr. Collamer had another amendment which he proposed as an additional section. It provided that the amount of Treasury notes which had been authorized to be issued should not be increased, and that such amount should be

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diminished to the same amount which bills of national currency were issued to banks. He said that this amendment was offered to stop inflation of the currency and to reduce the Treasury notes which had been issued. Mr. Sherman opposed it because he thought it was useless because it was a mere promise which Congress could make, while at the next session Congress could change its mind. He thought there would not be any danger of issuing any more Treasury notes than were required because the Secretary had always resisted the issuing of these notes as currency. The amendment was rejected.³⁷

The vote on this measure was 14 affirmative and 17 negative.[#] The party vote was practically the same as on the preceding amendment, with the exception of the Democratic vote which was cast solidly in favor of it. The sectional vote was relatively the same also, except the Middle States voted a margin of one in favor of the proposition, while on the preceding amendment their vote was evenly divided.^{#a}

Mr. Collamer had one more amendment to offer. It was that the entire amount of capital stock, as well as the circulation should not exceed \$300,000,000 or \$3,000,000,000; they could not issue any bills above the amount prescribed. Mr. Sherman had no particular objection to it, but regarded the limit on circulation as a limit on capital. The amendment was agreed to.³⁸

Mr. Lane (Ks.) succeeded in getting Leavenworth in

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as a redemption city. Mr. Sherman then called up his amendment, which had been made the day before, in regard to redemption cities. He increased the discounts allowed from one-fifth to one-fourth of one per cent. This was then accepted. Mr. Fessenden moved to strike out Portland as it would not be advantageous for the people of Maine to redeem in New York, and Mr. Sprague (R.I.) moved to insert Providence. Both motions were agreed to.³⁹

Mr. Sprague then proposed two amendments which were accepted. One was to permit two-thirds of the stockholders to call a meeting for postponed election of directors, if the directors failed to do so. The other was that a bank should have a receipt for bonds that were transferred.⁴⁰

Mr. Powell moved that the banks receiving circulation notes should receive them up to ninety per cent. of the current market value in gold or silver coin of the bonds deposited.⁴¹ This was rejected 11 to 17.[#]

Four Republicans and seven Democrats voted for the amendment; and sixteen Republicans and one Democrat (Hale) opposed it. The Middle States supported the proposition by a vote of four to one, and the Southwestern States cast four votes in favor and none against it. Not an assenting vote was given by senators of the Eastern section, and the Western States opposed it by a margin of three votes.^{#a}

Mr. Powell made other unsuccessful attempts to amend the bill. One was that the reserve funds in banks of

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redemption cities should be in gold and silver coin. Another was to strike out lawful money and insert gold and silver coin. His last attempt was to strike out "in lieu of all other taxes" in section forty-one, but this was ruled out of order.⁴²

Mr. Cowan (Pa.) wished to give a receiver power to enforce the full liability of stockholders immediately on taking possession of assets. Mr. Sherman thought this would not conform to the individual liability clause of the bill. He proposed to change the amendment by giving the receiver power to enforce the liability if it was found necessary. It was adopted in this form.⁴³

There were 26 votes in the affirmative and 10 in the negative cast on this amendment.[#] The Republicans voted more solidly upon this measure than any other, only three casting their votes against it. Two Democrats supported it and seven opposed it. The two Unionist members voted in the affirmative. The Middle section was the only one which opposed the amendment; its margin of opposition was one vote. The Southwestern States were evenly divided, and the Eastern and Western sections gave it substantial majorities.^{#a}

Mr. Cowan then proposed to strike out all relating to increase of capital stock. He argued that this provision would tempt banks to invest circulation in bonds for the purpose of obtaining circulation to purchase more bonds. This, after some explanations by Mr. Sherman, he modified by

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striking out the section which placed it in the power of the Comptroller to permit banks to exceed the maximum fixed in their articles of association. It was then adopted.⁴⁴

Mr. Henderson moved to change the twenty-sixth section so as to compel banks to put up additional security if the market price of bonds ever fell below the price existing at the time they were deposited. This was opposed by Mr. Sherman because it would be unjust in its operation. It would not regard the slightest fluctuations which would always occur in the value of bonds. It was lost.⁴⁵

The vote on this provision was 12 yeas and 24 nays.[#] The party vote was practically the same as on other amendments which had been made to defeat the active operation of this system. Four Republicans voted for and twenty-one against it. Mr. Hale was the only Democrat who opposed it, and the two Unionists also voted negatively. The vote by sections was practically the same as on previous propositions; the Eastern and Western States opposing and the Middle and Southwestern sections supporting it.^{#a}

Mr. Henderson then wished to provide that banks should put up not less than fifty (instead of thirty) per cent. in bonds before commencing business. On explanation he withdrew this and moved to strike out the proviso by which banks of \$50,000 capital could be organized. Mr. Sherman would prefer that the amount of capital stock should never be less than \$100,000, but this proviso was put in after a

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great deal of discussion by the house of representatives. The house had adopted it with a view to help remote and thinly populated sections of the country and smaller towns. Mr. Lane (Ks.) said that if the amendment would be adopted his state could not hope to organize any of these banks. Mr. Buckalew (Pa.) would vote for the amendment principally to remove from the Secretary of the Treasury the discretionary power left to him to favor one locality over another. The amendment was rejected.⁴⁶

There were 19 affirmative and 22 negative votes on this amendment.[#] The Republican vote was more divided upon this proposition than on the obstructionist amendments that had been presented. Eleven Republicans supported it and nineteen opposed it. The Democratic vote was the same, Mr. Hale being the only one that opposed it. The two Unionists also opposed it.

The line up of sections was different from the votes of preceding amendments. The Eastern section equally divided with all twelve senators voting. The States of Vermont, Massachusetts, and Rhode Island favoring the measure, and the other States opposing it. The Middle and Southwestern States supported it by margins of three and two respectively. The votes for it from the Southwestern section were cast by members of the opposition party in the senate. The Western States voted substantially against it, and thus saved the proviso which was in the bill. Therefore the

section which would have felt the ill effects of the amendment, if put in operation, prevented it from being adopted.[#] This attempt to prevent the agricultural districts from receiving any benefits at all from the proposed system was defeated by only a small majority. It demonstrated that there was not a great deal of desire in the east to have many small banks scattered over the more sparsely settled west and that agricultural interests were not seriously considered.

Mr. Henderson said he had one more amendment and then he would quit. This was to strike out section forty-five which made national banks depositories of public funds and financial agents of the government. Mr. Sherman opposed the amendment because the banks would be useful and convenient for exchange agencies. This would be the only purpose for which they would be used. The amendment was rejected.⁴⁷

The vote on this amendment was 11 for and 28 against.^{#a} The line up of party votes on this measure was about the same as on other propositions to burden the bill with oppressive provisions. Four Republicans supported it and twenty-five opposed it. All the Democratic votes were in favor of it, except one (Hale, N.H.). The Unionist members did not support it. The Middle States supported it by a margin of one vote and the Southwestern section was equally

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divided. The Eastern States did not give it any affirmative votes, and the Western States opposed it by a margin of six votes.[#]

Mr. Sprague moved that an agent of a bank should witness the destruction of its notes. Another amendment provided for a duplicate of the amount of bonds deposited should be retained by the banks. These were both accepted. He proposed another amendment but it was rejected. According to this savings banks chartered by State authority, which owned stock in the national banks, should not be liable above the value of stock owned by them.⁴⁸

Mr. Buckalew (Pa.) wished to prevent notes in smaller denominations than five dollars from being issued to the national banks. This was rejected⁴⁹ by a vote of 27 to 8.^{#a} The votes on this amendment was practically identical with those on Mr. Henderson's last amendment. The Republicans gave two supporting votes and the Democrats one opposing vote. The vote by sections was the same^{#b} as on Mr. Henderson's amendment.

Mr. Powell moved to substitute a bill to repeal the act of 25 February 1863. He said that he thought this whole system of banking was wrong. It could not and would not result in anything but great injury to the country. The substitute was defeated.⁵⁰

There were 6 yeas and 31 nays on this proposition.^{#c}

- # Appendix. Table VA.
- #a Appendix. Table V.
- #b Appendix. Table VA.
- #c Appendix. Table V.

The Republicans were solidly opposed to this measure. They were supported by the two Unionists, and Mr. Hale. No section supported the killing of the national banking system. The Middle and Southwestern sections were evenly divided, while the Eastern and Western sections opposed it by practically unanimous votes. There were no assenting votes by senators of the east and only one by those of the west. #

The stand which the house and senate took upon the attempt made to repeal the act of 1863 shows that the system was firmly established at the time. There were grave differences of opinion among Congressmen as to the details of the bill, but the plan as a whole would not be abandoned by them. It was true that the votes on repeal were almost entirely along party lines. Upon proposed amendments the party vote was split, especially within the Republican ranks. But when repeal was threatened they rallied to the support of the system.

The bill was then engrossed and read a third time. Messrs. Wilson and Powell called for the yeas and nays on the passage of the bill.⁵¹ The result was that 30 voted for it and 9 against it. #^a Two Republicans, Cowan (Pa.) and Grimes (Ia.), voted against the bill. One Democrat, Hale (N.H.), voted for it. The two Unionist members supported it also. This would indicate that the final vote was virtually a party vote. There were five Republicans and

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five Democrats absent when the vote was taken. From their votes on the amendments they most likely would have voted along party lines. There could be an exception in Hicks (Md.), Republican, who did not vote at any time when the bill was up in the senate.

By Mr. Hale (N.H.) voting in the affirmative, the Eastern section of the country supported the bill unanimously. The Western States also gave it a large majority, only two out of fifteen votes being cast against it. The Middle and Southwestern States opposed the passage of the bill by a margin of one vote each.[#] In considering the possible votes of absent members the vote according to sections would not have changed materially. The only section which would probably have cast a different marginal vote would have been the Middle section if Mr. Harris would have voted. He no doubt would have supported the bill thereby making the total vote of that section equally divided.

The Amendatory Act was taken up for consideration in the senate 26 April and was passed 10 May. Seven days were spent in coming to a decision upon the tax provision of the bill. This question was linked up very closely with the questions of State rights and State banks. There were really three views taken as to the right of States to tax the national banks. The one view was represented especially by senators Sumner and Chandler. They thought the States should have no power of taxation over the banks, and stood

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for the exclusive right of the federal government in this respect. Another view was that the States should have the full power to tax. This was expressed chiefly by senators Henderson and Collamer. They felt that if the States were not given the right it would be a gross encroachment of power by the national government. It was also expressed by those who held to this view that the State banks would be discriminated against if the States had no power of taxing the national banks. The third view was expressed especially by senators Fessenden and Johnson. It was a moderate view which struck a compromise between the two extreme views. They believed that the national government should have a right to tax and that the States should also have the right, but to a limited degree. This was the opinion which was held by a majority of the senators, and was in substance incorporated into the bill.

The question of fixing the rate of interest also involved State rights and State banks, besides the practical questions involved. The original bill provided that States should establish the rate of interest, and this was put back into the bill by the senate after the house had incorporated a different provision. The senate was loath to give up the rights of the States in this respect. It was also thought that if there would be a uniform rate established, the national banks would have an advantage over the State banks, and vice versa. The senate, however, came to an understanding on this question more easily than the house.

The proposition of Mr. Doolittle to limit paper money circulation brought out the struggle between the state banks and the national banks. It was thought by some that the old banks should be allowed to continue their paper money in circulation, while others believed that they should withdraw it and the country should have a purely national currency. Whenever the question of interfering with State bank operations came up it necessarily would follow that State rights would be discussed, as the existing banks were creatures of the States.

Another question which occupied not a little time of the senate was the priveleges given to the Bank of Commerce in order to induce it to come under this system. Mr. Grimes was especially against granting these priveleges and this probably helped to determine his vote in opposition to the passage of the bill.

On 17 May the house of representatives ordered the senate amendments to be printed.⁵² Mr. Hooper, 23 May, tried to get the bank bill taken from the Speaker's desk but the legislative appropriation bill took preference and the house adjourned when the bill was again reached.⁵³

The next day the amendments were taken up, and Mr. Holman made his usual point of order as to whether the bill provided a tax or not, and if it did the committee of the Whole should first consider it. The chair overruled the point of order. Mr. Holman then moved to lay the Senate amendments on the table. This was rejected.⁵⁴

There were 56 yeas and 80 nays cast on this motion.[#]
 There were five Republicans who favored the move and seventy who opposed it. Forty-nine Democrats voted for it and two against it. Two Unionists voted in favor of it and six against it. Two Emancipationists voted affirmatively.

The Southwestern States favored this attempt to put the bill aside by a margin of two votes. The Western States were equally divided. The Eastern and Middle sections opposed it by margins of twenty and six respectively.^{#a}

The senate amendments were then concurred in without record votes, except the ones discussed below.

The house non-concurred in the senate's fifteenth amendment which provided for taking up bonds upon which no circulation was issued.⁵⁵

The nineteenth amendment was not agreed to by a vote of 57 to 71.^{#b} It provided that the entire amount of capital stock should be limited to \$300,000,000, as well as circulation.⁵⁶

Eight Republicans, forty-seven Democrats, and two Unionists supported the Senate proposition. Sixty-five Republicans, one Democrat, two Emancipationists, and three Unionists opposed it. The Western section was in favor of this measure by a margin of nine votes. The other sections opposed it, the Eastern States by a wide margin and the other two sections by very small margins.^{#c}

Appendix. Table IV.
 #a Appendix. Table IV A.
 #b Appendix. Table IV.
 #c Appendix. Table IV A.

Senate amendment number thirty-four was agreed to by a vote of 66 to 52.[#] This was the provision concerning the rate of interest to be taken by the national banks.⁵⁷ The Republican votes were divided on this proposition; twenty-three voted for it and forty-five against it. The Democratic vote was almost solidly in favor of it, only two voting in opposition. Of the members of the minor parties four Unionists voted yea, and two Unionists and three Emancipationists voted nay. The leaders of the bill in the house were by this vote forced to accept the senate measure. All sections of the country supported this amendment, except the East. The West supported it by a margin of eighteen votes, the Southwestern by five, and the Middle by two votes. The Eastern section gave only three votes in favor of it.^{#a}

The thirty-sixth and thirty-seventh amendments provided for inserting Buffalo, Leavenworth, and Providence, and for striking out Portland, Maine, as redemption cities. These amendments were not concurred in by the house.⁵⁸

At this point Mr. Stevens said that the house had so amended the bill as to destroy its value, so he moved to lay it on the table. But when Mr. Holman called for the yeas and nays on the motion, Mr. Stevens withdrew it. Mr. Eldridge immediately renewed the motion and again Mr. Holman called for the yeas and nays.⁵⁹ The vote was 55 for to 73 against it.^{#b} The party and sectional votes were virtually

#	Appendix.	Table IV.
#a	Appendix.	Table IV A.
#b	Appendix.	Table IV.

the same as on the previous motion to lay on the table.[#]

The thirty-eighth senate amendment dealt with redemption of notes of banks in redemption cities at New York. It was not concurred in by the house.⁶⁰

The senate tax amendment was rejected⁶¹ by a vote of 61 yeas and 66 nays.^{#a} Both of the major parties were divided in their votes on this measure. Thirty-nine Republicans voted for it and thirty-three against it. Twenty Democrats were in favor and twenty-six opposed it. Of the other two parties two Unionists voted in the affirmative, and five in the negative. Two Emancipationists opposed the amendment. The sectional vote was also divided. The Eastern States gave a margin of seven votes in favor of the proposition. The Middle and Western sections voted in opposition by margins of five and seven respectively. The Southwestern States were evenly divided.^{#b}

After the amendments had been acted upon a committee was appointed to act as managers on the part of the house in a conference committee. Messrs. Hooper (Mass.), Washburne (Ill.), and Mallory (Ky.) were appointed to serve on the committee.⁶² The next day, 25 May, the senate appointed Messrs. Sherman (Ohio.), Foster (Conn.), and Johnson (Md.) to act as managers for the senate on the committee.⁶³ Mr. Mallory was the only Democratic member of the committee.

Appendix. Table IV A.
 #a Appendix. Table IV.
 #b Appendix. Table IV A.

On 1 June Mr. Hooper and Mr. Sherman reported from the conference committee to their respective houses. The fifteenth amendment of the senate was changed so that the banks were prohibited from taking up any bonds, except beyond one-third of the excess of bonds, and upon which no circulating notes had been delivered. The nineteenth amendment which proposed limiting the capital stock to \$300,000,000 was stricken out of the bill. Leavenworth as a city of redemption was left in the bill, but Buffalo and Providence were stricken out and Washington City inserted instead. In the thirty-eighth amendment the provision for allowing a discount rate of one-fourth of one per cent. on redemption of notes of banks west of the Alleghany mountains, was stricken out, so that all banks were required to redeem at par. This meant that all banks in centers of redemption would redeem their notes in New York at par. On the forty-first amendment the tax upon circulation, deposits, and capital was left in the bill but the provisos were amended. In its final form the bill provided that shares of the national banks were to be taxed by the States at the place where the banks were located and that this tax was not to be at a higher rate than on other moneyed capital within the State levying the tax. A further provision was that the shares should not be taxed higher than shares of State banks.⁶⁴

The report of the conference committee was concurred in by both houses of Congress, and on 3 June 1864 the

President signed the bill.

The Amendatory Act substantially embodied the recommendations of the Secretary of the Treasury and the Comptroller in their reports of December 1863. Mr. Chase had suggested the desirability of a tax upon circulation and deposits. This was done by Congress, and a tax was added upon the capital stock of the banks. The Secretary had hinted that there would be State taxes levied upon the banks and Congress allowed the States to levy a tax. However the States were so limited that there could not be discrimination between property held in the form of national bank stock and that held in the form of State bank stock. The Comptroller's suggestions had been adopted with two or three exceptions. Instead of placing liability for debts contracted by the banks upon the officers and directors, Congress retained the stockholder's double liability clause and exempted the Bank of Commerce from it. Mr. McCulloch had recommended a uniform rate of interest at seven per cent., but Congress left this matter to the States with the provision that where no legal rate was established by any State it should be seven per cent. In other important matters Congress enacted into law the proposals of the Comptroller and generally revised the law of 1863.

The chief elements of opposition in the establishment of the national banking system were State rights, State banks, and opposition to any paper money scheme. The members of Congress of the last element of opposition were very few,

as it was generally realized that the financial exigencies of the time could not be met on a hard money basis. They for the most part thought that if there was to be a paper currency it should be issued and controlled directly by the national government. The opposition of the State banks was very decided. This was led chiefly by the representatives from New York City, as Messrs. Brooks, Pruyn, and Kernan. Their opposition was no doubt the more intense because they were members of the anti-administration party. No doubt many of the legislators who opposed the new system on the grounds of State rights were sincere in the stand they took. There were others who used this means of trying to prevent the national bank bills from being enacted into law. The advocates of the State banks and of paper currency issued directly by the government, seemed to forecast that competition which was to come between these two sources and the national banks in succeeding years.

The sections of the country which substantially supported the system as a whole were the Eastern and Western States. The votes of the Congressmen from those States consistently opposed the introduction of any measure into the bill which would hamper the effective operation of the national banks. The Southwestern section as a whole opposed the organization of these banks but their opposition was relatively weak. The Middle States were mostly divided upon their stand in regard to the matter but a small majority seemed to approve of the system.

The members of the Republican party on the whole backed the recommendations of Mr. Chase on the plan for a uniform currency, while the Democratic party was opposed to it. Party lines were not drawn as distinctly on the bill of 1863 as on that of 1864. Party affiliation no doubt helped to determine the vote of many Congressmen, whether they opposed or favored the measure. This would play an important part in determining the vote according to sections. The administration party was almost solidly behind the plan when the amendatory bills were before Congress, and the opposition party was practically solidly opposed to it. The fact that virtually all of the representatives and senators from the New England States were Republicans was the chief cause for the decided support given to the measures of 1864 from that section.

The differences within the administration party on other political questions of the time did not seem to have any particular bearing upon the solid front presented in supporting the amendatory bills. The differences between the radicals in Congress and the President had started before the bank bill was disposed of. The Davis-Wade Reconstruction bill was under consideration the same time as the bank bill of 1864. The President's proclamation was issued about a month after he had signed the Amendatory Act, and the Davis-Wade manifesto was given about two months after the bank bill was enacted. These differences within the administrative party were not reflected in the debates or the votes on the

national bank proposition.

The debates in Congress, 1864, concerning the establishment of the national banking system reflected an opinion of optimism in regards to the outcome of the Civil War. There were sentiments expressed which portrayed the thought that the war was not to last much longer. These were especially pronounced when the subject of resumption of specie payments was under consideration. However there were some members who felt that there was much hard fighting to be done, and much money yet needed before the rebellion was put down. At the time that the amendatory bills were being discussed General Sherman was preparing for his march upon Atlanta. General Grant had begun his operations against Lee, the battle of the Wilderness being fought the 5th and 6th of May. On the day that the senate passed the amendatory act, the first day of the battle of Spottsylvania occurred, and the frightful slaughter of Cold Harbor occurred on the day that the President signed the bill. The actual military situation was still very uncertain and undoubtedly influenced the members of Congress to heed the recommendations of the Secretary and the Comptroller for the enactment of this measure which they deemed so necessary to meet the ever increasing demands upon the treasury.

The national banking system as established was distinctly an urban plan of banking. The features of the plan which made it impossible for the smaller and sparsely settled communities were very pronounced. There was to be no bank

established in places of less than 6000 inhabitants unless the capital stock of the bank was \$50,000. Fifty per cent. of the capital should be paid in before the bank began business. No loans were to be secured by real estate. These provisions would make it impossible for the farmer to receive any direct benefit from the system. The rate of interest on money would also be high as the legal rate in no State was less than six per cent., and in States where no legal rate was established the bank could take seven per cent. Agricultural credit did not enter into the discussions in Congress and the friends of the bill evidently did not entertain any thought of it while drafting the bill.

Agricultural credit probably was overlooked because the most important promise held out, if the plan would be adopted, was that the country would have a uniform currency. There had been various reasons given, when the measure of 1863 was discussed, why the national system should be adopted. The one stressed the most was that of uniform currency. Others were, it would strengthen public credit; make it easier to resume specie payments; the banks would serve as public depositories of public money; the irregularities of State bank notes would be abolished; and it would provide a market for government bonds. During 1864 the advocates of the measure did not mention the point of providing a market for bonds. The slowness by which banks had been organized indicated that no great market for bonds would be found immediately in the national banks. The other reasons,

except uniform currency, were more or less minor ones.

After the bank bill, 1864, had been enacted Mr. Chase indicated that his main object, in being so persistent in advocating a system of national banks through which paper money could be issued, was in securing for the country a uniform currency. In a letter,⁶⁵ 17 June 1864, to Miss Mary A. Snyder, Miss Eliza S. Duffield, and other ladies of Philadelphia, the Secretary stated that he had "sought to give a national currency to the country, so sound that no laboring man shall be cheated of his wages by bank insolvency, and so uniform that a traveller may pay his bills without exchange of money from one end of the land to the other." A few days later, 30 June, Mr. Chase in a letter⁶⁶ to William Cullen Bryant expressed the same idea. "My grand objects have been, first, to provide for the vast demands of the war, and second, the substitution of a national bank-note currency for State bank-note currency---." This last letter was written on the same day that Mr. Chase resigned as head of the treasury department, and no doubt expresses his primary motive for inaugurating the system of national banks. He, together with others, wanted a uniform currency issued by national banks and secured by government bonds.

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APPENDIX

APPENDIX

Table of Signs used in Tabulating the Votes

On the page containing the provisions of the amendments to the bill, or the nature of the motion, the number of the amendment or motion placed before the Senator or Representative making the amendment or motion, corresponds to the number of the vote on the Tabulation page.

On the page containing the amendments or motions, the name of the Senator or Representative represents the person making the Amendment.

On the page containing the vote by sections, the number of the vote corresponds to the amendment given on the page containing the provisions of the amendment or the nature of the motions.

Numbers with plus signs (+) represent an affirmative vote. Numbers with asterisks (*) represent a negative vote.

On Tabulation pages under Party:

- R. -- Republican.
- D. -- Democratic.
- U. -- Unionist.
- E. -- Emancipationist.
- F. -- Fusionist.

APPENDIX

Table of Signs, Cont'd.

Table I motion 1 was made by Senator Powell as an amendment providing that each bank should keep gold and silver coin on hand equal to at least one--fourth of the amount of notes it was authorized to issue. 14 Senators voted for the amendment, hence 14+ is an affirmative vote. Look on Tabulation page I under 1 and there will be 14 plus signs opposite the 14 senators voting for the amendment. On Tabulation page I-A will be found under 1, the vote by each state and section on this amendment.

TABLE I.

No.	Senator	Vote	Provision
1.	Powell	14+ 22*	Amendment providing that each bank should keep gold and silver coin on hand equal to at least one-fourth of the amount of notes it was authorized to issue.
2.	Powell	9+ 27*	Amendment providing that bank notes should be acceptable for all public dues.
3.	Sherman	21+ 16*	Reconsideration of Howard's amendment that the articles of association should be printed and published with the laws of the United States.
4.	Howard	19+ 21*	Amendment providing that the thirty per cent of the capital stock to be paid in before a bank began business should be in gold and silver coin.
5.	Henderson	6+ 31*	Amendment providing that the minimum capital stock of any bank should be \$300,000 instead of \$50,000.
6.	Powell	18+ 18*	Amendment providing that the banks should redeem their notes in gold and silver coin twelve months after the war ended.
7.	Powell	15+ 23*	Renewal of the amendment requiring that banks should keep on hand one-fourth of the amount of their issues in coin.
8.	Powell	14+ 22*	Renewal of the amendment requiring that banks should redeem their issues in coin twelve months after the war ended.
9.		23+ 21*	Passage of the bill.

TABLE I.

Tabulation of Senate Votes on the Bill of 1863.

		1	2	3	4	5	6	7	8	9
Anthony, R. I.	R	*	*	+	*	*	*			+
Arnold, R. I.	R	*	*	*	*	*	*	*	*	+
Bayard, Dela.	D	+	+							
Carlile, Va.	D	+		*	+	*	+	+	+	*
Chandler, Mich.	R	*	*	*	*	*	*	*	*	+
Clerk, N.H.	R	*	*	*	*	*	*	*	*	+
Collamer, Vt.	R		*	+	+		+		+	*
Cowan, Pa.	R			+			+	*	*	*
Davis, Ky.	D	+	+	*	+	+	+	+	+	*
Dixon, Conn.	R	*	+	*	*		*	*	*	*
Doolittle, Wis.	R	*	*	+	*	*	+	*		+
Fessenden, Me.	R	*	*	+	*	*		*	*	+
Foot, Vt.	R	+	+	*	+	+	+	+	+	*
Foster, Conn.	R	*	*	+	*	*	*	*	*	+
Grimes, Ia.	R	+		*	+	*		+	*	*
Hale, N.H.	D									
Harding, Ore.	R	+		+	*	*				+
Harlan, Ia.	R	*		*	*	*	*	*	*	+
Harris, N.Y.	R	*	*	+	*	*	*	*	*	+
Henderson, Md.	D		*	+	+	+	+	+	+	*
Hicks, Md.	R	*	*	*	*	*	*	*	*	*
Howard, Mich.	R	+	*	*	+	+	+	+	*	+
Howe, Wis.	R				*	*	+	*		+
Kennedy, Md.	D	+	+	*	+	+	+			*
King, N.Y.	R	*	*	*	+	*	+	*	+	*
Lane, Ind.	R	*	*	+	+	*	*	*	*	
Lane, Kans.	R	*	*	+	*	*	*	*	*	+
Latham, Calif.	D			*	+		+	+	+	*
McDougall, Calif.	D			+	+					*
Morrill, Me.	R	*	*	+	*	*	*	*	*	+
Nesmith, Ore.	D		*				+			+
Pomeroy, Kans.	R	*	*	+	*	*	*	*	*	+
Powell, Ky.	D	+	+	*	+	*	+	+	+	*
Rice, Minn.	D	+			*	*		+	+	*
Richardson, Ill.	D		+	+	+	*	+	+	+	*
Saulsbury, Dela.	D				+			+	+	*
Sherman, Ohio.	R	*	*	+	*	*	*	*	*	+
Sumner, Mass.	R	*	*	+	*	*	*	*	*	+
TenEyck, N.J.	R	*	*	+		*	*	*	*	+
Trumbull, Ill.	R	+	*	*	+	*	+	+	*	*
Turpie, Ind.	D	+	+	+	+	*	+	+	+	*
Wade, Ohio.	R		*	+	*	*	*	*	*	+
WALL, N.J.	D	+	+			*	+	+	+	*
Wilkinson, Minn.	R	*	*	*	*	*		*		+
Willey, Va.	R	*	*		+					
Wilmot, Pa.	R						*	*	*	+
Wilson, Mass.	R	*	*	+	*	*	*	*	*	+
Wilson, Mo.	D	+	*		+	+	+	+	+	*

TABLE I-A.

Tabulation of Senate Votes by Sections on the bill of 1863.

Sections	1	2	3	4	5	6	7	8	9	
Eastern:										
Maine		2*	2*	2+		2*	2*	1*	2*	2* 2+
New Hampshire		1*	1*	1*	1*	1*	1*	1*	1*	1* 1+
Vermont	1+	1+	1*	1+	1*	2+	1+	2+		2*
Massachusetts		2*	2*	2*		2*	2*	2*	2*	2* 2+
Rhode Island		2*	2*	1+	1*	2*	2*	2*	1*	1* 2+
Connecticut		2*	1+	1*	1+	1*	2*	2*	2*	2* 1+ 1*
Total:	1+	9*	2+	9*	7+	4*	2+	9*	1+	6* 2+ 6* 1+ 6* 2+ 6* 2+ 6* 2+ 6*
Middle:										
New York		2*	2*	1+	1*	1+	1*		2*	1+ 1* 1+ 1*
New Jersey	1+	1*	1+	1*	1+			2*	1+	1* 1* 1+ 1* 1+ 1*
Pennsylvania				1+				1+	1*	2* 2* 1+ 1*
Delaware	1+	1+			1+			1+	1+	
Maryland	1+	1*	1+	1*	2*	1+	1*	1+	1*	1* 1* 2*
Total:	3+	4*	3+	4*	3+	3*	3+	2*	1+	5* 4+ 4* 2+ 6* 3+ 5* 3+ 6*
Southwestern:										
Virginia	1+	1*	1*	1*	2+		1*	1+	1+	1*
Louisiana										
Tennessee										
Kentucky	2+	2+		2*	2+	1+	1*	2+	2+	2+
Missouri	1+		2*	1+	2+	2+	1+	2+	2+	2*
Total:	4+	1*	2+	3*	1+	3*	1+	3*	6+	3+ 2* 4+ 5+ 5*
Western:										
Ohio		1*	2*	2+		2*	2*	2*	2*	2* 2+
Indiana	1+	1*	1+	1*	2+		2*	1+	1*	1+ 1* 1* 1*
Illinois	1+		1*	1+	1*	2+		2*	2+	2+
Michigan	1+	1*	2*	1*	1+		1+	1*	1*	1* 2+
Minnesota	1+	1*	1*	1*		2*		2*	2*	1+ 1* 1+ 1*
Wisconsin		1*	1*			2*	2*	2+		2*
Kansas		2*	2*	2+		2*	2*	2*	2*	2* 2+
Oregon	1+		1*	1+		1*	1*	1+		2+
California				1+	1*	2+		1+	1+	1+
Iowa	1+	1*		2*	1+	1*		2*	1*	1*
Total:	6+	8*	2+11*	10+	5*	8+10*	1+16*	8+	6*	7+ 9* 4+ 9* 12+ 7*

TABLE II.

Votes in the House on the Bill of 1863.

Number	Vote	Questions voted upon
1.	75+ 73*	Ordering the main question
2.	57+ 89*	To lay bill on the table
3.	83+ 66*	Ordering bill to a third reading
4.	78+ 64*	Passage of the bill

TABLE II.

Tabulation of House Votes on Bill of 1863.

		1	2	3	4
Aldrich, Minn.	R	+	*	+	+
Allen, Ohio	D	*	+	*	*
Alley, Mass.	R	*	*		+
Ancona, Pa.	D	*	+	*	*
Ashley, Ohio	R	+	*	+	+
Babbitt, Pa.	R		*	+	+
Baily, Pa.	D	*		*	*
Baker, N.Y.	R	*	+	*	*
Baxter, Vt.	R	*	+	*	*
Beaman, Mich	R	+	*	+	+
Biddle, Pa.	D	*	+	*	*
Bingham, Ohio	R	+	*	+	+
Blair, Va.	U	+	*	+	+
Blake, Ohio	R	+	*	+	+
Brown, Va.	U	+	*	+	
Buffinton, Mass.	R	+	*	+	+
Calvert, Md.	R	+	*	+	+
Campbell, Pa.	R	+	*	+	+
Casey, Ky.	U	+	*	+	+
Chamberlain, N.Y.	R	+	*	+	+
Clements, Tenn.	U	+	*	+	+
Cobb, N.J.	D	*	+	*	*
Colfax, Ind.	R	+	*	+	+
F. A. Conkling, N.Y.	R	*	+	*	*
R. Conkling, N.Y.	R	*	+	*	*
Conway, Ks.	R		*	+	+
Corning, N.Y.	D	*	+		
Covode, Pa.	R	+	*	+	+
Cox, Ohio	D	*	+	*	*
Cravens, Ind.	D	*	+	*	*
Crisfield, Md.	R	*	+	*	
Crittenden, Ky.	U			*	*
Cutler, Ohio	R	+	*	+	+
Davis, Pa.	R	+	*	+	+
Daves, Mass.	R	*	+	*	*
Deland, Mass.	R	*	*	+	+
Diven, N.Y.	R		*	+	
Dunn, Ind.	R	+	*	+	+
Edgerton, N.H.	R	+	*	+	+
Edwards, N. H.	R	+		*	*
Eliot, Mass.	R	+	*	+	+
Ely, N.Y.	R	*		+	+
English, Conn.	D				*

TABLE II (Cont'd)

Fenton, N.Y.	R	+	*	+	+
S. C. Fessenden, Me.	R	+	*	+	+
T.A.D. Fessenden, Me.	R	+	*	+	+
Fisher, Dela.	R	+	*	+	+
Fauke, Ill.	D	*	+	*	
Franchot, N.Y.	R	+	*		
Frank, N.Y.	R	+	*	+	+
Gooch, Mass.	R		+	*	*
Goodwin, Me.	R	+	*	+	+
Granger, Mich.	D	+	*	+	+
Grider, Ky.	R	*	+	*	*
Gurley, Ohio	R			*	*
Hahn, La.	R	*	*	+	+
Haight, N.Y.	D	+	*	+	+
Hale, Pa.	R	+	*	+	
Hall, Mo.	D	*	+	*	*
Harding, Ky.	U	*	+	*	*
Harrison, Ohio	D	*	*	*	*
Hickman, Pa.	R	+	*	+	+
Holman, Ind.	D			*	*
Hooper, Mass.	R	+	*	+	+
Horton, Ohio	R	*		*	*
Hutchins, Ohio	R	+	*	+	+
Johnson, Pa.	R	*	+	*	*
Julian, Ind.	R	+	*	+	+
Kelley, Pa.	R	+	*	+	+
F. W. Kellogg, Mich.	R	+	*	+	+
Wm. Kellogg, Ill.	R	+	*	+	+
Knapp, Ill.	D	*	+	*	*
Kerrigan, N.Y.	D	*	+	*	*
Lansing, N.Y.	R		*	+	+
Law, Ind.	D	*	+	*	*
Lazear, Pa.	D	*	+	*	*
Leary, Md.	U	+	*	+	+
Lehman, Pa.	D	+	*		
Loomis, Conn.	R			*	*
Lovejoy, Ill.	R	+	*	+	+
Low, Calif.	R	+	*	+	+
McIndoe, Wis.	R	+	*	+	+
McKean, N.Y.	R	+	*	+	+
McKnight, Pa.	R	*	*		
McPherson, Pa.	R	+	*	+	+
Mallory, Ky.	D	*	+	*	*
Marston, N.H.	R	+	*	+	+
May, Md.	D	*	+	*	*
Maynard, Tenn.	R	+	*	+	+
Menzies, Ky.	U	*	+	*	*
Mitchell, Ind.	R	*	+		
Moorhead, Pa.	R	+	*	+	+
A. P. Morrill, Me.	R	+	*	+	+
J. S. Morrill, Vt.	R	*	+	*	*

TABLE II (Cont'd)

Morris, Ohio	D	*	+	*	*
Nixon, N.J.	R	*	*	*	*
Noble, Ohio	D	*	+	*	*
Noell, Mo.	U	*	*	+	+
Norton, Mo.	D	*	+	*	*
Nugen, Ohio	D	*	+	*	*
Odell, N.Y.	D	*	+	*	*
Olin, N.Y.	R	+	*	+	+
Patton, Pa.	R	+	*	+	+
Pendleton, Ohio	D	*	+	*	*
Perry, N.J.	D	*	+	*	*
Phelps, Calif.	R	+	*	+	+
Pike, Me.	R	+	*	*	*
Pomeroy, N.Y.	R	*	+	*	*
Porter, Ind.	R	*	+	*	*
Potter, Wis.	R	+	*	+	+
Price, Mo.	D	*	*	*	*
A. H. Rice, Mass.	R	*	*	+	+
J. H. Rice, Me.	R	+	*	+	+
Riddle, Ohio	R	+	*	+	*
Robinson, Ill.	D	*	+	*	*
E. H. Rollins, N.H.	R	+	+	*	*
J. S. Rollins, Mo.	R	*	+	*	*
Sargent, Calif.	R	*	*	+	+
Sedgwick, N.Y.	R	*	*	+	+
Segar, Va.	U	+	*	+	+
Shanks, Ind.	R	+	*	+	+
Sheffield, R. I.	D	*	+	*	*
Shellabarger, Ohio	R	+	*	+	+
Sherman, N.Y.	R	+	*	+	+
Shiel, Ore.	D	*	+	*	*
Sloan, Wis.	R	+	*	+	+
Smith, N.Y.	F	*	+	*	*
Spaulding, N.Y.	R	+	*	+	+
J. B. Steele, N.Y.	D	*	+	*	*
W. G. Steele, N.Y.	D	*	+	*	*
Stevens, Pa.	R	+	*	+	+
Stiles, Pa.	D	*	+	*	*
Stratton, N.J.	R	*	+	*	*
B. J. Thomas, Mass.	R	*	+	*	*
F. Thomas, Md.	R	*	*	+	*
Train, Mass.	R	*	*	*	*
Trimble, Ohio.	R	+	*	+	+
Trowbridge, Mich.	R	+	*	+	+
Ullandigham, Ohio.	D	*	+	*	*
Van Horn, N.Y.	R	+	*	+	+
VanWyck, N.Y.	R	+	*	+	+
Veree, Pa.	R	+	*	+	+
Voorhees, Ind.	D	*	+	*	*

TABLE II (Cont'd)

Wadsworth, Ky.	R.	*		*	*
Walker, Mass.	R	*			
Wall, N.Y.	R	+	*	+	+
Wallace, Pa.	R	+	*	+	+
Walton, Vt.	R	*	+	*	
Washburne, Ill.	R	+	*	+	+
Webster, Md.	R	+	*		
Whaley, Va.	R	*	+	*	*
Wheeler, N.Y.	R	*	+	*	*
A. S. White, Ind.	R	+	*	+	+
C. A. White, Ohio	D	*	+	*	*
Wickliffe, Ky.	U	*	+	*	*
Wilson, Ia.	D	+	*	+	*
Winton, Minn.	R	+	*	+	+
Woodruff, Conn.	D	*	+	*	*
Worcester, Ohio	R		*	+	+
Wright, Pa.	D	*		*	*
Yeaman, Ky.	U	*	+	*	

TABLE II - A.

Tabulation of House Votes by Sections on the bill of 1863.

Sections	1	2	3	4				
Eastern:								
Maine	5+		6*	5+	1*	5+	1*	
New Hampshire	3+		1+	1*	1+	1*	1+	1*
Vermont		3*	3+			3*		2*
Massachusetts	3+	7*	3+	7*	5+	3*	5+	3*
Rhode Island		1*	1+			1*		1*
Connecticut		1*	1+			2*		3*
Total--	11+	12*	9+	14*	11+	11*	11+	12*
Middle:								
New York	12+	12*	10+	15*	15+	8*	14+	8*
New Jersey		5*	4+	1*		5*		5*
Pennsylvania	12+	9*	5+	14*	13+	7*	12+	6*
Delaware	1+			1*	1+		1+	
Maryland	4+	3*	2+	4*	3+	2*	2+	2*
Total	29+	29*	21+	35*	32+	22*	29+	23*
Southwestern:								
Virginia	3+	1*	1+	3*	3+	1*	2+	1*
Louisiana		1*		1*	1+		1+	
Tennessee	2+			2*	2+		2*	
Kentucky	1+	7*	6+	1*	1+	8*	1+	7*
Missouri		4*	3+	1*	1+	4*	1+	3*
Total	6+	13*	10+	8*	8+	13*	7+	11*
Western:								
Ohio	9+	10*	8+	11*	10+	11*	10+	11*
Indiana	5+	5*	5+	5*	5+	5*	5+	4*
Illinois	3+	3*	3+	3*	3+	3*	3+	2*
Michigan	4+			4*	4+		4+	
Minnesota	2+			2*	2+		2+	
Wisconsin	3+			3*	3+		3+	
Kansas				1*	1+		1+	
Oregon		1*	1+			1*		1*
California	2+			2*	3+		3+	
Iowa	1+			1*	1+			1*
Total	29+	19*	17+	32*	32+	20*	31+	19*

TABLE III.

Votes in the House on House Bill No.333 - 1864.

No.	Representative	Vote	Provisions
1.	Brooks	57+ 42*	Motion to go into committee of the Whole
2.	Stevens	69+ 42*	Motion to close debate on the section pertaining indirectly to the Bank of Commerce.
3.	Ganson	76+ 54*	Amendment providing for issuing of notes in denominations less than five dollars.
4.	Kasson	72+ 61*	Amendment providing that taxes should be levied by Congress on national banks from time to time in lieu of all other taxes.
5.		65+ 63*	Amendment providing for conversion of State banks into national banks.
6.	Blaine	88+ 43*	Amendment providing that states should regulate the rate of interest.
7.	Van Val Kenburg	78+56*	Amendment providing for state taxation of national banks.
8.	Stevens	59+ 78*	Substitute for the bill.
9.	Stevens	90+ 44*	Motion to lay the bill on the table.

TABLE III (Cont'd)

Eckley, Ohio	R	+	+	+	+	+	*	*	+	*
Eden, Ill.	D		*	*	*	*	+	+	*	+
Edgerton, Ind.	R		*	*	*	*	+	+	*	+
Eldridge, Wis.	D		*	*	*	*	+	+	*	+
Eliot, Mass.	R	+	+	+	+	+	*	*	+	+
English, Conn.	D	*	*	*	*		+	+	*	+
Farnsworth, Ill.	R	+								
Fenton, N.Y.	R									
Finck, Ohio	D		*	*	*	*	+	+	*	+
Frank, N.Y.	R	+	+	+	+	+	*	*	+	*
Glanson, N.Y.	D	*		+	*	*	+	+	*	+
Garfield, Ohio	R									
Gooch, Mass.	R		+	+	+	+	*	*	+	+
Grider, Ky.	R		*	*	*	*	+	+	*	+
Grinnell, Ia.	R		+	+	+	+	+	*	+	*
Griswold, N.Y.	D	*	*	+				+	*	+
Hale, Pa.	R	+	+	+	+	+	*	*	+	+
Hall, Mo.	D	*			*	*	+	+	*	+
Harding, Ky.	U	*								
Harrington, Ind.	D	*	*	*		*		+	*	+
B. G. Harris, Md.	D		*		*			+	*	+
C. M. Harris, Ill.	D	*								
Herrick, N.Y.	D	*	*	*	*	*	+	+	*	+
Higby, Calif.	R	+	+							
Holman, Ind.	D	*	*	*	*	*	+	+	*	+
Hooper, Mass.	R	+	+		+	+	*	*	+	+
Hotchkiss, N.Y.	R		+	+	+	+	+	+	*	*
A. W. Hubbard, Ia.	R		+	+	+		+	*	*	*
J. H. Hubbard, Conn.	R	+		+	+	+	*	*	+	*
Hulbard, N.Y.	R		+							
Hutchins, Ohio	R									
Ingersoll, Ill.	R									
Jenckes, R. I.	R		+	+	+	+	*	*	+	*
P. Johnson, Pa.	R		*	*	*	*	+	+	*	+
W. Johnson, Ohio.	D			*	*	*	+	+	*	+
Julian, Ind.	R		+	+	+	+	+	*	+	+
Kalbfleisch, N.Y.	D	*	*	*	*	*	+	+	*	+
Kasson, Ia.	R		+	+	+	+	*	*	+	
Kelley, Pa.	R	+		+	+	+		*	+	+
F. W. Kellogg, Mich.	R	+	+	+	+	+	*	*	+	+
O. Kellogg, N.Y.	R		+	+	+	+	+	+	*	+
Kernan, N.Y.	D			*	*	*	+	+	*	+
King, Mo.	D									
Knapp, Ill.	D		*							
Law, Ind.	D	*	*	*	*	*	+	+	*	+
Lazear, Pa.	D						+	+		
LeBlond, Ohio.	D									
Littlejohn, N.Y.	R									
Loan, Mo.	E		+	+		+	+	*	+	+
Long, Ohio.	D		*	*	*	*	+	+	*	+
Longyear, Mich.	R	+	+	+	+	+	*	*	+	+

TABLE III (Cont'd)

Lovejoy, Ill.	R								
McAllister, Pa.	D	*							
McBride, Ore.	R	+	+	+	+	+	*	*	+
McClurg, Mo.	E	+	+	+	+	+	*	*	+
McDowell, Ind.	D								
McIndoe, Wis.	R								
McKinney, Ohio.	D		*	*	*	*	+	+	*
Mallory, Ky.	D			*	*	*	+	+	*
Marcy, N.H.	D	*		*	*	*	+	+	*
Marvin, N.Y.	U			+	+	+	*	*	+
Middleton, N.J.	D		*	*	*	*	+	+	*
S. Miller, N.Y.	R	+	+	+	+	+	*	+	*
W. Miller, Pa.	D			*	*	*	+	+	*
Moorhead, Pa.	R	+	+	+	+				
Morrill, Vt.	R	+	+	+	+	+	*	+	*
D. Morris, N.Y.	R			+	+	+	*	*	+
J. Morris, Ohio.	D	*	*	*	*	*	+	+	*
Morrison, Ill.	D	*		*	*	*	+	+	*
A. Myers, Pa.	R		+	+	+	+	+	+	*
L. Myers, Pa.	R			+	+	+	*	*	+
Nelson, N.Y.	D	*		*		*	+	+	*
Noble, Ohio.	D	*			*				
Norton, Ill.	R	+	+						
Odell, N.Y.	D		*				+	+	*
C. O'Neill, Pa.	R		+	+	+	+	*	*	+
J. O'Neill, Ohio.	D	*	*	*	*	*	+	+	*
Orth, Ind.	R	+	+	+	*	+	+	+	*
Patterson, N.H.	R	+	+	+	+	+	+	+	*
Parham, Me.	R	+	+	+	+	+	+	*	+
Pendleton, Ohio.	D	*	*	*	*		+	+	*
Perry, N.J.	D	*							
Pike, Me.	R	+	+	+	*	+	+	*	*
Pomeroy, N.Y.	R	+	+	+	+	+	+	+	*
Prize, Ia.	R	+	+	+	+	+	+	*	*
Pruyn, N.Y.	D	*		+	*	*	+	+	*
Radford, N.Y.	D	*		+	*	*		+	*
S. Randall, Pa.	E		*	*	*	*	+	+	*
W. Randall, Ky.	KU	+	+	+	*	+	*	+	*
A. H. Rice, Mass.	R		+	+	+	+	*	*	+
J.H. Rice, Me.	R	+		+	+	+	+	+	*
Robinson, Ill.	D		*	*	*	*	+	+	*
Rogers, N.J.	D	*	*	*	*	*	+	+	*
E. Rollins, N.H.	R		+	+	+	+		*	+
J. Rollins, Mo.	R	*		*	+	+	+		*
Ross, Ill.	D	*							
Schenek, Ohio.	R	+		+	+	*	+	*	+
Scotfield, Pa.	R	+	+	+	+	*	+	+	*
Scott, Mo.	D		*	*	*	*	+	+	*
Shannon, Calif.	R	+	+	+	+	+	*	*	+
Sloan, Wis.	R								
Smith, Ky.	U								
Smithers, Dela.	R	+					+	*	*
Spaulding, Ohio.	R	+	+	+	+	+	+	*	+
Starr, N.J.	R			+	+	+	+	+	+
Stebbins, N.Y.	D	*	*						*

TABLE III (Cont'd)

J. Steele, N.Y.	D		*	*	*	*	+	+	*	+
W. Steele, N.J.	D	*		*	*	*	+	+		*
Stevens, Pa.	R.	+	+	+	+	+		*	+	+
Stile, Pa.	D									
Strouse, Pa.	D		*	*	*	*	+	+	*	+
Stuart, Ill.	D	*					+	+	*	
Sweat, Me.	D	*	*	*	*	*	+	+	*	
Thayer, Pa.	R		+	+	+	+	+	*	+	+
Thomas, Md.	U				*	*	+	+	*	+
Tracy, Pa.	R	+	+		*	*	+	+	*	*
Upson, Mich.	R	+	+	+	+	+			*	*
Van Val Kenburg, N.Y.	R	+	+	+	+	+	+	+	*	*
Voorhees, Ind.	D	*	*	*	*	*				
Wadsworth, KY.	R									
Ward, N.Y.	D		*		*		+	+	*	+
Washburn, Mass.	R		+	+	+	+	*	*	*	*
Washburne, Ill.	R	+		+	+	*	*	*	*	+
Webster, Md.	R	+								
Whaley, W. Va.	R	+		+	+	*		+		+
Wheeler, Wis.	D		*	*	*	*	+	+	*	+
C. White, Ohio.	D			*	*	*	+	+	*	+
J. White, Ohio.	D			*	*	*	+	+	*	+
Wilder, Ks.	R		+	+	+	+	*	*	+	*
Williams, Pa.	R			+	+				*	*
Wilson, In.	D	+	+	+	+	*	*		*	*
Windom, Minn.	R	+	+	+	+	+	*	+	+	*
Winfield, N.Y.	D	*	*	*	*	*	+	+	*	+
B. Wood, N.Y.	D			*	*	*	+	+	*	+
F. Wood, N.Y.	D									
Woodbridge, Vt.	R		+	+	+	+	*		+	+
Yeaman, Ky.	U	*	*	*	*	*	+	+	*	+

TABLE III-A.

Tabulation of House Votes by Sections on House Bill No. 333 - 1864.

Sections	1	2	3	4	5	6	7	8	9
Eastern:									
Maine	4+ 1*	5+ 1*	3+ 1*	4+ 1*	3+ 2*	5+	3+ 2*	1+ 4*	4*
New Hampshire	1* 1*	2+	2+ 1*	2+ 1*	2+ 1*	2+	1+ 1*	2+ 1*	2+ 1*
Vermont	2+	3+	3+	5+	3+	1+ 2*	2*	3+	2+ 1*
Massachusetts	6+	9+	9+	9+	9+	9*	9*	9+	5+ 4*
Rhode Island		2+	2+	2+	2+	2*	2*	2+	2*
Connecticut	2+ 1*	1* 1+	1* 1+	1* 1+	1+	1+	1+ 1*	1+ 1*	1+ 1*
Total	15+ 3*	19+ 2*	20+ 3*	21+ 3*	20+ 3*	9+ 14*	5+ 17*	18+ 6*	10+ 13*
Middle:									
New York	6+ 11*	8+ 10*	13+ 9*	10+ 12*	10+ 16*	17+ 6*	20+ 55*	5+ 20*	19+ 6*
New Jersey	3*	2* 1+	3*	3* 1+	3* 4+	4+	4+	1+ 2*	3+ 1*
Pennsylvania	7+ 2*	10+ 5*	11+ 8*	10+ 9*	7+ 11*	13+ 3*	13+ 6*	8+ 10*	14+ 4*
Delaware	1+					1+	1*	1*	1*
Maryland	1+	1+ 1*	1*	1*		1*	1+	1+ 1*	2+
Total	15+ 16*	19+ 16*	25+ 21*	20+ 25*	18+ 24*	35+ 10*	38+ 12*	15+ 34*	38+ 12*
Southwestern:									
West Virginia	1+	1+	1+ 1*	1+ 1*	2*	1+	2+	1*	1+ 1*
Louisiana									
Tennessee									
Kentucky	1+ 4*	2+ 2*	2+ 3*	1+ 5*	2+ 4*	4+ 1*	5+ 1*	1+ 5*	3+ 2*
Missouri	1+ 2*	3+ 1*	4+ 2*	4+ 2*	5+ 2*	5+ 3*	2+ 4*	4+ 3*	4+ 1*
Total	5+ 6*	6+ 3*	7+ 6*	6+ 8*	7+ 8*	10+ 4*	9+ 5*	5+ 9*	8+ 4*
Western:									
Ohio	4+ 5*	3+ 6*	4+ 11*	4+ 12*	3+ 11*	13+ 2*	11+ 4*	5+ 11*	12+ 4*
Indiana	2+ 5*	2+ 4*	2+ 4*	1+ 5*	2+ 5*	5+	5+ 1*	1+ 5*	5+ 1*
Illinois	3+ 5*	1+ 5*	5*	2+ 5*	6*	5+ 1*	5+ 1*	6*	6+
Michigan	4+ 1*	4+ 1*	4+ 1*	4+ 1*	4+ 1*	1+ 4*	1+ 2*	4+ 1*	3+ 2*
Minnesota	3+	3+	3+	3+	2+ 1*	2+ 1*	1+ 2*	3+	2+ 1*
Wisconsin	1+ 1*	1+ 3*	1+ 3*	1+ 2*	1+ 3*	3+ 1*	5+ 1*	1+ 3*	3+ 1*
Kansas		1+	1+	1+	1+	1*	1*	1+	1*
Oregon	1+	1+	1+	1+	1+	1*	1*	1+	1+
California	3+	3+	2+	2+	2+	1+ 1*	2*	2+	1+ 1*
Iowa	3+	6+	6+	6+	4+ 1*	4+ 2*	5*	5+ 3*	1+ 4*
Total	24+ 17*	25+ 19*	24+ 24*	25+ 35*	20+ 26*	34+ 14*	26+ 22*	21+ 29*	34+ 15*

TABLE IV.

Votes in the House on House Bill No. 395 -- 1864.

No.	Representative	Vote	Provisions
1.	Holman	71+ 31*	Appeal from the decision of the chair to the house on the point of order that the bill was a tax measure.
2.	F. Wood	84+ 9*	Appeal from the decision of the Chair to the house on the point of order that the bill was an appropriation measure.
3.	Fenton	79+ 60*	State taxation of national banks.
4.	Rollins	75+ 66*	Motion to lay on the table the move to reconsider the vote by which the bill was ordered to be engrossed and read a third time.
5.	Holman	59+ 76*	Motion to lay the bill on the table.
6.		78+ 63*	Passage of the bill.
7.	Holman	56+ 60*	Motion to lay the senate amendments on the table.
8.		57+ 71*	Senate amendment to limit the aggregate capital stock of national banks.
9.		66+ 52*	Senate amendment to the rate of interest section.
10.	Eldridge	55+ 73*	Motion to lay the senate amendments on the table.
11.		61+ 66*	Senate amendment to the section providing for taxing the banks by the national and state governments.

TABLE IV (Cont'd)

Eckley, Ohio.	R	+	+	+	+	*	+	*	*	*	+
Eden, Ill.	D	*	*	*	*	+	*	+	+	+	+
Edgerton, Ind.	R						+	+	+	+	
Eldridge, Wis.	D	*	+	*	*	+	*	+	+	+	*
Eliot, Mass.	R						*	*	*	*	+
English, Conn.	D										
Farnsworth, Ill.	R		+	+	+	*	+	*	+	+	
Fenton, N.Y.	R			+	+	*	+	*	*	*	+
Finck, Ohio.	D			*	*	+	*	+	+	+	*
Frank, N.Y.	R	+	+	+	+	*	+				
Ganson, N.Y.	D			*	*	+	*				*
Garfield, Ohio.	R	+	+		+	*	+	*	*	*	*
Gooch, Mass.	R	+	+	+	+	*	+	*	*	*	+
Grider, Ky.	R	*			*	+	*	+	+	+	+
Grimnell, Ia.	R	+	+	+	+	*	+	*	+	*	*
Griswold, N.Y.	D				*	+			+	+	+
Hale, Pa.	R										
Hall, Mo.	D			*	*	+	*	+	+	+	
Harding, Ky.	U			*	*	+	*	+	+	+	*
Harrington, Ind.	D		+	*	*	+	*	+	+	+	*
B. G. Harris, Md.	D	*		*	*	+	*			+	*
C. M. Harris, Ill.	D				*	+	*	+	+	+	+
Herrick, N.Y.	D	*	*	*	*	+	*	+	+	+	
Higby, Calif.	R	+	+	+	+	*	+				
Holman, Ind.	D	*		*	*	+	*	+	+	+	*
Hooper, Mass.	R	+	+	+	+	*	+	*	*	*	*
Hotchkiss, N.Y.	R	+	+	+	*	*	+	*	+	*	+
A. W. Hubbard, Ia.	R	+	+	*	+	*	+	*	+	*	+
J. H. Hubbard, Conn.	R	+	+	+	+	*	+	*	*	*	+
Fulbard, N.Y.	R						*	*	*	*	+
Hutchins, Ohio.	R		+	*	*		*				
Ingersoll, Ill.	R						*	*	*	*	+
Jenckes, R. I.	R	+	+	+	+	*	+	*	*	*	*
P. Johnson, Pa.	R						+			+	*
W. Johnson, Ohio.	D			*	*	+	*	+	+	+	*
Julian, Ind.	R	+	+	+	+	*	+	*	*	*	*
Kalbfeisch, N.Y.	D			*				+		+	+
Kasson, Ia.	R			+	+	*	+	*	*	*	*
Kelley, Pa.	R	+	+	*	+	*	+	*	*	*	*
F. W. Kellogg, Mich.	R	+	+	+	+	*	+	*	*	*	*
O. Kellogg, N.Y.	R	+	+	+	+	*	+	*	*	*	+
Kernan, N.Y.	D	*		*	*	+	*	+	*	+	+
King, Mo.	D		+	*	*	+	*	+		+	
Knapp, Ill.	D			*	*	+	*	+	+	+	+
Law, Ind.	D			*	*	+	*	+	+	+	+
Lazear, Pa.	D			*	*	+	*		+	+	+
Le Blond, Ohio	D						*	*	*	*	
Littlejohn, N.Y.	R						*	*	*	*	*
Loan, Mo.	E			+	+	*	+		*		*
Long, Ohio.	D			*	*	+	*	+	+	+	+
Longyear, Mich.	R	+	+	+	+	*	+	*	*	*	*
Lovejoy, Ill.	R										
McAllister, Pa.	D			*							*

TABLE IV-A.

Tabulation of House Votes by Sections on House Bill No. 395 - 1864.

Sections	1	2	3	4	5	6	7	8	9	EO	11
Eastern:											
Maine	3+	4+	4+	3+ 1*	1+ 3*	3+	1+ 4*	2+ 2*	2+	3*	3+
New Hampshire	1+ 1*	2+	2+ 1*	2+ 1*	1+ 2*	1+ 1*	1+ 2*	1+ 2*	1+	1+	3+
Vermont	3+	3+	3+	3+	3*	3+	2*	2*	1*	2*	2*
Massachusetts	9+	6+	9+	9+	8*	8+	9*	10*	9*	9*	6+ 2*
Rhode Island	1+	1+	1+	1+	1*	1+	2*	2*	2*	2*	1*
Connecticut	2+	1+	1+	2+	2*	2+	3*	3*	2*	1*	1+ 1*
Total	19+ 1*	17+	20+ 1*	20+ 2*	2+19*	18+ 1*	2+22*	3+ 21*	3+14*	1+17*	13+ 6*
Middle:											
New York	10+ 9*	11+ 3*	11+13*	8+16*	13+10*	10+13*	8+11*	12+ 9*	4+ 7*	11+12*	14+ 8*
New Jersey				2*	2+	1+ 2*	2+	2+	2+	2+	2*
Pennsylvania	9+ 5*	11+ 3*	5+ 7*	8+ 9*	6+ 8*	9+ 8*	8+ 9*	5+11*	11+ 6*	7+ 9*	7+11*
Delaware							1*	1*	1+	1*	1*
Maryland	1*	3+	1+ 4*	2+ 2*	1+ 3*	2+ 2*	3*	1+ 2*	3*	1+ 2*	4*
Total	19+15*	25+ 6*	17+24*	18+29*	22+21*	22+25*	18+24*	20+23*	18+16*	21+24*	21+26*
Southwestern:											
West Virginia	1+	1+	1+	2+	2*	2+	3*	2*	3+	2*	2+
Louisiana											
Tennessee											
Kentucky	3+ 1*	3+	3+ 1*	3+ 5*	5+ 2*	3+ 5*	5+ 2*	2+ 2*	4+	5+ 1*	4+ 3*
Missouri	1+	2+	2+ 4*	3+ 4*	4+ 2*	3+ 4*	4+ 2*	2+ 2*	1+ 3*	2+ 2*	3*
Total	5+ 1*	6+	6+ 5*	8+ 9*	9+ 6*	8+ 9*	9+ 7*	4+ 6*	8+ 3*	7+ 5*	6+ 6*
Western:											
Ohio	4+ 4*	6+	2+10*	3+11*	10+ 3*	2+11*	11+ 3*	10+ 4*	10+ 6*	8+ 4*	4+10*
Indiana	3+ 1*	4+	5+ 5*	2+ 4*	5+ 3*	2+ 5*	6+ 2*	6+ 2*	7+ 1*	7+ 1*	2+ 4*
Illinois	2+ 6*	6+ 2*	4+ 9*	4+ 8*	6+ 3*	4+ 9*	6+ 4*	6+ 3*	7+ 3*	7+ 4*	5+ 2*
Michigan	4+ 1*	4+	5+ 1*	4+ 1*	1+ 2*	5+ 1*	1+ 2*	1+ 3*	3+ 2*	1+ 2*	3+ 2*
Minnesota	2+	2+	1+	2+	3*	3+	3*	1+ 1*	1+ 1*	2*	2*
Wisconsin	3+ 2*	4+ 1*	3+ 3*	3+ 2*	2+ 3*	3+ 2*	3+ 3*	4+ 1*	3+ 1*	3+ 3*	3+ 2*
Kansas	1+	1+	1+	1+	1*	1+	1*	1*	1*	1*	1*
Oregon	1*	1+	1*	1+	1*	1+	1*	1*			1*
California	3+	3+	3+	3+	3*	3+	2*	2*	1+ 1*	2*	2*
Iowa	5*	5+	5+ 1*	6+	6*	6+	4*	2+ 3*	3+ 3*	6*	4+ 2*
Total	28+14*	36+ 3*	27+30*	29+ 26*	26+30*	30+28*	27+27*	30+21*	37+19*	26+27*	21+28*

TABLE V.

Votes in the Senate on House Bill No. 395 - 1864.

No.	Senator	Vote	Provisions
1.	Sherman	21+ 15*	Amendment providing for the exception relating indirectly to the Bank of Commerce.
2.	Foneroy	11+ 28*	Amendment providing for state taxation of capital stock except that invested in United States bonds.
3.	Howard	11+ 27*	Amendment providing for state taxation of shares of national bank stock in the state where the bank was located.
4.	Sherman	20+ 12*	Amendment providing for the exception relating to the Bank of Commerce with specific stipulations in regard to the twenty per cent surplus fund.
5.	Sumner	11+ 24*	Amendment providing for increased national taxation of national banks, and that they could only tax the real estate of national banks.
6.	Sherman	29+ 8*	Amendment providing for state taxation of national banks as adopted in committee of the whole.
7.	Chandler	14+ 21*	Amendment providing that one-half of the twenty-five per cent reserve of banks in redemption cities may consist of balances due from banks in New York, Philadelphia and Boston.
8.	Chandler	15+ 14*	Amendment providing for striking out all redemption cities except New York, Philadelphia, and Boston.
9.	Henderson	12+ 23*	Amendment providing for no further issues of circulating notes to national banks.
10.	Doolittle	3+ 32*	Amendment providing for limitation of paper money circulation by State and National banks.
11.	Sherman	23+ 12*	Amendment providing that redemption cities may select a bank in New York in which they could redeem their notes at specified rates of discount.

TABLE V (Cont'd)

12.	Collamer	15+ 20*	Amendment providing that one-fourth of the coin received by the banks in interest on bonds should be kept on hand until the reserve fund would be made up of coin.
13.	Collamer	14+ 18*	Amendment providing that no more Treasury notes should be issued and that the amount authorized to be issued should be diminished to the same amount that notes were issued to national banks.
14.	Powell	11+ 17*	Amendment providing that notes issued to the banks should be ninety per cent of the market value in gold and silver coin of the bonds deposited.
15.	Cowan	26+ 10*	Amendment providing that a receiver should take charge immediately of the assets of an insolvent bank if the Comptroller thought that it was necessary.
16.	Henderson	12+ 24*	Amendment providing that if the market value of the bonds deposited should fall below their value when deposited the depreciation should immediately be made up.
17.	Henderson	19+ 22*	Amendment providing for striking out the provision that banks with a capital of not less than \$50,000 would be organized in any place in which the population was not more than 6000 inhabitants.
18.	Henderson	11+ 28*	Amendment providing for striking out the section making national banks depositories of public funds and financial agents of the government.
19.	Buckalew	8+ 27*	Amendment providing for striking out the clause allowing banks to issue notes in less denominations than five dollars.
20.	Powell	6+ 31*	Substitute bill providing for repealing the act of 25 February 1863.
21.		30+ 9*	Passage of the bill.

TABLE V-A.

Tabulation of Senate Votes by Sections on House Bill No. 395 - 1864.

Sections	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21														
Eastern:																																			
Maine	2+		2*	1+	1*1+		1*	1+		1*	1+		2*	2*	1+	1*	1*	1+	2*	2*	2*	1*	2*	2+											
New Hampshire	2+		2*	2*	2+	2*	2+	2*	2*	2*	2*	1+	1*	2*	1+	1*	2*	2*	2*	2*	2*	2*	2*	2+											
Vermont		1*	2*	2*	1+	1*	2*	2+	2+	2+	2+	2+	2+	2*	1+	1*	2+	2+	2*	2*	2*	2*	2*	2+											
Massachusetts	2+	1+	1*	1+	1*	1+	1*	2+	1+	1*	1+	1*	2*	2*	1+	1*	2+	2*	2*	2*	2*	2*	2*	2*											
Rhode Island	2+	1+		2*	2+	1+	1*	1*	1+	1*	2*	2*	2*	2*	2*	2+	2*	2+	2*	2*	2*	2*	2*	2*											
Connecticut	2+		2*	2*	2+	2*	2+	1+	1*	2+	1*	2+	2+	1+	1*	2+	2*	2*	2*	2*	2*	2*	2*	2+											
Total	10+	1*	2+	9*	2+10*	9+	2*	3+	6*	9+	2*	5+	6*	5+	6*	11*	10*	7+	5*	4+	5*	4+	5*	10*10+	1*	1+	9*	6+	6*	12*	11*	12*	12+		
Middle:																																			
New York	1+		1*	2+		1*	2+	1+	1*	2+		1*	1*	1*	1*	1+	1*	1+	1*	1*	1*	1*	1*	1*	1+										
New Jersey	1+		1*	1*	1+	1*	1+	1*	1+		1*	1*	1*	1*	1*	1+	1*	1*	1*	1*	1*	1*	1*	1*	1+										
Pennsylvania		2*	2*		1*	2*	2+	1*		2+	1+	1*	2+		2+	2+	2*	2+	2+	2+	2+	2+	1+		2*										
Delaware		1*	1*	1*	1*	1*	1+	1*		1+	2*	2+	1+		2+	2*	2+	2+	2+	2+	2+	2+	2+		2*										
Maryland			1*	1*	1+	1*	1+	1*	1+	1*	1+	1+	1+		1+	1+	1*	1*	1*	1*	1*	1*	1*	1*	1+										
Total	2+	3*	6*	6*	4+	2*	6*	7+	1+	5*	4+	3+	3*	1+	6*	5+	2+	2*	3+	2*	4+	1*	3+	4*	4+	2*	5+	2*	4+	3*	4+	3*	3+	3*	4*
Southwestern:																																			
Virginia		1*				1*	1+		1*			1+	1+			1*	1+		1+																
Louisiana																																			
Tennessee																																			
Kentucky		2*	2*	2*	2*	2*	2+	1+	1*	2*	2+	2*	1+	2+	2+	2+	2*	2+	2+	2+	1+	1+	1+		2*										
Missouri	1+	1*	1*	1*	1*	1*	1+	1*	1+	1*	1+	1+	1+	1+	1+	1+	1+	1+	1*	1*	1+	1+	1+		1*										
West Virginia	2+		2*	2*	2+	1*	2+	2*	2*	2*	2*	1+	1*	1+	1*	1+	1*	2*	2*	2*	2*	2*	2*	2+	2*										
Total	3+	4*	6*	5*	2+	3*	5*	6+	1+	5*	1+	4*	4+	2*	5*	4+	1*	5+	1*	4+	1*	4+	3+	3*	4+	2*	5+	2*	3+	3*	2+	2*	2+	2*	3*
Western:																																			
Ohio	1+	1+	1+	1+	1+		1*	1+	1+	2*	2*	1+	1*	2*	2*	2*	2+	2*	2*	2*	2*	2*	1*	1+											
Indiana	1+	1*	1+	1*	1+	1*	1*	1+	1+		1*	1+	1*	1*	1*	1*	1*	1*	1*	1*	1*	1*	1*	1*	1+										
Illinois					1*	2*	2+	1+		2+		2+	1+	2+	1+	1*	1+	2+	2+	1+	1*	1+	1*	1+	1*										
Michigan	2+	2+	2+	1+	2+	2*	2*	2+	2+	1+	1*	2*	1*	2*	2*	2*	2*	2*	2*	1+	1*	1+	1*	1*	1*										
Minnesota		2+	2+	1+	2+	1*	2+	1*	1*	2*	2*	2*	2*	2*	1*	1+	2*	2*	1*	2*	2*	1*	2*	2*	2*										
Wisconsin		1*	1*	2*	2*	2*	2+	2*	1+	1+	1*	1+	1*	1+	1*	1+	1*	1+	1*	1*	1*	1*	1*	1*	1*										
Kansas	1+	1*	1+	1*	1+	1+	1*	1+	1*	1*	1*	1*	1*	2*	2*	1+	1+	2*	2*	2*	1*	2*	2*	2*	2*										
Oregon		2*	1+	1*	1*	2*						1+																							
California	1+	1*	1+	1*	1+	1+	1+	1*	1*	1*	1*	1*	1*	1*	1*	1+	1*	1*	1*	1*	1*	1*	1*	1*	1+										
Iowa		1*	2*	1+	1*	1*	1+	1+	1+	1+	1+	1*	1*	1+	1*	1+	1*	1*	1*	2+	1+	1*	1*	1*	1*										
Total	6+	7*	9*	7*	9+	6*	5+	5*	8+	5*	7+	6*	7+	5*	5+	4*	5+	7*	2+11*	7+	6*	4+12*	3+	9*	3+	6*10+	2*	3+11*	4+12*	4+10*	2+11*	1+14*	13+	2*	