

James Madison, Jr. (1751-1836)

## Message to the Senate Returning Without Approval "An Act to Incorporate the Subscribers to the Bank of the United States of America"

*given on January 30, 1815*

*To the Senate of the United States:*

Having bestowed on the bill entitled "An act to incorporate the subscribers to the Bank of the United States of America" that full consideration which is due to the great importance of the subject, and dictated by the respect which I feel for the two Houses of Congress, I am constrained by a deep and solemn conviction that the bill ought not to  
5 become a law to return it to the Senate, in which it originated, with my objections to the same.

Waiving the question of the constitutional authority of the Legislature to establish an incorporated bank as being precluded in my judgment by repeated recognitions under varied circumstances of the validity of such an institution in acts of the legislative, executive, and judicial branches of the Government, accompanied by indications, in different modes, of a concurrence of the general will of the nation, the proposed bank does not appear to be calculated to  
10 answer the purposes of reviving the public credit, of providing a national medium of circulation, and of aiding the Treasury by facilitating the indispensable anticipations of the revenue and by affording to the public more durable loans.

1. The capital of the bank is to be compounded of specie, of public stocks, and of Treasury notes convertible into stock, with a certain pro-portion of each of which every subscriber is to furnish himself.

15 The amount of the stock to be subscribed will not, it is believed, be sufficient to produce in favor of the public credit any considerable or lasting elevation of the market price, whilst this may be occasionally depressed by the bank itself if it should carry into the market the allowed proportion of its capital consisting of public stock in order to procure specie, which it may find its account in procuring with some sacrifice on that part of its capital.

Nor will any adequate advantage arise to the public credit from the subscription of Treasury notes. The actual issue of  
20 these notes nearly equals at present, and will soon exceed, the amount to be subscribed to the bank. The direct effect of this operation is simply to convert fifteen millions of Treasury notes into fifteen millions of 6 per cent stock, with the collateral effect of promoting an additional demand for Treasury notes beyond what might otherwise be negotiable.

Public credit might indeed be expected to derive advantage from the establishment of a national bank, without regard  
25 to the formation of its capital, if the full aid and cooperation of the institution were secured to the Government during the war and during the period of its fiscal embarrassments. But the bank proposed will be free from all legal obligation to cooperate with the public measures, and whatever might be the patriotic disposition of its directors to contribute to the removal of those embarrassments, and to invigorate the prosecution of the war, fidelity to the pecuniary and general interest of the institution according to their estimate of it might oblige them to decline a connection of their  
30 operations with those of the National Treasury during the continuance of the war and the difficulties incident to it. Temporary sacrifices of interest, though overbalanced by the future and permanent profits of the charter, not being requirable of right in behalf of the public, might not be gratuitously made, and the bank would reap the full benefit of the grant, whilst the public would lose the equivalent expected from it; for it must be kept in view that the sole inducement to such a grant on the part of the public would be the prospect of substantial aids to its pecuniary means at  
35 the present crisis and during the sequel of the war. It is evident that the stock of the bank will on the return of peace, if not sooner, rise in the market to a value which, if the bank were established in a period of peace, would authorize and obtain for the public a bonus to a very large amount. In lieu of such a bonus the Government is fairly entitled to and ought not to relinquish or risk the needful services of the bank under the pressing circumstances of war.

2. The bank as proposed to be constituted can not be relied on during the war to provide a circulating medium nor to  
40 furnish loans or anti-ci-pations of the public revenue.

Without a medium the taxes can not be collected, and in the absence of specie the medium understood to be the best substitute is that of notes issued by a national bank. The proposed bank will commence and conduct its operations under an obligation to pay its notes in specie, or be subject to the loss of its charter. Without such an obligation the notes of the bank, though not exchangeable for specie, yet resting on good pledges and performing the uses of specie  
45 in the payment of taxes and in other public transactions, would, as experience has ascertained, qualify the bank to

supply at once a circulating medium and pecuniary aids to the Government. Under the fetters imposed by the bill it is manifest that during the actual state of things, and probably during the war, the period particularly requiring such a medium and such a resource for loans and advances to the Government, notes for which the bank would be compellable to give specie in exchange could not be kept in circulation. The most the bank could effect, and the most it could be expected to aim at, would be to keep the institution alive by limited and local transactions which, with the interest on the public stock in the bank, might yield a dividend sufficient for the purpose until a change from war to peace should enable it, by a flow of specie into its vaults and a removal of the external demand for it, to derive its contemplated emoluments from a safe and full extension of its operations.

On the whole, when it is considered that the proposed establishment will enjoy a monopoly of the profits of a national bank for a period of twenty years; that the monopolized profits will be continually growing with the progress of the national population and wealth; that the nation will during the same period be dependent on the notes of the bank for that species of circulating medium whenever the precious metals may be wanted, and at all times for so much thereof as may be an eligible substitute for a specie medium, and that the extensive employment of the notes in the collection of the augmented taxes will, moreover, enable the bank greatly to extend its profitable issues of them without the expense of specie capital to support their circulation, it is as reasonable as it is requisite that the Government, in return for these extraordinary concessions to the bank, should have a greater security for attaining the public objects of the institution than is presented in the bill, and particularly for every practicable accommodation, both in the temporary advances necessary to anticipate the taxes and in those more durable loans which are equally necessary to diminish the resort to taxes.

In discharging this painful duty of stating objections to a measure which has undergone the deliberations and received the sanction of the two Houses of the National Legislature I console myself with the reflection that if they have not the weight which I attach to them they can be constitutionally overruled, and with a confidence that in a contrary event the wisdom of Congress will hasten to substitute a more commensurate and certain provision for the public exigencies.

JAMES MADISON.

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