

Primary Source

# Alexander Hamilton's Opinion on the National Bank

*In 1791, Alexander Hamilton, the Secretary of the Treasury, persuaded President George Washington to sign a congressional law chartering a national Bank of the United States. While the bill was before Congress, Secretary of State Thomas Jefferson and Attorney General Edmund Randolph penned written statements arguing against the proposed bank's constitutionality. When the bill reached Washington's desk, he showed Hamilton the opinions of Jefferson and Randolph, and asked Hamilton to write one of his own. In his statement, which he spent a full week composing, Hamilton contended that a national bank was both constitutional and indispensably necessary, for both the federal government's fiscal operations and the well-being of the American economy. The following excerpts capture Hamilton's key arguments.*

The proposed bank is to consist of an association of persons, for the purpose of creating a joint capital, to be employed, chiefly and essentially, in loans. So far, the object is not only lawful, but it is the mere exercise of a right which the law allows to every individual. The Bank of New York, which is not incorporated, is an example of such an association. The bill proposes, in addition, that the Government shall become a joint proprietor in this undertaking; and that it shall permit the bills of the company, payable on demand, to be receivable in its revenues; and stipulates that it shall not grant privileges, similar to those which are to be allowed to this company, to any others. All this is incontrovertibly within the compass of the discretion of the Government. The only question is, whether it has a right to incorporate this company, in order to enable it the more effectually to accomplish ends which are in themselves lawful.

To establish such a right, it remains to show the relation of such an institution, to one or more of the specified powers of the Government.

Accordingly, it is affirmed, that it has a relation, more or less direct, to the power of collecting taxes; to that of borrowing money; to that of regulating trade between the

States; and to those of raising and maintaining fleets and armies. To the two former, the relation may be said to be immediate.

And in the last place, it will be argued, that it is clearly within the provision which authorizes the making of all *needful rules* and *regulations* concerning the property of the United States, as the same has been practised upon by the Government.

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The constitutionality of all this would not admit of a question, and yet it would amount to the institution of a bank, with a view to the more convenient collection of taxes. For the simplest and most precise idea of a bank is, a deposite of coin or other property, as a fund for *circulating a credit* upon it, which is to answer the purpose of money. That such an arrangement would be equivalent to the establishment of a bank, would become obvious, if the place where the fund to be set apart was kept, should be made a receptacle of the moneys of all other persons who should incline to deposite them there for safekeeping; and would become still more so, if the officers, charged with the direction of the fund, were authorized to make discounts at the usual rate of interest, upon good security. To deny the power of the Government to add this ingredient to the plan, would be to refine away all government.

**Source:** Matthew St. Clair Clarke & David A. Hall, eds., *Legislative and Documentary History of the Bank of the United States* (Washington: Gales and Seaton, 1832), 105-106.