



# Why Thomas Jefferson Opposed The Creation of a Central Bank

## A Founding Father's Opinion Concerning the Constitutionality of a Federal Bank, 1791

*Though it is common to discuss Andrew Jackson's opinion about a national bank, it is far less common to hear Thomas Jefferson's version of things. Here, Jefferson lays out, systematically, his views on finance and the nature of a bank. The existence of the Federal Reserve in contemporary times simply shows how far the present regime is from the mind of the Founding Fathers.*

BY THOMAS JEFFERSON

**T**he bill for establishing a national bank undertakes among other things: 1.) To form the subscribers into a corporation; 2.) To enable them in their corporate capacities to receive grants of land; and so far is against the laws of mortmain;<sup>1</sup> 3.) To make alien subscribers capable of holding lands, and so far is against the laws of alienage; 4.) To transmit these lands, on the death of a proprietor, to a certain line of successors; and so far changes the course of descents; 5.) To put the lands out of the reach of forfeiture or escheat, and so far is against the laws of forfeiture and escheat; 6.) To transmit personal chattels to successors in a certain line and so far is against the laws of distribution; 7.) To give them the sole and exclusive right of banking under the national authority; and so far is against the laws of monopoly; 8.) To communicate to them a power to make laws paramount to the laws of the States; for so they must be construed, to protect the institution from the control of the State legislatures, and so, probably, they will be construed.

I consider the foundation of the Constitution as laid on this ground: That "all powers not delegated to the United States, by

the Constitution, nor prohibited by it to the States, are reserved to the States or to the people." [12th Amendment] To take a single step beyond the boundaries thus specially drawn around the powers of Congress, is to take possession of a boundless field of power, no longer susceptible of any definition.

The incorporation of a bank, and the powers assumed by this bill, have not, in my opinion, been delegated to the United States, by the Constitution.

### **BANKING POWERS NOT ENUMERATED BY THE CONSTITUTION**

They are not among the powers specially enumerated: for these are:

1.) A power to lay taxes for the purpose of paying the debts of the United States; but no debt is paid by this bill, nor any tax laid. Were it a bill to raise money, its origination in the Senate would condemn it by the Constitution.

2.) "To borrow money." But this bill neither borrows money nor ensures the borrowing of it. The proprietors of the bank will be just as free as any other money holders, to lend or not to lend their money to the public. The operation proposed in the bill first, to lend them \$2 million, and then to borrow it back again,

**This cartoon, taken from an early 20th-century issue of Harper's magazine, succinctly summarizes the truth about the vaunted "two-party system" in America: here, upon arriving on Wall Street to pick up campaign funds from the big money trusts, the Republican Party elephant is surprised to find his Democratic Party donkey counterpart cantering down the street, visiting there for precisely the same reason. Off to the side can be seen both major party campaign funds (shown**

as watering troughs) being filled with "water" (in the form of gold coins) flowing from the spigots of the Wall Street trusts. The caption of the original cartoon was simply: "What Are You Doing Here?" While Jefferson was one who trusted the populace to decide who they wanted to lead them, he also knew that Democracy could be a dangerous institution—prone to corruption from greedy, power-hungry men who could be bought and sold by the power elite.

cannot change the nature of the latter act, which will still be a payment, and not a loan, call it by what name you please.

3.) To “regulate commerce with foreign nations, and among the States, and with the Indian tribes.” To erect a bank, and to regulate commerce, are very different acts. He who erects a bank creates a subject of commerce in its bills, so does he who makes a bushel of wheat, or digs a dollar out of the mines; yet neither of these persons regulates commerce thereby. To make a thing which may be bought and sold, is not to prescribe regulations for buying and selling. Besides, if this was an exercise of the power of regulating commerce, it would be void, as extending as much to the internal commerce of every State, as to its external. For the power given to Congress by the Constitution does not extend to the internal regulation of the commerce of a State (that is to say of the commerce between citizen and citizen), which remain exclusively with its own legislature; but to its external commerce only, that is to say, its commerce with another State, or with foreign nations, or with the Indian tribes. Accordingly the bill does not propose the measure as a regulation of trade, but as “productive of considerable advantages to trade.” Still less are these powers covered by any other of the special enumerations.

#### **NOT COVERED IN ANY SPECIAL PHRASES**

Nor are they within either of the general phrases, which are the two following:

1. To lay taxes to provide for the general welfare of the United States, that is to say, “to lay taxes for the purpose of providing for the general welfare.” For the laying of taxes is the power, and the general welfare the purpose, for which the power is to be exercised. They are not to lay taxes *ad libitum* for any purpose they please; but only to pay the debts or provide for the welfare of the union. In like manner, they are not to do anything they please to provide for the general welfare, but only to lay taxes for that purpose. To consider the latter phrase, not as describing the purpose of the first, but as giving a distinct and independent power to do any act they please, which might be for the good of the union, would render all the preceding and subsequent enumerations of power completely useless.

It would reduce the whole instrument to a single phrase, that of instituting a Congress with power to do whatever would be for the good of the United States; and, as they would be the sole judges of the good or evil, it would be also a power to do whatever evil they please.

It is an established rule of construction where a phrase will bear either of two meanings, to give it that which will allow some meaning to the other parts of the instrument, and not that which would render all the others useless. Certainly no such universal power was meant to be given them. It was intended to lace them up straitly within the enumerated powers, and those without which, as means, these powers could not be carried into effect. It is known that the very power now proposed as a means was rejected as an end by the convention which formed the Constitution. A proposition was made to them to authorize Congress to open

canals, and an amendatory one to empower them to incorporate. But the whole was rejected, and one of the reasons for rejection urged in debate was, that then they would have a power to erect a bank, which would render the great cities, where there were prejudices and jealousies on the subject, adverse to the reception of the Constitution.

2. The second general phrase is, “to make all laws necessary and proper for carrying into execution the enumerated powers.” But they can all be carried into execution without a bank. A bank therefore is not necessary, and consequently not authorized by this phrase.

It has been urged that a bank will give great facility or convenience in the collection of taxes. Suppose this were true: yet the Constitution allows only the means which are “necessary,” not those which are merely “convenient” for effecting the enumerated powers. If such a latitude of construction be allowed to this phrase as to give any non-enumerated power, it will go to everyone, for there is not one which ingenuity may not torture into a convenience in some instance or other, to some one of so long a list of enumerated powers. It would swallow up all the delegated powers, and reduce the whole to one power, as before observed. Therefore it was that the Constitution restrained them to the necessary means, that is to say, to those means without which the grant of power would be nugatory.

*“It has been urged that a bank will give great convenience in the collection of taxes; yet the Constitution allows only the means which are ‘necessary,’ not those which are merely ‘convenient.’”*

But let us examine this convenience and see what it is. The report on this subject, page 3, states the only general convenience to be, the preventing of the transportation and re-transportation of money between the States and the treasury (for I pass over the increase of circulating medium, ascribed to it as a want, and which, according to my ideas of paper money, is clearly a demerit). Every State will have to pay a sum of tax money into the treasury; and the treasury will have to pay, in every State, a part of the interest on the public debt and salaries to the officers of government resident in that State. In most of the States there will still be a surplus of tax money to come up to the seat of government for the officers residing there. The payments of interest and salary in each State may be made by treasury orders on the State collector. This will take up the greater part of the money he has collected in his State, and consequently prevent the great mass of it from being drawn out of the State. If there be a balance of commerce in favor of that State against the one in which the government resides, the surplus of taxes will be remitted by the bills of exchange drawn for that commercial balance. And so it must be if there was a bank. But if there be no balance of commerce, either direct or circuitous, all the banks in the world could not bring up the surplus of taxes, but in the form of money. Treasury orders then, and bills of exchange may prevent the displacement of the main mass of the money collected, without the aid of any bank; and where these fail, it cannot be prevented even with that aid.

Perhaps, indeed, bank bills may be a more convenient vehicle than treasury orders. But a little difference in the degree of

---

convenience cannot constitute the necessity which the Constitution makes the ground for assuming any non-enumerated power.

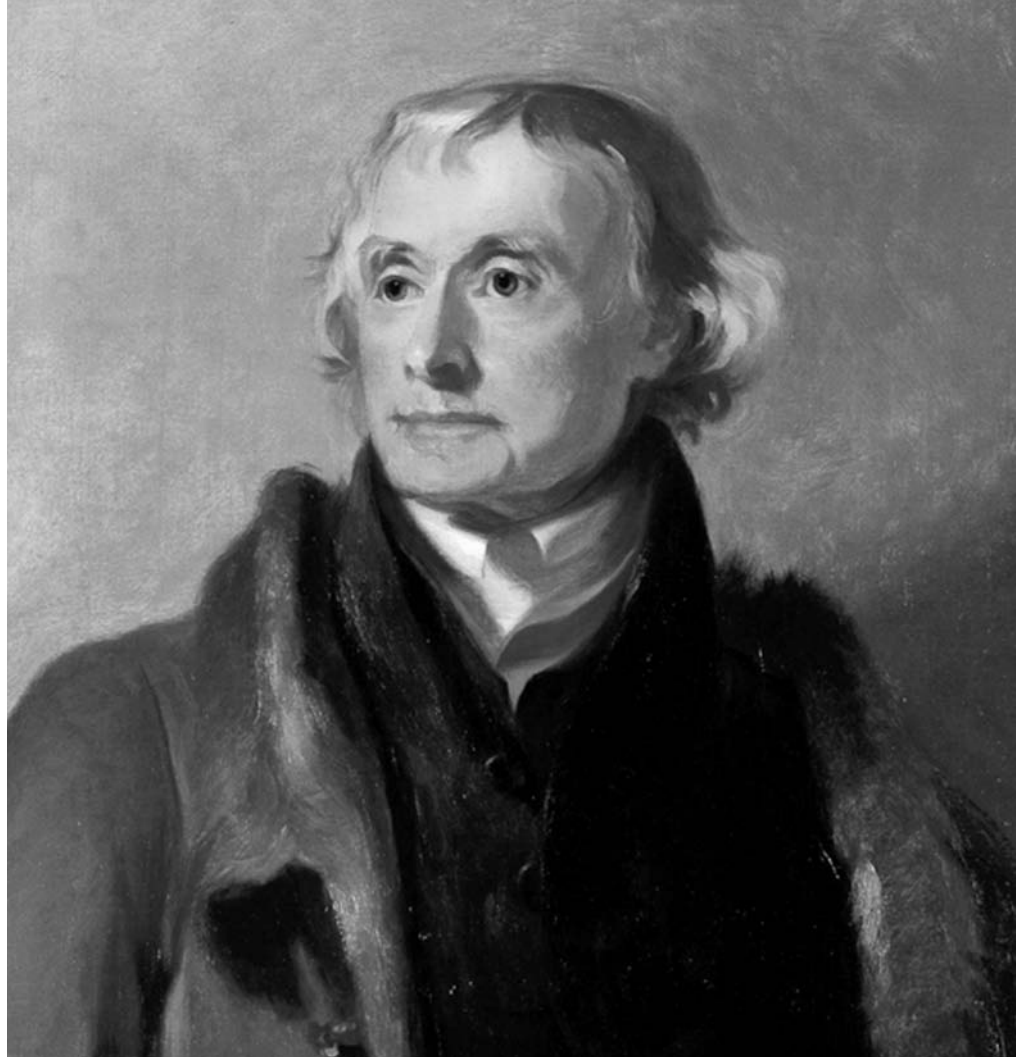
Besides, the existing banks will, without a doubt, enter into arrangements for lending their agency, and the more favorable, as there will be a competition among them for it; whereas the bill delivers us up bound to the national bank, who are free to refuse all arrangement, but on their own terms, and the public not free, on such refusal, to employ any other bank. That of Philadelphia I believe, now does this business, by their post-notes, which, by an arrangement with the treasury, are paid by any State collector to whom they are presented. This expedient alone suffices to prevent the existence of that necessity which may justify the assumption of a non-enumerated power as a means for carrying into effect an enumerated one. The thing may be done, and has been done, and well done, without this assumption, therefore it does not stand on that degree of necessity which can honestly justify it.

It may be said that a bank whose bills would have a currency all over the States, would be more convenient than one whose currency is limited to a single State. So it would be still more convenient that there should be a bank, whose bills should have a currency all over the world. But it does not follow from this superior convenience, that there exists anywhere a power to establish such a bank; or that the world may not go on very well without it.

Can it be thought that the Constitution intended that for a shade or two of convenience, more or less, Congress should be authorized to break down the most ancient and fundamental laws of the several States; such as those against mortmain, the laws of alienage, the rules of descent, the acts of distribution, the laws of escheat and forfeiture and the laws of monopoly? Nothing but a necessity, invincible by any other means, can justify such a prostitution of laws, which constitute the pillars of our whole system of jurisprudence. Will Congress be too strait-laced to carry the Constitution into honest effect, unless they may pass over the foundation-laws of the State government for the slightest convenience of theirs?

The negative of the president is the shield provided by the Constitution to protect against the invasions of the legislature: 1.) The right of the executive; 2.) Of the judiciary; 3.) Of the States and State legislatures. The present is the case of a right remaining exclusively with the States, and consequently one of those intended by the Constitution to be placed under its protection.

It must be added, however, that unless the president's mind on a view of everything which is urged for and against this bill, is tolerably clear that it is unauthorized by the Constitution; if the pro and the con hang so even as to balance his judgment, a just respect



**This essay by Jefferson could have been written** by anyone in the modern-day patriot or constitutionalist movement. In it, he clearly states that the powers delegated to the federal government are meant to be a straitjacket, something to “hem” in the federal government. In Jefferson’s opinion, the erection of a bank would begin to burst those hems, permitting further abuses down the line. There is, according to the third American president, no constitutional justification for a national bank. In his analysis of what has come down to us as the “necessary and proper” clause, Jefferson is echoing many anti-federalist writers decades before, who rejected the Constitution largely because of such phrases as that one, or, more notoriously, the “general welfare” clause. Jefferson’s reading of the Constitution mirrors the anti-federalists in that they all believed that the open-ended nature of such clauses can lead to extreme abuses. It did not take long for these prophetic warnings to be proven prescient and the U.S. is a “post-constitutional” country because their warnings were not heeded.

---

for the wisdom of the legislature would naturally decide the balance in favor of their opinion. It is chiefly for cases where they are clearly misled by error, ambition, or interest, that the Constitution has placed a check in the negative of the president. ❖

**ENDNOTE:**

<sup>1</sup> Though the Constitution controls the laws of mortmain so far as to permit Congress itself to hold land for certain purposes, yet not so far as to permit them to communicate a similar right to other corporate bodies.—Ed.