

The Constitutionality of the National Bank

By Nancy Spannaus

Feb. 27, 2019—February 25 was the anniversary of a momentous event in American history—George Washington’s signing of the bill establishing the Bank of the United States. This action was crucial to establishing a government-backed source of national credit and a uniform currency in the United States, and setting the example of how to turn otherwise crushing debt into credit for building the country.



The first Bank of the United States (Nancy Spannaus)

The draft bill for a [National Infrastructure Bank](#) which is posted on this blog follows Hamilton’s example, and would be a crucial step in creating a vibrant U.S. national economy once again.

President Washington’s decision to sign the Bank bill was not a foregone conclusion. He had solicited the opinions of his Attorney General Edmund Randolph and Secretary of State Thomas

Jefferson about the bill, which was already controversial. Jefferson was vehement in his opposition. While he put forward “constitutional” arguments about there being no explicit provision for establishing a Bank in the Constitution, his actual reasons had more to do with his commitment to preventing industrialization, and to saving the plantation system.

According to authors Stephen F. Knott and Tony Williams in their book *Washington and Hamilton: The Alliance That Forged America*, Jefferson went so far as to propose, in a letter to James Madison in October 1792, that all Virginians who collaborated with the Bank of the United States should be executed! Shades of the French Revolution.

Fortunately, President Washington commissioned Alexander Hamilton to answer Jefferson and Randolph. The result was the *tour de force* called the [Opinion on the Constitutionality](#) of an Act to Establish a Bank, one of the four most important papers which Hamilton ever wrote. The opinion is well known as the leading argument for “implied powers” in the Constitution; in fact, it is a well-reasoned exposition on the content of national sovereignty. It reached Washington just in time for him to sign the bill into law.

One of my favorite quotes from this document sets forward its broad view of the responsibility of the Federal government, as opposed to Jefferson’s view of “necessity:”

This restrictive interpretation of the word necessary is also contrary to this sound maxim of construction namely, that the powers contained in a constitution of government, especially those which concern the general administration of the affairs of a country, its finances, trade, defence & ought to be construed liberally, in advancement of the public good. [emphasis added]

This Hamiltonian view stood behind the actions of both

President Lincoln and President Franklin Roosevelt, who saw the absolute necessity to use Federal powers aggressively for the public good. It is a view that we would do well to resurrect today, along with a National Bank.