A

GENERAL HISTORY

OF THE

MOST PROMINENT BANKS IN EUROPE:

PARTICULARLY THE BANKS OF

ENGLAND AND FRANCE;

THE

RISE AND PROGRESS OF THE BANK OF NORTH AMERICA;

A FULL HISTORY OF THE

LATE AND PRESENT BANK OF THE UNITED STATES.

TO WHICH IS ADDED,

A STATISTICAL AND COMPARATIVE VIEW

OF THE

MONEYED INSTITUTIONS OF NEW YORK,

AND TWENTY-FOUR OTHER

PRINCIPAL CITIES OF THE UNITED STATES.

Compiled from various standard works, official sources, and private correspondence.

ALSO,

A. HAMILTON'S REPORT TO CONGRESS ON CURRENCY,

Presented while Secretary: and

McDUFFIE'S REPORT ON CURRENCY,

Presented to the last Congress.

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In this work the author does not aim at originality, or to give a learned dissertation on the multiform principles, or complex science, of banking. This has been done effectually by more competent hands. But his whole object is to give a plain business statement of things as they have been, and are: to trace the rise and progress of important moneyed institutions, and show what effects they have produced upon commerce, upon arts, upon agriculture, and upon society in general, and the beneficial results upon each, when properly managed: and to delineate the deleterious consequences they are capable of, and necessarily do produce, when intrusted to unskillful agents.

The facts adduced have been drawn from different encyclopedias, and other authorities equally valuable; and during the investigation, reference has been made to every source within his reach, which could in any way elucidate the subject. The Bank of England, having been continued by prudent hands, standing alone, has sustained itself, and almost or quite sustained the government, for a period of nearly a century and a half, down to the present day: while that of France, having been taken into the hands of government, was ruined, and almost prostrated the government itself.

The history of the institutions of our own country will be found to contain important facts, hitherto locked up in ponderous folios, and consequently accessible to but few. The learned and able report of the immortal Hamilton, presented to congress shortly after the formation of the government, together with the luminous report on currencies presented to the last congress by Mr. McDuffie, form an aggregate statement of statistical information not to be found in any other work extant.

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ERRATUM.

Page 252, tenth line from the top, for "This stock (six millions)," read "This stock (eight millions)."

HISTORY

OF

BANKING INSTITUTIONS

OF

EUROPE AND THE UNITED STATES.

BANKS.

In commercial language a bank is a repository, or an establishment, for the purpose of receiving the money of individuals; either to keep it in security, or to improve it by trafficking in goods, bullion, or bills of exchange; and it may be either of a public or of a private nature. A public bank is generally regulated by certain laws, enacted by the government of the state, which constitute its charter, limit its capital, and establish the rules by which it is to conduct business. A private bank, on the other hand, is merely a contract among individuals, for carrying on a trade in money and bills; and the responsibility of the partners is the only security of those who transact business with it.

Banks are properly commercial institutions, which, by affording credits, or issuing notes, as the representative of money, enable merchants, with greater facility, to buy and sell commodities, at home or abroad. The produce of one country is thus exchanged with that of another, by means of a medium, to which an ideal value is attached; hence the great utility of banking establishments, in all commercial countries. Among the ancients the term banker implied something different from its modern signification, and conveyed an idea corresponding with the profession of an agent, broker, or money lender. Bankers were called Argentarii and Numularii, by the Romans; and they loaned out the money of private persons on interest; wrote the necessary deeds, and assisted in buying and selling all kinds of property. The first establishment of banking, in a regular and systematic form, took place at Venice about the middle of the twelfth century; and it arose from the necessities of the state. Duke Vitale, Mitchel II., being involved in expensive wars with the empire of the west, and the Grecian Manuel, embarrassed the finances of the republic; and to relieve it from the pressure of its difficulties, he had recourse to a *forced loan*, the contributors to which were made creditors, and received interest, at the rate of four per cent. per annum. The Chamber of Loans was established for the management of this fund, and regular payment of the interest; which, gradually improving its plan, at last formed itself into the more perfect institution of THE BANK OF VENICE. This celebrated bank has served as a model to almost every similar establishment in succeeding ages; its capital was 5,000,000 ducats, or $4,800,000, for which the republic is security. It is, properly, a board of deposit, credit, and interest. By an edict of the state, all payments of wholesale merchandise, and bills of exchange, must be made in banco, or bank notes; and all debtors must lodge their money in the bank, that their creditors may receive payment in banco; which is done by transferring the amount from the one to that of the other, or by writing off the sum from the account of the debtor, and placing it to that of the creditor. Payments are made in this manner without the intervention of gold or silver; but there are exceptions to this rule in cases of retail trade, or when foreigners wish to carry off the precious metals. All the riches of the state thus flowed into the bank; and, through various channels, were again diffused among traders, to give activity to the extensive commerce of this once opulent, and powerful city. From its good faith, and the regularity of its transactions, the bank of Venice has always maintained a high character in Europe, and on some occasions, its obligations have been more esteemed than the bonds of kings.

During two centuries and a half the bank of Venice was unrivalled; for so gradual is the progress of improvement, that human knowledge is only matured by the experience of ages—and it was not until the year 1401, that the magistrates of Barcelona established a bank in that city. It was called the Table of Exchange, and was properly a bank of exchange and deposit. Foreign bills were negotiated with the same liberality as those of the citizens, and accommodations were extended to strangers as well as to natives. It was altogether calculated for the encouragement of both external and internal commerce, and the funds of the city were pledged as security for the responsibility of the bank.

In the year 1407, the bank of Genoa commenced; but previous to this time, the republic borrowed large sums of money from the citizens, assigning certain branches of the revenue for the payment of the interest, and a board of management, composed of the most respectable citizens, was appointed to conduct the loans, pay the interest, and account to government for the funds intrusted to its care. From this circumstance, the Genoese claim the merit of establishing a bank as early as the Venetians; but it is evident that the transactions of this board were only an approximation to banking. In process of time, however, the multiplicity and extent of these funds induced disorder and confusion, and it was deemed expedient to consolidate the whole into one capital stock, to be managed by a bank called the CHAMBER OF ST. GEORGE, to be governed by eight protectors, annually chosen, elected by the creditors and stockholders. Under this form of government, the affairs of the bank were prosperously conducted; but the further increase of the public debts, the accessions of towns and territories, among which was the little kingdom of Corsica, made the business of the bank much more complex; and the inconvenience of annual successions of new protectors becoming apparent, determined the Genoese, in the year 1444, to elect eight new governors for the management of the bank, of which only two were to go out every year.

Before the discovery of the passage to the Indias, by the Cape of Good Hope, the Venetians enjoyed a monopoly of the lucrative trade of the east, by means of the Mamelukes of Egypt, with whom they were leagued by policy and interest, which diffused opulence and wealth throughout Italy. This extensive commerce created and gave circulation to bills of exchange, the credit and currency of which were universally acknowledged when they bore the signature of the banks of Italy, and for several centuries there were no other establishments of the kind in Europe.

The Bank of Amsterdam was established on the 31st of January, 1609. The magistrates of the city, under authority of the states, declared themselves the perpetual cashiers of the inhabitants, and that all payments above 600 gilders, but afterwards reduced to 300, and bills of exchange, shall be made in the bank; which obliged merchants to open accounts with it for the payment of their foreign bills. The extensive commerce of Amsterdam involved such a variety of transactions, that the expediency of regulating them became evident, and no measure could more effectually secure property, check lawsuits, and prevent frauds, than the establishment of a bank office, in which all receipts and payments were registered in books kept open for the purpose.

Dr. Smith ascribes the origin of this bank to the debased state of the current coin which the trade of Amsterdam brought from all quarters of Europe, and which was sold at a reduction of nine per cent. below the money of the mint. Merchants, in such cases, could not always find standard money to pay bills of exchange, the value of which was always uncertain; and accordingly operated against the United Provinces with foreign nations. But as the bank received the debased, light, or worn coin, at its intrinsic value, in the good money of the country, and gave credit for the amount in its books, an invariable standard was thus established, that tended greatly to simplify and facilitate the operations of commerce. The beneficial effects of this establishment in Holland were soon perceived, and bank money immediately bore a premium, or agio, which is a term to denote the difference of price between the money of the bank and the coin of the country. When we consider that coin is only a representative of commodities, and that its utility arises only from its being a generally acknowledged standard of value, by which mankind in the civilized state of society are enabled to calculate the price of articles of exchange, it is not surprising that bank receipts, which represent property also, and at the same time not liable to risk, danger, or deterioration of any kind, should be held in higher estimation than coin, which is exposed to robbery, and all sorts of casualties.

In all countries, where banks have been regular in their transactions, and their responsibility undoubted, their paper has carried a premium, more or less, according to circumstances, and the agio of Amsterdam was generally about five per cent.

The amount of capital of the bank of Amsterdam was never exactly ascertained. It was originally constituted by deposits of coin, and there was full value in its coffers for all the credits and receipts it issued. The bank, however, gave credit and receipts also upon deposits of gold and silver bullion, at the rate of five per cent. less than the mint price of such bullion, which was restored to the owner if he called for it within six months, upon paying one fourth per cent. if the deposit was in silver, or one half per cent. if in gold. But if the term of six months was allowed to expire, the bank retained the bullion at the price stated in its books.

The advantage of making deposits in this bank is twofold: first, the credit enables the merchant to pay his bills of exchange; second, the receipt gives him an opportunity of selling his bullion at an advance price, if the market should fluctuate in his favor. Although none can draw out bullion without producing a receipt, and reassigning bank money eqnal to the price at which the bullion had been received, yet it is not absolutely necessary that both credit and receipt should always remain in the hands of the same person; as he who has the receipt will find bank money to buy at the market price, to enable him to relieve the bullion, and the owner of the credit will at all times find receipts in abundance; but to prevent any extraordinary rise in the price of bank money, or receipts, which speculation or other causes might sometimes induce, the bank adopted the resolution of selling bank money for the current coin, at an agio of five per cent., and buying it at the rate of four.

The city is guaranty that there shall always be full value in the bank to answer all its demands; and as the directors, who are annually changed, compare the treasure with the books, under solemn oath; so that there can be no probability of fraud.

The four reigning burgomasters are invested with the direction of the bank, and the city of Amsterdam derives a considerable revenue from it, which arises from the following sources: for all deposits, a fourth or half per cent. must be paid; from every person who opens an account, a fee of ten gilders is exacted, and for every additional account, three gilders three stivers; for every transfer, two stivers, or six stivers if the transfer be less than three hundred gilders. If any person shall overdraw his account, he is fined three per cent. on the amount, and his order is set aside. There is also a considerable profit on the sale of foreign coin, or bullion, which is always kept till it can be sold to advantage; and likewise by selling bank money, at five per cent. agio, and buying it at four. Through these various resources, the bank of Amsterdam became rich and prosperous, and it was supposed to retain in its repositories more gold and silver than any other establishment of the kind in Europe.

BANK OF ENGLAND,

CHARTERED IN THE YEAR 1694.

Previous to the year 1694 there were only four considerable banks in Europe; but on the 27th July, of that year, a charter was granted by William and Mary, for establishing the bank of England; which, for opulence, and extent of circulation, is now the greatest in the world. The charter was granted for the term of twelve years, and the corporation was determinable on a year's notice. The original capital, subscribed by the proprietors,
was £1,200,000 sterling, or $5,333,333\frac{1}{3}$,
in consideration of loaning to the government the same sum, £1,200,000; for which they received an interest of eight per cent. amounting to $426,666$\frac{2}{3}$.

By an act of parliament, in the 8th and 9th of William, they were allowed to enlarge their
capital stock to £2,201,171.10, or $9,782,984.44.

At this time the bank agreed to deliver up to the government, so many exchequer bills as
amounted to £2,000,000 or $8,888,888.88.
and to accept an annuity therefor, of the
sum of £100,000, or $444,444.44.

The bank then agreed to lend to government, by contract, on demand, £1,000,000, or $4,444,444.44.

In order to enable them to circulate exchequer bills, they established what is now called bank circulation; the nature of which may be understood by what follows: The company of the bank are obliged to keep cash in hand, sufficient, not only to answer their common, but also any extraordinary demand that may be made upon them; and what they have over they employ in the trade of the company. But when the bank entered into the above contract, as they did not keep unemployed a larger sum of money than what they deemed necessary to answer their ordinary demands, they could not conveniently take out of their current cash, so large a sum as a million, without embarrassment; they therefore invented the following, which answered all the purposes, and shows the profound financial skill with which they managed:

They opened a subscription for a million, which they renew annually; wherein the subscribers advance ten per cent. and enter into a contract to pay the remainder, or any part thereof, whenever the bank shall call upon them, under penalty of forfeiture of the ten per cent. so advanced. In consideration of which, the bank pays the subscribers 4 per cent. interest, for the money paid in; and $\frac{1}{4}$ per cent. for the whole sum they agree to furnish; and in case a call should be made upon them for the whole, or any part thereof, the bank further agrees to pay them at the rate of 5 per cent. per annum for such sum, until paid; which they are under obligation to do, at the end of the year. By this means, the bank obtains all the purposes of keeping a million of money by them; and the subscribers, if no call is made upon them, (which is in general the case,) receive $6\frac{1}{4}$ per cent. for the money advanced; yet the company gains £23,500 by the contract; as will appear by the following account, viz:

The bank receives from the government, for the advance of a million, £30,000; and they pay the subscribers, who advance £100,000 and agree to pay, when called upon, £900,000 more—£6,500; making a clear gain to the bank of £23,500, or $104,444.44.

Bank stock may not improperly be called a trading stock, since with this they deal largely in foreign gold and silver, and in discounting bills of exchange; besides which, they are allowed by the government large sums annually for the management of the annuities paid at their office.

In terms of the act of 7 Anne, chapter 7, the bank advanced on the original annuity, £100,000, the sum of £400,000, or $1,777,777.77

And there had been paid into the exchequer, in all, £1,600,000.

In pursuance of the same act, the bank cancelled exchequer

bills to the amount of £1,755,027.17.10$\frac{1}{2}$, or $7,800,123.96, at 6 per cent. interest, and was allowed to double its capital.

In the year 1708, the advances to the government amounted to £3,375,027.17.10$\frac{1}{2}$, or $15,000,123.96,

and the capital of the bank now is	£4,402,343 00 00
In 1709 there was paid in	656,204 01 9
In 1710 there was paid in	501,448 12 11
So that the capital is now	£5,559,995 14 08
	or $24,700,092.11.

By the 3d of George 1, chapter 8, the bank cancelled £2,000,000 of exchequer bills, which made the advances to government £5,375,027.17.10$\frac{1}{2}$, or $23,889,012.84.

By the 8th of George 1, chapter 21, the bank purchased South Sea Company stock £4,000,000, or $17,777,777.77.

To enable the bank to effect this purchase, it increased its capital by subscription, in the year 1722, £3,400,000, and at this time the bank had advanced to the state, in various ways, in all £9,375,027.17.10$\frac{1}{2}$, or $41,666,790.62; though its capital stock was only £8,959,995.14.8, or $39,822,203.22.

Thus it appears by this statement, that the bank had advanced a larger sum to the state than the whole amount of its capital, on which it paid a dividend to the proprietors, and this circumstance shows that the bank possessed an undivided capital, which had accumulated from its establishment, which is the fact; and it has continued to have an undivided capital ever since; for in the year 1746, the bank had advanced to government, on different occasions, the sum of £11,686,800, or $51,941,333.33, and the capital on which it had divided had been raised by several calls, to £10,780,000, or $47,911,111.11.

In pursuance of the 4th George 3, chapter 25, the bank paid to government, for the renewal of its charter, the sum of £110,000, or $488,888.88.

At the same time it advanced towards the supplies on exchequer bills £1,000,000, or $4,444,444.44, to be paid in the year 1766.

The charter was then renewed to the year 1786, and the dividend in 1767 was raised to 5½ per cent., which on its now capital amounts to $2,635,111.10.

Soon after the establishment of the bank, it assisted government, in anticipation of the land and malt taxes, and also by advances on exchequer bills, and other securities.

In 1781, the advances in this way amounted to £8,000,000, in addition to the permanent debt of £11,686,800,
making in all £19,686,800, or $87,496,888.88.

On condition of advancing £2,000,000, or $8,888,888.88, on exchequer bills, at 3 per cent. interest, to be paid off from the sinking fund within three years, the bank obtained an extension of its charter to the year 1812.

To enable it to make good, this advance, a call was made of eight per cent. on its capital; which was now
increased to £11,642,400, or $51,744,444;
and the dividend settled at 6 per cent.,
amounting to $3,104,646;
and the total advance to government, on the land and malt taxes, and exchequer bills,
amounted to £9,991,678, or $44,407,457.77;
but in 1786, the sum was
reduced to £6,634,872, or $29,488,320;
and from thence, to 1793, the amount of these advances have fluctuated, from seven to nine millions.

In 1788, the dividend was raised to 7 per cent., which continued to be the rate until 1807. The dividend, from 1767, to 1787, inclusive, at 5^{1} per cent. per annum,
is $56,868,880;
and from 1788 to 1807, both inclusive, at 7 per cent. per annum, is $72,442,220.

In the year 1800, the charter was renewed, by the 40th George 3, chapter 28; and continued to 1835, on condition of advancing to the public service
£3,000,000, or $13,333,333.33,
without interest, for six years, ending in 1806. In that year, it was stipulated, by 46 George 3, chapter 4, that these three millions should remain with the public, until six months after a definitive treaty of peace, at three per cent. interest, during the war; which is a present to the nation,
of £60,000, or $266,666.66,
and which shows the resources, and profitable trade of the bank of England.

The circulation of the notes of this bank, in the years

1787	was	£ 8,688,570,	or	$38,615,866.66
1790	was	10,217,360,	or	45,410,488.88
1795	was	13,539,160,	or	60,174,044.44
1796	was	11,030,010,	or	49,022,711.11
1805	was	18,397,880,	or	81,768,355.55
1806	was	17,093,570,	or	75,971,422.22
1807	was	16,621,390,	or	73,872,844.44
1810	was	21,000,000,	or	93,333,333.33

In 1797 the bank suspended specie payments; and an act was passed for that purpose; which suspension was renewed annually.

From the report of a committee, appointed in this year, to inquire into the state of the bank, the total credits were
£17,597,293, or $78,210,191.10.
The debt owing by government
£13,770,390, or $61,201,733.33.
Thus leaving a balance in favor of the bank,
£3,826,903, or $17,008,457.77.

Since that time the profits of the bank have been considerably augmented; and the proprietors have received bonuses, in addition to 7 per cent.; but, in April, 1807, the permanent dividend was fixed at 10 per cent. per annum; which, for twenty-two years, up to 1829, inclusive,
is $113,837,768.

Thus has this wonderful institution withstood the ravages of time!—the convulsions of nations!—the wreck of empires!—the vicissitudes of war and peace!—diffusing life, light, and heat, throughout the immense regions of the body politic, from age to age, down to the present day! And its stability is now believed to be commensurate with the British empire.

From the above well managed and prosperous institution, we will now turn our eyes to a rival institution, nearly simultaneous in its origin; which bid fair to supersede its competitor; and, for a time, outvied it in the magnitude of its operations, and the splendor of its achievements; but, in a few short years, from bad management, exploded; spreading devastation and horror in its progress; convulsing the nation to its centre; and had well nigh sapped the vitals of the throne.

BANK OF FRANCE,

CHARTERED IN THE YEAR 1716.

The French nation, though less enterprising than the English, in every thing relative to commerce, have yet, in some respects, successfully imitated them. But, in the particular instance of banking, they have not been so fortunate; owing, more to causes connected with their political institutions, than to any want of knowledge, genius, or activity in the people.

In the year 1716 a bank was established in Paris, by the celebrated John Law, of Lauriston. The object of this bank, according to Mr. Law's professions, was to increase the circulation of money;

To put a stop to the progress of usury;

To facilitate the exchange between Paris and the provinces;

Augment the circulation of manufactures;

And to enable the people to pay, the more easily, the heavy taxes to which they were subjected.

The letters patent, establishing this bank, stipulated, that the stock should consist of 1200 shares, of 5,000 livres each, at the rate of 40 livres the mark; so that each share was worth £250 sterling, and the whole stock of the bank at £300,000 sterling, or $1,333,333.33.

The regulations of this bank were wise and salutary. It was declared, that the bank securities belonging to, as well as the money lodged by foreigners, should not be subject to confiscation, even in case of war with the nations to which the proprietors belonged.

The bank, of which Mr. Law and his brother William were the proprietors, assumed the firm of THE GENERAL BANK OF LAW & COMPANY; and the affairs of the bank were so prosperous, that, at a general meeting, on the 20th December, 1717, a dividend was declared of 7½ per cent., for six months, amounting to $100,000.

There can be no doubt, but this bank would soon have rivalled that of Amsterdam, or of England, and produced consequences equally beneficial to France: but the strong arm of power interfered, and changed the institution from a private, to a public concern.

By an edict of council, bearing date the 4th December, 1718, the public were informed, that his majesty had taken Mr. Law's bank into his own hands, under the name of THE ROYAL BANK; of which, Mr. Law was appointed director general; and branches were established in different cities.

The bank now proceeded on public credit, or in other words, was entirely dependent on *the will of the sovereign;* and as the schemes of monarchs are seldom guided by moderation or reason, it embraced objects so magnificent, so vast, and extensive, that all Europe looked on with anxiety, and trembled for the issue!

It was proposed to vest the whole privileges, effects, and possessions of foreign trading companies, the Great Farms, the mint, the general receipt of the king's revenues, and the management and property of the bank, *in one great company;* which, having in their hands all the trade, taxes, and royal revenues of the kingdom, might multiply the notes of the bank to any extent they pleased.

Accordingly, a company was formed in 1717, under the name of THE COMPANY OF THE WEST, to which was granted the province of Louisiana, and from this circumstance, the operations of the company obtained the name of the MISSISSIPPI SYSTEM.

Of this company 200,000 shares were issued, at the rate of 500 livres each,
amounting to 100,000,000 livres, or $18,750,000.

On the 4th September, 1718, THE FARM OF TOBACCO was made over to the Company of the West, on their agreeing to pay to the king rent in advance,
2,020,000 livres, or $378,750.

On the 15th December following, they obtained the charter and effects of the SENEGAL COMPANY; but the most important grant they obtained, was in May, 1719, when an edict was published, transferring to them the exclusive privilege of trading to the East Indies, China, and the South seas, on condition of paying the lawful debts of these companies, now dissolved. On this condition, the Company of the West assumed the title of THE COMPANY OF THE INDIES, and 50,000 new shares were constituted, at the rate of 550 livres each, amounting to 27,500,000 livres, or $5,156,250, to be employed in building vessels, in satisfying the creditors of the old companies, and in preparations for the general trade; and from the vain expectation of possessing a lucrative branch of commerce, the price of a share rose in the market to 1000 livres, or $187.50.

On the 25th July, 1719, the mint was made over to the company, for a consideration
of 50,000,000 livres, or $9,375,000,
to be paid to the king.

In order to raise that sum 50,000 new shares were ordered, at the rate of 1000 livres,
amounting to 50,000,000 livres, or $9,375,000.

On the 27th of August following, the great farms were made over to the company, on their agreeing to pay in advance of rent to the king for them
3,500,000 livres, or $656,250.

And, on the 31st of same month, they obtained the general receipt of other branches of the king's revenue.

The company now promised an annual dividend of 200 livres on a share.

There was now 301,000 shares, which, at 200 livres each, amounted to 60,240,000 livres, or $11,295,000.
In consideration of which, the price rose in the market
to 5,000 livres, or $937.50.

The company now agreeing to lend the king, to pay off his creditors 1,500,000,000 livres, or $281,250,000, at 3 per cent. interest, created, in September and October, 300,000 new shares, at 5,000 livres each,
amounting to 1,500,000,000 livres, or $281,250,000.

The company's capital was now 601,200 shares; which, at 5,000 livres each, is 3006,000,000 livres, or $563,625,000.

And the annual income arose as follows, viz.

Interest from the king,	48,000,000 livres,
Farms, mint taxes, &c.,	39,000,000 "
From the general trade,	44,000,000 "
	131,000,000 livres,
	or $24,562,500.

From so great a revenue they could well afford to pay 200 livres on a share, as a dividend; which, on their present capital, amounted to 120,240,000 livres, or $22,545,000.

The infatuation, which at this time prevailed in France, was so great, as to raise the price of shares
to 10,000 livres each, or $1,875.

The original proprietors acquired immense fortunes. Money was abundant; agriculture, manufactures and commerce flourished; and the government were enabled to relieve the people from taxes, to the
amount of 87,000,000 livres, or $16,312,500.

Notwithstanding, the general confidence in the stability of the bank, and India company, there were individuals who held a different opinion; and they converted their paper into specie, which they either hoarded up, or shipped to other countries; and this occasioned a run upon the bank, until there was not enough left in France, for the common purposes of circulation.

To avert the danger, which now threatened the whole system, several edicts were passed, restricting payments in specie; prohibiting the manufacture of plate, without the royal license; and declaring, that all rents, taxes, and customs, should be paid in notes, the value of which, was to remain always invariable; while the standard of coin was kept in constant fluctuation.

But the restriction was carried to its greatest height by the edict of 27th February, 1720, which prohibited individuals, and secular or religious communities, from having in their possession more than 500 livres in specie, under penalty of confiscation, fine, and imprisonment.

These measures had the effect of throwing into the bank in specie, between the months of February and April, 1720, the sum of 300,000,000 livres, or $56,250,000.

The royal bank was now incorporated with the company of the Indies, and the king remained guaranty of the notes, of which none were to be fabricated in future, except by an edict of council.

The profits of the bank, since his majesty had taken it into his own hands, in December, 1718, were given up to the company; and as they were supposed to be immense, the public entertained a high idea of the company's opulence.

At this period, the credit of France was at its height; but it soon experienced a reverse, that involved thousands in misery and distress.

The ministry, who were opposed to no law, represented to the regent that it was necessary to equalize the value of paper currency, and the coin, by either raising the denomination of the latter to 130 livres the mark, or reducing the former one half.

This absurd notion prevailed in the council, and it was resolved to diminish the value of the bank notes, and the India company's actions, that a just proportion between them and the coin might be maintained.

For that purpose, an edict was passed on the 21st May, 1720, ordering that shares should be reduced to 8000 livres, and on the 1st of July, 7500 livres, and so on 500 livres a month, till the 1st of December, when they were to be fixed at 5000 livres.

It ordered, also, that bank notes should be reduced as 10 to 8, but that on the first day of July they should be further reduced—those of 10,000 livres to 7,500, and so on monthly, at the rate of 500 livres, until December, when they should remain fixed.

This impolitic, and disgraceful measure, was followed with corresponding consequences: the notes lost all credit, and the whole paper fabric fell to the ground. Mr. Law's system was overturned; and, in its ruin, involved thousands, who had converted their property into bank currency, on the faith and declarations of government, which had solemnly engaged, that, whatever should change the coin, the bank notes should always remain the same, and be paid in full.

At this time, the notes in circulation, amounted to the enormous sum of 2,235,085,590 livres, or $419,078,535.62.

And, as they would not pass for any fixed value, the distress of the people became extreme, and threatened the very existence of government.

To alleviate, in some measure, the evils existing, the bank was shut for a few days, under pretence of examining the accounts; but was opened again on the 10th June, for the exchange of notes of 10 livres; and notes of 100 livres were to be changed into small notes; but only one to be brought by each person, coming for that purpose. The 17th July was fixed for the payment of notes of 100 livres; but the concourse of people was so great, that a scene of riot and confusion took place, which was only quelled by a military force.

To absorb, however, the immense amount of paper, with which the nation was deluged, the government had recourse to granting annuities to the holders of bank paper.

Accordingly 25,000,000 of perpetual annuities, at the rate of forty years purchase, and 400,000 at the rate of twenty-five years purchase, were constituted. Books of account current, and transfers of 600,000,000 were opened at the bank; and in August, 8,000,000 more, of perpetual annuities, at the rate of fifty years purchase, were issued.

By these means, 2,000,000,000 were expected to be returned, amounting to $375,000,000, but the discredit of the paper, and the unfavourable nature of the terms, made the people hesitate. And an edict was passed on the 15th August, that notes of 10,000 and 1,000 livres should have no currency, except for the purchase of annuities and bank accounts. And a further edict passed 1st November, prohibiting all payments in notes.

Thus terminated Mr. Law's celebrated banking system; which, though founded on principles calculated for stability, could not resist the perfidy, or folly, of a despotic government. But France had reaped some advantage from its establishment, in her agriculture, her manufactures, and commerce; and the people had become more industrious, and better acquainted with the principles of trade, by the abundance of the circulating medium, which it had produced.

It is unnecessary to follow our inquiries as to the banking establishments of the French, through the period of the revolution, as a new and important institution for that purpose, under the sanction of the imperial republic, has superseded all others in France.

The regulations of this bank were decreed by the law of 24th Germaine, year 12, (1804) and are as follows:

1st. The association formed in Paris, under the title of The Bank of France. This institution shall have the exclusive privilege of issuing cash notes.

2d. The capital of the bank shall consist of 4,500 shares, at 1000 francs each, which, at 25 francs the pound sterling, is £1,800,000, or $8,000,000, as primitive capital, subject to increase, through the medium of *reserved* funds. The bank shall discount bills of exchange, notes, or bonds, but not to carry on any kind of commerce, except in money matters.

The annual dividend shall not exceed 6 per cent. yearly. The benefits over and above the annual dividend shall be converted into reserved funds. The rules for the direction of this bank are similar to those in the United States.

Any person forging the notes of this bank, are liable to capital punishment.

The dividend on this bank, up to 1830, inclusive, at 6 per cent., is $12,480,000.

The rules and regulations of this bank, are well calculated for its security and prosperity; but whether any institution of this kind can flourish in a despotic country, where the funds are liable to be diverted from their original purpose, by the influence of power, is extremely questionable.

It is well known, that all mercantile associations derive their stability and credit from a strict observance of the rules by which they are constituted, as the confidence of mankind can be firmly placed only on what is known, fixed, and determinate; and there are no establishments more inviolable than banking companies.

The utility of banks arises from their affording a circulating medium, representing property, the quantity of which is only limited by the necessity that occasions it, or in other words, by the demand induced by the diversified operations of commerce.

As this substitute for money can be fabricated at little expense, it may be deemed an artificial and inexhaustible mine for supplying the deficiency of the precious metals, or altogether supplanting them, as a circulating medium.

As gold and silver, however, have so long represented property, the habits of mankind have attached an idea of value to them, which is almost universal; and it is only among polished nations that bank bills are current; but to civilized society they are of the highest importance, and the invention of the banking system introduced a new era in the annals of commerce.

THE BANKING SYSTEM OF SCOTLAND.

The banking system of Scotland presents three great, and leading features; it offers to the frugal a safe, and at the same time a profitable depository for their savings; the industrious it furnishes with loans, advanced upon cash-credits; and the public at large it provides with a safe, economical, and convenient circulating medium. The utility of the two former functions is too manifest to admit of dispute; but with regard to the latter function, that of providing a circulating medium, it is strenuously contended, that this is not an essential feature of, but merely an adjunct to, the system. Those who hold this opinion, urge, that although the Scotch system of banking be good, as it stands at present, it would be still better without this adjunct, which they represent as an unnecessary and even injurious excrescence. From these views we must take the liberty of expressing our

unequivocal dissent: far from regarding this function as an excrescense, which might be lopped off, if not with advantage, at least without injury, we consider it as the hinge on which the whole system practically turns. Our readers need scarcely be reminded, that a very large proportion of the most important transactions of those banks, receiving deposits, and advancing loans upon cash credits, is conducted through the medium of branches, dispersed throughout the various districts of that country; the expense of maintaing these local establishments is considerable; and would, unquestionably, exceed any profit which could accrue to the parent bank, from its deposits, and cash credit transactions alone; the loss, thus occasioned, is now made up to the parent banks by the profit derived from the circulation of their notes. If the parent banks were deprived of this source of emolument, it cannot admit of a doubt, that all or at least nearly all the branches would be relinquished. In some towns and populous places, they might clear their expenses, and maintain their ground, even if this premium were withdrawn; but for the poorer and more thinly populated districts, where the accommodation which they furnish is most wanted, and perhaps most useful, they would infallibly disappear. The witnesses examined by the committee of the house of commons, appointed to inquire into the principles and practical operation of the system, were very closely questioned as to this point; and their uniform answer was, that, without the profit arising from the circulation of a paper currency, under five pounds, the branch banks could not be continued; the commission of one per cent., (which is the difference between the interest allowed upon deposits, and that charged on advances made under cash credits,) not being, of itself, sufficient to defray the unavoidable expenses of such establishments, in thinly populated districts and small towns, where the amount of the business transacted is necessarily limited. It was suggested, by some of the members composing that committee, that, either by allowing so much less interest upon deposits, or charging so much more interest on cash credit loans, the banks of Scotland might make up for the loss which would be occasioned by the discontinuance of paper money. This suggestion the witnesses effectually rebutted, by observing, that either of these two modes of supplying the defalcation which would arise from the withdrawal of a paper currency, would inevitably prove fatal, at least to the cash credit branch of the system. The interest allowed upon deposits is always reduced to the lowest rate at which it can be maintained, without driving away the capital now intrusted to the management of the Scotch bankers: an additional reduction, even of a trifling amount, might, and unquesably would, force a very considerable proportion of the whole body of depositors to withdraw their funds, and to seek out for another, and more profitable channel of investment. The interest now allowed upon bank deposits is less, by ten shillings per cent., than could be obtained on private loans; but the superior credit of the banks, as well as various other advantages, incident to this mode of investment, induce capitalists to give it the preference. If, however, the rate of interest, already below the average level of what is obtained on private loans, should be still further reduced, it is certain that the capitalist would no longer transact his affairs through the medium of the banks, but would, rather than consent to a further sacrifice, expose himself to the risk and inconvenience of dealing directly with the private borrower. Any attempt, therefore, to augment the profits of the Scotch banks, by reducing the rate of interest allowed upon deposits, still further below the average rate of interest in the general money market of the empire, would unavoidably fail. It would, indeed, appear about as rational, as well as effectual, as an attempt, by means of a sieve, to keep the water of one side of a stream higher than the level of the same channel on the other side. The bankers of Scotland have hitherto enjoyed the reputation of being, not only tolerably well acquainted with their own business, but, also pretty much alive to their

own interests; and we may, therefore, be well assured that this wary, sagacious, and intelligent class of traders, never allow a rate of interest upon deposits which exceeds by a single shilling what is necessary, in order to retain the capital now intrusted to their management. Comparing the loss which would be sustained from the withdrawal of a very considerable portion of the money which now passes through their hands, with the profit which would accrue from reducing the rate of interest allowed upon the remainder, they arrive at the practical conclusion, that the former would more than counterbalance the latter.

Equally futile would prove the endeavor to make up the deficiency of revenue, occasioned by the suppression of a paper circulating medium, by the imposition of a higher rate of interest than is now charged upon loans advanced on cash credits. The rate of interest charged upon these loans is already somewhat above the average of the money market. The borrowers are willing to bear this extra charge rather than encounter the trouble and delay which generally embarrass all applications to private capitalists; but if the banks should raise the interest charged upon cash credit loans, still higher above the average level of the money market, it would inevitably have the effect of driving at least a very large proportion of the class of borrowers, to deal directly with the class of lenders; and the additional profit which would accrue on the loans advanced to the lesser number, which might perhaps still continue to deal with the bank, would not countervail the unavoidable loss of a large portion of its present custom. In either of these cases, the practical result would be precisely the same; if the banks reduced too low the rate of interest upon deposits, they would have less to lend; if they charged too high an interest upon loans, they would diminish the number of borrowers: and hence would unavoidably follow the discontinuance of the various branches now maintained by the parent institutions.

It must, no doubt, be admitted, that the establishment of joint stock companies, for the purpose of employing in discounting bills of exchange such balances as might be placed at their disposal by their customers, would be an important improvement upon our present practice of banking. Commercial capitalists would by this means be furnished with safe depositories for such small balances as would be required for conducting their daily transactions; the aggregate of these balances would afford a supply of capital for the purpose of discounting good bills of exchange; and the credit of joint stock companies would secure the resources of these institutions from being crippled by the influence of those circumstances which so often influence the customers of private banks to withdraw their balances with the abruptness of terror. But although this would be a great improvement on our subsisting practice, it would still fall infinitely short of the efficiency and utility of the system, which, for upwards of a century, has prevailed on the other side of the Tweed; and, in spite of old Hesiod's maxim, no statesman, who is master of his craft, will content himself with half an advantage, when the whole is practically within his reach. No community can derive from banking all the advantages which the practice is capable of yielding, until establishments have been every where organized, on principles which must attract to these reservoirs the accumulated savings of each district, to be then laid out in encouraging enterprise, and developing the resources of productive industry. With regard to the first of these points—

"It is astonishing," observes Mr. Scrope, "to what shifts and expedients persons are driven in England, for the utilization of whatever small sums they have saved, in consequence of the English banks not allowing interest upon deposits. The establishment of savings banks was of incalculable advantage in this respect, but the amount of deposits in them being limited to one hundred and fifty pounds, the difficulty of placing out larger sums with safety has led to much

destruction of capital, and great individual misery. In a small country district, within the cognizance of the writer, two attorneys have successively failed, within a few years one of the other; the first to an amount of near one hundred thousand pounds—the second of more than two hundred thousand. The creditors of both, on examination, were found to consist almost wholly of old servants, retired tradesmen, and farmers, and the widows and orphans of such persons, who had deposited their small fortunes with either attorney, on his personal responsibility. It cannot be doubted, that had there been a bank of acknowledged security in this district, which, like the Scotch banks, allowed a fair interest on deposits of any amount, the greater part, if not the whole of this property, would have been lodged there in safety, and hundreds of individuals preserved in a state of comfort, who are now reduced in their old age to the wretched condition of parish paupers."

Our own experience enables us fully to corroborate this statement; we have personally witnessed several instances of a similar kind, in which either the failure of insolvent attorneys, or country banks which allowed interest upon deposits, has overwhelmed a very large proportion of the inhabitants of whole districts at once with poverty and despair. But however useful the northern banks may be, as depositories for the savings of the economical classes, they are still more valuable to the public, on account of the encouragement which, through their system of cash credits, they hold out to enterprize and industry. Their managers are impelled by the most powerful motives to exert themselves in discovering a lucrative method of laying out the capital placed in their hands; this being the only way in which they can get back the interest which they allow upon deposits. It is their prime object and business to search for instruments fit to render productive the capital intrusted to their management; and these instruments can be found only in that class of men who, possessing a reputation for integrity and industry, are destitute of the capital required for the undertakings in which their enterprize may lead them to engage. The bankers are to the full as anxious to discover persons of this description, in order to lend, as these persons themselves can possibly be to find out capitalists from whom they may borrow. It is this saving of capital, on the one hand, and encouragement to industry, on the other, which have mainly contributed to advances which Scotland is acknowledged to have made in wealth and prosperity within the last hundred years. Before the introduction of the present banking system, the people of that country had no safe depositories in which they could have placed small savings; hence their savings were hoarded up, and remained unproductive, both to the owners and the community. Under the operation of the present system, every shilling which an economical member of the community is enabled to save, is instantly carried to the local bank, whence it passes into the hands of some industrious and enterprising person, who will employ it profitably.

Another observation may be added in this place. Banks, which, by their credit and known solidity, have conciliated public confidence so far as to attract into their coffers the aggregate savings of each district, in the form of deposits bearing interest, are equally useful every where; they stimulate to industry and economy the artisan and mechanic, as well as the agricultural laborer. But the practice of granting cash credits appears less indispensable for the purposes of the commercial, than for the wants of the agricultural classes. The little shopkeepers or tradesmen of fair character, can easily get goods on credit from some wholesale dealer; the want of capital does not, therefore, utterly preclude any individual belonging to this class from commencing business on his own account; but the farmer who wants capital, has no resource of this kind; whatever improvements he may desire to accomplish, must be delayed in every instance; and in the greater number of cases altogether relinquished, because he cannot command the means required to carry them into exe-

cution. It may be said that this impediment to agricultural improvement might be obviated by a loan, advanced to the farmer by some private friend, or by a bank; but granting that the necessary accommodation could be thus obtained, it is clear that it would be much more expensive to the party accommodated than a cash credit of equal efficiency. Under the system of cash credits, a maximum is fixed above which the borrower is not allowed to draw upon the bank: but he is not obliged to take the whole of this at once, and, in consequence pay interest upon it; he draws it out gradually, as his necessities require, and interest is charged only from the time when each particular sum is drawn out; on the other hand, he is not only allowed, but expected, to pay into the bank the proceeds of the produce of his farm, which from time to time he disposes of in the market; and on these payments interest is also allowed on the credit side of his account. Hence it necessarily follows, that the farmer who conducts his affairs with the aid of a cash credit, never pays interest for more money than he actually employs in his business, nor keeps a pound lying idle and unproductive in his desk. This economy of capital forms a peculiar feature of the banking system of the north, and gives the industrious classes there, in all their operations, a very great advantage over ours. When an English farmer sells any portion of his produce, he has generally no alternative which can serve his purposes better than to keep the proceeds locked up in his drawer until the next rent day. He may, it is true, lodge it in the hands of some country banker—but then he can get no interest for it, and, besides, the banker may fail. The result of this absence of the stimulus of profit on the one hand, combined with the fear of loss on the other, is, that a very large portion of the capital employed in agriculture, in this country, remains, during intervals of considerable length, absolutely idle. The individual loss thus incurred by each farmer, is by no means inconsiderable, and the aggregate loss of the public is, unquestionably, of very great amount.

Under the operation of the banking system of our northern neighbors, on the contrary, the whole mass of capital is in a constant state of circulation; no portion, however minute, remains for the space of one day stagnant. The Scottish system of banking may therefore claim the merit of producing the greatest practical results, with the least expenditure of means. Compared with England, the amount of capital employed in productive industry, in the sister kingdom, appears inconsiderable; but the facility as well as rapidity with which this capital circulates, more than compensates for this deficiency; and taking into consideration the different extent of the surfaces over which they are spread, it may be asserted, on the best grounds, that the scanty capital of Scotland yields annually a larger produce, both to the owners and the public at large, than the much more abundant capital of England; it being well known, that under the operation of the system of deposits and cash credits, a given extent of land may be equally well cultivated with two thirds, or perhaps one half of the capital which would be required for a similar purpose in England, where it may be assumed that, combining time with amount, one half of the whole farming capital remains in a state of stagnation, and, by consequence, unproductive. It is also clear, that under the northern system, capital must be more equally diffused than it is in England; the surplus of the wealthy farmer passes without delay into the bank reservoir, whence it finds its way into the hands of his less opulent neighbor, who stands in need of temporary assistance. In England, the agriculturalist who possesses capital sufficient to meet the most expensive seasons or emergencies, must at certain times have a considerable portion lying dead upon his hands; while the tillage of farms in his vicinity, occupied by less fortunate persons, languishes for want of funds. Hence a double injury: the rich agriculturalist loses from an overplus, and the poor one from a defective supply of capital. Under the Scottish system, on the contrary, the supply is invariably

and regularly proportioned to the wants of each individual, at every season; the rich man need not be at the expense of more capital than can be profitably absorbed in his business; and his poor neighbor, of fair reputation for honesty and industry, may always command an abundant supply.

It must at the same time be manifest, that pecuniary accommodation, by way of private loan, is not only more expensive when procured, but incalculably more difficult to be obtained, than it is under the cash-credit system of Scotland. Private individuals who lend upon personal security, incur at all times a very considerable risk of losing their money; fully occupied, in general, with their own pursuits, they have no leisure to watch the conduct of their debtors; and if they enjoyed the leisure required for this purpose, they possess no means of acquiring much information as to this point, which may be useful to them; hence it occurs that, in nine cases out of ten, money lent upon personal security is finally lost to the owner. Speaking in general terms, we may therefore say that the practice is unknown in England; however industrious and steady a poor man may show himself in this country, he can rarely, if ever, obtain a loan of money upon his own personal security; and still more rarely can he prevail upon any persons of substance to become bound for him, if he should meet with a capitalist willing to accommodate him on these terms. But the money lent under cash-credits is advanced upon a system which almost infallibly insures its repayment. It is the first object of a Scotch banker to ascertain the character of the person who applies to him for a cash-credit; and, from the moment in which this accommodation is granted, it becomes his regular and incessant business to watch with the utmost care, the conduct and proceedings of his debtor; and to enable him to accomplish this object, he requires little further aid than that which is furnished him by his own books. By examining the accounts of any person accommodated with a cash-credit, he can tell at once and at any period, whether his debtor is relaxing in industry, and whether, in consequence, any portion of the capital lent runs the risk of being lost. The moment such a person ceases to pay into, as well as draw from the bank, the suspicions of the manager become excited, an explanation is instantly demanded, and if this should not prove satisfactory, the cash-credit is withdrawn, and the payment of the balance rigorously enforced. By glancing their eyes once or twice a week over their books, the managers can ascertain what their cash-credit debtors are about, and how they are going on, very nearly as well as if they accompanied them to every fair or market in the district. The moment any commodity is sold, the proceeds are eagerly taken to the bank; firstly, because this tends very materially to sustain the credit of the borrower; and secondly, because he is unwilling to lose, even for a single day, the interest which accrues upon deposits from the hour in which they are lodged. The managers of the Scotch banks thus constitute a species of social police, infinitely superior to any thing that has been ever known in any other part of the world: they form a corps of thoroughly organized and vigilant—what shall we call them?—spies, impelled by the strong impulse of interest to watch with the most careful attention, the conduct and proceedings of the classes engaged in productive industry. The prodigious influence which such a system of vigilant inspection and control must exercise over the whole of the industrious population, is far too palpable to render it necessary for us to do more than to point it out to the attention of the public.

To the influence of this admirably organized system may justly be ascribed, in perhaps a more especial manner, the rapidity with which agriculture has advanced in Scotland, since the middle of the last century. Whenever the land-owners of any district determined upon commencing a career of improvement, their first measure has generally been to encourage the introduction of a branch bank; and few are the instances in which the advantages anticipated from this preliminary step have not been realizad. The small sums

saved by the working classes were regularly deposited in the local bank, whence they found their way in larger masses among the farmers of the district. Having passed through the hands of the farmers, this capital, in the form of wages, came a second time into the pockets of the laboring classes, who added to their previous deposits every shilling which they could save from their weekly earnings. There is, therefore, good ground for asserting that a very large portion of the territory of Scotland has been reclaimed and improved not only by the labor, but also by the savings, of the working peasantry: a result which has been alike beneficial to all the parties interested in the cultivation of the soil. To the landlord it has proved the source of an augmented rent; to the farmer it has yielded a handsome profit, over and above the interest paid for the capital which he borrowed of the bank, for the purpose of carrying on his improvements, and to the working classes, it has proved the means of furnishing, not only constant employment, but a higher compensation for their labor. The capital saved and deposited in the banks by this class has enabled the farmers of every district to undertake agricultural improvements: this has created an additional demand for labor, and raised wages; and the economy thus encouraged by banks for deposits, has produced a reaction highly favorable to the condition of the body of laborers.

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The paper circulation of Scotland is carried on, first, by chartered banks: and second, by private establishments.

FIRST—CHARTERED BANKS.

There are three corporate bodies by whom notes are issued —"the Bank of Scotland,"—"the Royal Bank;"—and "the British Linen Company." The latter, though originally intended for manufacturing purposes, was afterwards converted into a banking establishment.

A short account of the bank of Scotland is given in the general report of the kingdom.* It is sufficient here to observe, that, after several augmentations, its capital now amounts to £1,500,000; of which only one million has been paid up. The remaining £500,000 may be called for; but there is no reason to suppose it will be necessary, as its present capital, with the large deposits it receives, is fully adequate to the business it carries on. Each share consists of £1,000 of old Scotch money, or £83.6.8 sterling: and as shares now sell for £200 sterling, there is a profit on each to the amount of £116.13.4. The interest per share is £7.18.4., being only about 4 per cent. This proves the high estimation in which the interest of the stock of that bank is held, in consequence of the ability and success with which its affairs are conducted. Indeed, there is not a more advantageous mode of investing money than in the stock of that bank; for, in addition to the annual dividends, it has, at various times, been enabled to give bonuses to its proprietors, to the amount, it is said, of about £200,000.

The Royal Bank has a similar capital, namely, £1,500,000, which is all paid up. It divides annually, £150,000, in proportion to which income is the price of its stock. Its affairs are likewise conducted with much prudence and economy.

The British Linen Company, an account of which is given in the general report of Scotland,† has a capital of £500,000, with which it carries on a great extent of business, in a most successful manner. It has paid up all its capital, the annual dividend on which is £9 per cent. Its stock now sells for £246 per £100; furnishing an immense profit to the original proprietors, besides several bonuses which have been divided amongst them.

On the whole, the "chartered banks" of Scotland carry on their business with capitals to the amount of £3,000,000, (to which £500,000 might be added by the Bank of Scotland, if necessary;) and by the excellence of their management, they have not only essentially benefited their country, but enriched themselves.

* See General Report of Scotland, v. 5, p. 341.

† General Report of Scotland, v. 5, p. 439.

SECOND—PRIVATE, OR PROVINCIAL BANKS.

In Scotland, there are no restrictions in regard to the number of partners in a banking establishment, issuing notes. It may consist of *one*, or of a *thousand* proprietors. This is certainly going too far; for the security of *one*, *two*, or *three* individuals must always be precarious; and the greater the number of partners, the less is the risk of fraud. One man may do, what it would be difficult to persuade twenty to concur in. This error, though it has not hitherto occasioned any material public injury, ought to be corrected by law.

It is a great advantage, however, attending the Scotch system of banking, that there is no precise limit to the number of partners who can join in the same concern. Thus, numbers being interested in the prosperity of the bank, its circulation and credit are augmented; and a greater quantum of prosperity being involved in the concern, there is hardly any possible risk of public loss.

There are, in Scotland, besides the three chartered banks, twenty-six private banking establishments, issuing promissory notes. Several of these have branches situated at a considerable distance from the mother bank.* The number of partners, exclusive of the three chartered banks, may be stated at 1400, or, on an average, 53. One (the Commercial Bank of Scotland,) has no less a number than 606 partners; others, where the business is small, have only two or three.

In order to give an idea of the excellent management of the Scotch private or provincial banks, the following account of the Aberdeen bank has been procured.

This bank was established in 1767, with a nominal capital of £100,000, in two hundred shares, of £500 each.

* The number of banks in Scotland, public and private, is 29; but they have, in all, about 100 branches, scattered over the whole kingdom, emanating from them.

Only £150 per share, or £30,000 in all, were originally paid in; and no future call has, ever since, been made on the partners. The annual dividends were, at first, £20 per share; for many years they were £40, and they are now £60.

Instead of any extra dividends, it has been the usage to add *a bonus* to the stock of each partner. In this way, not only has the original capital of £500 per share been paid up, but also the capital since it has been doubled, for it now amounts to £1000 per share. The partners were originally about 160 in number; and in the first contract, the number of shares to be held by each individual was limited. But when the contract was renewed, that clause was done away. The number of partners is now about 80. Several shares stand in the name of the company.

The highest price hitherto given for any share, has been £1,500; and the price varies from that sum down to £1,400, according to the opinion of the parties buying and selling at the time.

A very large sum, now only at 3 per cent., has been lodged with the bank, in consequence of the high idea entertained of the prudence and good conduct with which the affairs of the company are managed. The directors are thus enabled to be sufficiently liberal in the credits they give, and the loans they furnish, to the commercial, manufacturing, and agricultural interests.

Among the unchartered establishments, "The Commercial Banking Company of Scotland" ought to be particularly mentioned, as it is distinguished, not only by the number of its partners, (606,) but by the spirit and success with which its operations are conducted. It commenced business on the 25th of March, 1810, with a capital of three millions, of which it has only been necessary to call for £500,000. Its dividend is at the rate of six per cent., and its stock already sells for £150 per share. Its profits could afford a larger dividend, but it prefers laying up an annual sum, to guard against contingencies.

It would be in vain attempting, in a short work of this description, to enter into the details of the management of these most valuable institutions. But I cannot deny myself the satisfaction of explaining the *public* advantages desirable from these establishments, including the chartered companies.

1. From the licenses the private companies are obliged to take out, and the stamps on the notes of both the chartered and the unchartered banks, considerable sums are received by government.

2. They are of great use to private individuals, furnishing them with a place of security, where they can safely deposit small, or even large sums; receiving for them a moderate interest, formerly at the rate of 4 per cent., but now reduced to 3 or $3\frac{1}{2}$ per cent. The whole, however, or any part of the sum thus placed, can be obtained whenever it is demanded. The result is very satisfactory. These deposits in the various Scotch banking establishments amount, in all, to several millions sterling, (from 15 to 20 millions,) and thus the banks are enabled to be of greater use to the industry of the country, than if they relied upon their own capitals alone.

3. The advantages derived from these establishments by the agriculture of Scotland, is of the highest importance. The celebrated Sir James Stewart, in his work on Political Economy, says, "To the banks of Scotland the improvement of that country is *entirely owing*."*

4. In common with all other such institutions, the banking establishments of Scotland are highly favorable to commerce and manufactures, enabling them to be carried on to an extent which would otherwise be impracticable. This has been greatly owing to the banks giving what are called CASH ACCOUNTS. Credits of this kind are frequently granted

* Stewart's Political Economy, last ed. vol. iii. p. 197. Without going so far, it may be safely asserted, that to the improvement of Scotland they have essentially contributed.

by banks and bankers in other countries. But the readiness with which money is advanced without the intervention of bills, and the easy manner in which these banks accept of repayment (discounting the interest as each sum as paid in) are peculiar to them. The operations on such credits are principally carried on by making of drafts, or passing of checks, as if the banks held money of the dealers. The system of cash accounts, conducted as it is in Scotland, has been the *principal cause*, both of the great trade of the banking companies there, and of the great benefits which the country has derived from them.

5. These banks are of much use in collecting the great revenue which Scotland, for so small a country, produces, and afterwards remitting it to the English treasury.

6. The number of banks is a great check upon the forgery of notes, which can hardly escape speedy detection, from the rapidity with which they immediately return to the bank, or the branch that issued them.* And

In the last place, a number of banks is a great means of securing an adequate limitation. No bank, with a number of rivals, can issue notes beyond the real demand; for they immediately revert on the issues. No inordinate circulation can take place where the several banks make weekly exchanges, and receive payment of the balances in cash, or by bills, at short dates on London.

But the most extraordinary circumstance is this, that with twenty-six banks issuing notes, there has not been, since the year 1776, a period of fifty-six years, a single failure, with the exception of one,† where the stopping occasioned any general alarm, as is so frequently in England or Ireland; or

* The more extended the circulation of a bank, the more liable it is to have its notes forged.

† This was the Ayr Bank, or Douglas, Heron, and Company, which stopped in the year 1772, but which was never declared bankrupt, and which ultimately paid all its notes and other demands upon it. The ruin of that bank was owing to the grossest mismanagement; and its failure occasioned a general alarm and much private distress.

any discredit thrown on the other banks by whom notes were issued. As to public loss, hardly any has been experienced, even where a stoppage did take place, of which, in fifty years, there were only six instances; whereas, in England, seventy-one banks stopped *in one year*.

On the whole the banking establishments of Scotland produce the finest specimens of *practical* economy to be met with in Europe: for though, in the circulation of Scotland, scarcely any gold is to be met with, yet industry, agriculture, manufactures, and commerce, flourish more than if the produce of all the mines of Mexico and Peru were circulated in it. If the same system of banking establishments which Scotland now enjoys were extended to England and Ireland, these countries possessing such a superiority of soil and climate, would rise to a degree of prosperity hitherto unexampled.

It evidently appears, from the preceding short account of the circulation of Scotland, that the advantages of which it is productive is a matter not of speculation, but of *experience;* for it has now been carried on with almost uninterrupted success for above half a century, and during periods of considerable commercial as well as political difficulty.

It would be of great public importance, if the Bank of England adopted the plan that has been found so useful in Scotland, that of granting "*cash accounts*," the nature of which is this: a bond, say for one thousand pounds, is subscribed by one responsible person, and two or more sureties, to the extent of that sum; the principal in the bond is entitled to draw as he may find it necessary, and he pays in, from time to time, such sums as he receives from his debtors. The account is settled *yearly*, or *half yearly;* and the interest, at the rate of five per cent. for the sum drawn out, beyond what is periodically paid in, is charged to his debit in the new account. It is calculated in the Scotch banks, that about one third part of the sum advanced to their customers, is issued on cash accounts. This furnishes a most useful means of augmenting a paper currency, being entirely independent of commercial discounts,—equally, if not more secure,—and where the notes issued are likely to remain longer in circulation. In this way, persons unconnected with trade, may be accommodated; and by this new source of circulation, the Bank of England might become as useful to the agricultural class of the community, as originally it was intended to have been, when it was anticipated that it would render "the gentry rich, and the farmer flourishing."

Dr. Adam Smith, in his "Wealth of Nations," (book ii. chap. 2.) has taken some trouble to explain the advantages of granting these credits, which he considers to be, perhaps, the principal cause, both of the great trade and circulation of these banking companies, and of the benefit which the country has derived from them. With the advantage of such a credit, he observes that a merchant can, without any imprudence, have at all times in his warehouse a larger quantity of goods than otherwise he could venture upon; and can thereby make both a greater profit himself, and give constant employment to a greater number of industrious people, who prepare his goods for the market.

In a recent publication,* the nature of these credits is more minutely explained. Such credits, we are informed, merely give the option to the principal in the bond, of drawing out upon interest, the notes of the bank; and the very great proportion of these credits are frequently unused, from the inability of the parties to employ the money profitably. The bankers exercise due deliberation before any credit of this kind is granted; and as it is generally found to exist for a considerable number of years, it is only given upon such security as is likely to continue *permanently good* for their amount. The bank account of the principal is always open to the inspection of the sureties, who may withdraw their guaranty, if the principal is mismanaging or imprudent.

* Muir's Review of the Banking System of Great Britain.

The sureties are also liable for bill transactions with the bank, to the amount of the whole sum subscribed, but no further. Among the many numerous advantages attending credit accounts, they enable many to enter upon useful undertakings, requiring outlay for a considerable period, who might otherwise have been unable, or afraid to do so. If a young man gets his sureties to sign a bill at three or four months date, instead of signing a bond for a credit account, he must be dependent upon the caprice or convenience of the bank for its renewal for such periods as might be desirable, in any protracted operations he may have embarked in, upon the faith of this credit by *bills;* whereas in the case of *bonds*, the banks seldom if ever call them up, so long as the principal continues to keep an operative account, or the sureties and himself remain good for the amount. At all events it is provided for in the bond, that such warning shall be given before it is put in force, as may enable the parties to get a similar accommodation at some other bank, or to dispose of their property, without the disadvantages of sudden or pressing demands for repayment. Since the act of George 3, c. 74., cash credits have been frequently granted on the security of lands, and this practice might certainly be greatly extended with much public benefit.

On the whole, the granting of cash accounts cannot be too strongly recommended to the attention of the Bank of England. If the plan were adopted, it might resolve to discount bills under 60 days at 4 per cent.: and all bills of a longer duration at $4\frac{1}{2}$ per cent.—and might charge 5 per cent. on all money advanced on cash accounts. This would place the system of granting loans or credits on the most advantageous footing possible, and would prove equally beneficial to the bank and to the public.*

* From the author's experience as a director of the Bank of Scotland, he is fully satisfied of the great advantages derivable from cash accounts.

The preceding article leaves nothing to be wished for, as well with regard to the history of the most prominent banking institutions in Europe, as to the correctness of the general view of these operations, and their beneficial influence on industry and commerce.

We now proceed to detail the institutions of the United States.

The first of these is the BANK OF NORTH AMERICA. It owes its origin to the vigorous mind and enterprising genius of Robert Morris, Esq. who conceived the idea of it when superintendent of the public finances, and submitted to congress in the month of May, in the year 1781, the plan for establishing a national bank of North America.

Agreeably to this plan, the capital was to consist of 1000 shares, of $400 each, $400,000, payable in gold and silver, to be increased by new subscriptions, from time to time, at the pleasure of the directors. The directors, twelve in number, were to be chosen by the stockholders, and were to be intrusted with the management of the institution. The notes of the bank, payable on demand, to be made a legal tender in the discharge of duties and taxes, &c. On the 26th May, of the same year, congress approved of the plan, and passed several resolutions, by which they pledged themselves to support the proposed institution; to incorporate the subscribers, under the name of the president, directors, and company of the Bank of North America; to recommend to the several states the prevention of similar establishments within their respective jurisdictions, during the war; to receive the notes of the institution in payment of taxes, duties, and debts, due to the United States, and to use their influence with the several legislatures, to have laws passed, which should make it felony to counterfeit the notes of the bank, &c.

After this, subscriptions were immediately opened, during the summer and autumn of the same year. In November, directors were chosen. In December, congress, conformable

to their former resolves, passed an ordinance which created the subscribers to the bank a corporation *for ever*, under the title of "The President, Directors, and Company of the Bank of North America." The original features of the plan were preserved, but the bank was restricted from holding property exceeding the amount of $10,000,000. The institution commenced its operations in the month of January following, and Robert Morris, who may be justly styled the father of the system of credit, and paper circulation, in the United States, succeeded in securing to it the good will and confidence of the people at large, by various judicious measures, of which a circular letter, addressed to the governors of the several states, explaining the object of the institution, and the certain advantages to be derived from it, was not the least effectual. Thus the first bank in the United States came into existence, and such was its happy and immediate influence on the public finances, and on commercial concerns in general, that it may be justly doubted whether, without its seasonable aid, the revolutionary struggle for independence could have been brought at all to a satisfactory termination. The United States, for several years, were constantly indebted to the bank, to a larger sum than the stock they owned; nor could the various devices for creating a revenue have answered their end, or the army have been fed and clothed, or any degree of order and punctuality maintained in the dispatch of public affairs, but for the great facility in the management of business, and the restoration of confidence, which were created by this institution. The sense of the great utility of the bank, was so universal, that Massachusetts and Pennsylvania corroborated the ordinances of congress, by additional charters, and Rhode Island, Connecticut, and Delaware passed laws for the purpose of preventing the counterfeiting of its notes. Yet when peace had been concluded, and the pressure of the times was over, there were not wanting those who viewed the prosperous state of the affairs of the bank with a jealous eye, and conjured up imaginary fears of an overbearing oppression, an alarming foreign influence, and fictitious credit, from temporary punctuality; of a created scarcity of specie; possible commercial convulsions, from the stopping of discounts; partial favors, and comparative disadvantages, under which distant traders labored: as if, in a moral community, the bare possibility of abuse could ever furnish a good argument against the decided utility of a thing; or as if a benefit were to be relinquished, because all cannot be benefited alike. And so effectually were these objections against the institution urged, that on the 13th of September, 1785, the legislature of Pennsylvania actually repealed their charter!

The repeal was persevered in by the succeeding legislature, notwithstanding innumerable petitions to the contrary, and vast efforts to enlighten their proceedings.

The bank, however, continued its usual operations under the charter from congress, and in the enjoyment of corporate rights, which, it was presumed, could not be arbitrarily wrested from them, after having been once legally bestowed.

The legislature which met in December, 1786, at last thought proper to renew the charter of the bank, and passed an act to that effect, on the 7th March, 1787, by which, however, the term of the charter was limited to fourteen years, and the capacity of the corporate body of holding property, restricted to two millions of dollars. The same charter was extended for the term of fourteen years more, by an act passed on the 20th March, 1799.

The capital of this bank has been from time to time increased. It is now 2,000 shares of $400 each—$800,000. It has usually divided 12 per cent. on the original price of the shares; which, taking the medium capital from the commencement, will make the sum total of the dividend amount to $3,456,000.

Thus has this institution existed under the double security of a perpetual charter from congress, and a charter from the states, with laws in its favor from several states, after having sustained the burden and heat of the days of a triumphant revolutionary struggle—continued for nearly half a century, and is now a flourishing institution.

REPORT OF ALEXANDER HAMILTON,

(WHILE SECRETARY OF THE TREASURY,)

ON THE SUBJECT OF

A NATIONAL BANK.

Read in the House of Representatives, Dec. 13th, 1790.

Treasury Department, Dec. 13. 1790.

IN obedience to the order of the HOUSE OF REPRESENTATIVES, *of the ninth day of August last, requiring the* SECRETARY OF THE TREASURY *to prepare and report, on this day, such further provision as may, in his opinion, be necessary for establishing the* PUBLIC CREDIT—*the said Secretary further*

RESPECTFULLY REPORTS,

THAT, from a conviction that a National Bank is an institution of primary importance to the prosperous administration of the finances, and would be of the greatest utility in the operations connected with the support of the public credit, his attention has been drawn to devising the plan of such an institution, upon a scale which will entitle it to the confidence, and be likely to render it equal to the exigencies, of the public.

Previously to entering upon the detail of this plan, he entreats the indulgence of the house, towards some preliminary reflections naturally arising out of the subject, which he hopes will be deemed neither useless nor out of place. Public opinion being the ultimate arbiter of every measure of government, it can scarcely appear improper, in deference to that, to accompany the origination of any new proposition with explanations, which the superior information of those to whom it is immediately addressed, would render superfluous.

It is a fact well understood, that public banks have found admission and patronage among the principal and most enlightened commercial nations. They have successively obtained in Italy, Germany, Holland, England, and France, as well as in the United States. And it is a circumstance which cannot but have considerable weight, in a candid estimate of their tendency, that, after an experience of centuries, there exists not a question about their utility in the countries in which they have been so long established. Theorists and men of business unite in the acknowledgment of it.

Trade and industry, wherever they have been tried, have been indebted to them for important aid. And government has been repeatedly under the greatest obligations to them, in dangerous and distressing emergencies. That of the United States, as well in some of the most critical conjunctures of the late war, as since the peace, has received assistance from those established among us, with which it could not have dispensed.

With this two-fold evidence before us, it might be expected, that there would be a perfect union of opinions in their favor. Yet doubts have been entertained; jealousies and prejudices have circulated; and though the experiment is every day dissipating them, within the spheres in which effects are best known; yet there are still persons by whom they have not been entirely renounced. To give a full and accurate

view of the subject, would be to make a treatise of a report; but there are certain aspects in which it may be cursorily exhibited, which may perhaps conduce to a just impression of its merits. These will involve a comparison of the advantages, with the disadvantages, real or supposed, of such institutions.

The following are among the principal advantages of a bank:

First. The augmentation of the active or productive capital of a country. Gold and silver, where they are employed merely as the instruments of exchange and alienation, have been, not improperly, denominated dead stock; but when deposited in banks, to become the basis of a paper circulation, which takes their character and place, as the signs or representatives of value, they then acquire life, or, in other words, an active and productive quality. This idea, which appears rather subtile and abstract, in a general form, may be made obvious and palpable, by entering into a few particulars. It is evident, for instance, that the money which a merchant keeps in his chest, waiting for a favorable opportunity to employ it, produces nothing till that opportunity arrives. But if, instead of locking it up in this manner, he either deposits it in a bank, or invests it in the stock of a bank, it yields a profit during the interval, in which he partakes or not, according to the choice he may have made of being a depositor or a proprietor; and when any advantageous speculation offers, in order to be able to embrace it, he has only to withdraw his money, if a depositor; or if a proprietor, to obtain a loan from the bank, or to dispose of his stock; an alternative seldom or never attended with difficulty, when the affairs of the institution are in a prosperous train. His money thus deposited or invested, is a fund upon which himself and others can borrow to a much larger amount. It is a well established fact, that banks in good credit can circulate a far greater sum than the actual quantum of their capital in gold and silver. The extent of the possible excess seems indeterminate; though it has been conjecturally stated at the proportions of two and three to one. This faculty is produced in various ways. First—A great proportion of the notes which are issued, and pass current as cash, are indefinitely suspended in circulation, from the confidence which each holder has, that he can at any moment turn them into gold and silver. Secondly—Every loan which a bank makes, is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes, or in gold or silver, at his option. But, in a great number of cases, no actual payment is made in either. The borrower frequently, by a check or order, transfers his credit to some other person, to whom he has a payment to make; who, in his turn, is as often content with a similar credit, because he is satisfied that he can, whenever he pleases, either convert it into cash, or pass it to some other hand, as an equivalent for it. And in this manner the credit keeps circulating, performing, in every stage, the office of money, till it is extinguished by a discount with some person who has a payment to make to the bank, to an equal or greater amount. Thus large sums are lent and paid, frequently through a variety of hands, without the intervention of a single piece of coin. Thirdly—There is always a large quantity of gold and silver in the repositories of the bank, besides its own stock, which is placed there with a view, partly to its safe keeping, and partly to the accommodation of an institution, which is itself a source of general accommodation. These deposits are of immense consequence in the operations of a bank. Though liable to be redrawn at any moment, experience proves, that the money so much oftener changes proprietors than place, and that what is drawn out is generally so speedily replaced, as to authorize the counting upon the sums deposited, as an *effective fund;* which, concurring with the stock of the bank, enables it to extend its loans, and to answer all the demands for coin, whether in consequence of those loans, or arising from the occasional return of its notes.

These different circumstances explain the manner in which the ability of a bank to circulate a greater sum than its actual capital in coin, is acquired. This, however, must be gradual; and must be preceded by a firm establishment of confidence; a confidence which may be bestowed on the most rational grounds; since the excess in question will always be bottomed on good security of one kind or another. This every well conducted bank carefully requires, before it will consent to advance either its money or its credit; and where there is an auxiliary capital, (as will be the case in the plan hereafter submitted,) which, together with the capital in coin, define the boundary that shall not be exceeded by the engagements of the bank, the security may, consistently with all the maxims of a reasonable circumspection, be regarded as complete.

The same circumstances illustrate the truth of the position, that it is one of the properties of banks to increase the active capital of a country. This, in other words, is the sum of them—The money of one individual, while he is waiting for an opportunity to employ it, by being either deposited in the bank for safe keeping, or invested in its stock, is in a condition to administer to the wants of others, without being put out of his own reach, when occasion presents. This yields an extra profit, arising from what is paid for the use of his money by others, when he could not himself make use of it; and keeps the money itself in a state of incessant activity. In the almost infinite vicissitudes and competitions of mercantile enterprise, there never can be danger of an intermission of demand, or that the money will remain for a moment idle in the vaults of the bank. This additional employment given to money, and the faculty of a bank to lend and circulate a greater sum than the amount of its stock in coin, are, to all the purposes of trade and industry, an absolute increase of capital. Purchases and undertakings, in general, can be carried on by any given sum of bank paper or credit, as effectually as by an equal sum of gold and silver. And thus by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth: a consequence, as satisfactorily verified by experience, as it is clearly deducible in theory.

Secondly. Greater facility to the government in obtaining pecuniary aids, especially in sudden emergencies. This is another, and an undisputed advantage of public banks; one which, as already remarked, has been realized in signal instances among ourselves. The reason is obvious: The capitals of a great number of individuals are, by this operation, collected to a point, and placed under one direction. The mass formed by this union is, in a certain sense, magnified by the credit attached to it. And while this mass is always ready, and can at once be put in motion in aid of the government, the interest of the bank to afford that aid, independent of regard to the public safety and welfare, is a sure pledge for its disposition to go as far in its compliances, as can in prudence be desired. There is in the nature of things, as will be more particularly noticed in another place, an intimate connection of interest between the government and the bank of a nation.

Thirdly. The facilitating of the payment of taxes. This advantage is produced in two ways. Those who are in a situation to have access to the bank, can have the assistance of loans to answer with punctuality the public calls upon them. This accommodation has been sensibly felt in the payment of the duties heretofore laid, by those who reside where establishments of this nature exist. This, however, though an extensive, is not a universal benefit. The other way in which the effect here contemplated is produced, and in which the benefit is general, is the increasing of the quantity of circulating medium, and the quickening of circulation. The manner in which the first happens, has already been traced. The last may require some illustration. When

payments are to be made between different places, having an intercourse of business with each other, if there happen to be no private bills at market, and there are no bank notes which have a currency in both, the consequence is, that coin must be remitted. This is attended with trouble, delay, expense, and risk. If, on the contrary, there are bank notes current in both places, the transmission of these by the post, or any other speedy or convenient conveyance, answers the purpose; and these again, in the alternations of demand, are frequently returned very soon after to the place from whence they were first sent; whence the transportation and retransportation of the metals are obviated, and a more convenient, and more expeditious medium of payment is substituted. Nor is this all—the metals, instead of being suspended from their usual functions, during this process of vibration from place to place, continue in activity, and administer still to the ordinary circulation; which of course is prevented from suffering either diminution or stagnation. These circumstances are additional causes of what, in a practical sense, or to the purposes of business, may be called greater plenty of money. And it is evident, that whatever enhances the quantity of circulating money, adds to the ease with which every industrious member of the community may acquire that portion of it of which he stands in need; and enables him the better to pay his taxes, as well as to supply his other wants. Even where the circulation of the bank paper is not general, it must still have the same effect, though in a less degree. For whatever furnishes additional supplies to the channels of circulation, in one quarter, naturally contributes to keep the streams fuller elsewhere. This last view of the subject, serves both to illustrate the position, that banks tend to facilitate the payment of taxes, and to exemplify their utility to business of every kind, in which money is an agent.

It would be to intrude too much on the patience of the house, to prolong the details of the advantages of banks; especially as all those which might still be particularized, are readily to be inferred as consequences from those which have been enumerated. Their disadvantages, real or supposed, are now to be reviewed. The most serious of the charges which have been brought against them, are—

That they serve to increase usury:

That they tend to prevent other kinds of lending:

That they furnish temptations to overtrading:

That they afford aid to ignorant adventurers, who disturb the natural and beneficial course of trade:

That they give to bankrupt and fraudulent traders a fictitious credit, which enables them to maintain false appearances, and to extend their impositions: And lastly,

That they have a tendency to banish gold and silver from the country.

There is great reason to believe, that on a close and candid survey, it will be discovered, that these charges are either without foundation, or that, as far as the evils they suggest have been found to exist, they have proceeded from other, or partial, or temporary causes; are not inherent in the nature, and permanent tendency, of such institutions; or are more than counterbalanced by opposite advantages. This survey shall be had, in the order in which the charges have been stated. The first of them is—

That banks serve to increase usury.

It is a truth, which ought not to be denied, that the method of conducting business, which is essential to bank operations, has among us, in particular instances, given occasion to usurious transactions. The punctuality in payments, which they necessarily exact, has sometimes obliged those who have adventured beyond both their capital and *credit*, to procure money, at any price, and consequently to resort to usurers for aid.

But experience and practice gradually bring a cure to this evil. A general habit of punctuality among traders, is the natural consequence of the necessity of observing it with the bank; a circumstance which itself more than compensates

for any occasional ill which may have sprung from that necessity, in the particular under consideration. As far, therefore, as traders depend on each other for pecuniary supplies, they can calculate their expectations with greater certainty; and are in proportionably less danger of disappointments, which might compel them to have recourse to so pernicious an expedient as that of borrowing at usury; the mischiefs of which, after a few examples, naturally inspire great care in all but men of desperate circumstances, to avoid the possibility of being subjected to them. One, and not the least of the evils incident to the use of that expedient, if the fact be known, or even strongly suspected, is loss of credit with the bank itself.

The directors of a bank too, though in order to extend its business and its popularity, in the infancy of an institution, they may be tempted to go further in accommodation than the strict rules of prudence will warrant, grow more circumspect of course, as its affairs become better established, and as the evils of too great facility are experimentally demonstrated. They become more attentive to the situation and conduct of those with whom they deal; they observe more narrowly their operations and pursuits; they economize the credit they give to those of suspicious solidity; they refuse it to those whose career is more manifestly hazardous: in a word, in the course of practice, from the very nature of things, the *interest* will make it the *policy* of a bank, to succor the wary and industrious; to discredit the rash and unthrifty; to discountenance both usurious lenders and usurious borrowers.

There is a leading view, in which the tendency of banks will be seen to be, to abridge, rather than to promote, usury. This relates to their property of increasing the quantity, and quickening the circulation, of money. If it be evident, that usury will prevail or diminish, according to the proportion which the demand for borrowing bears to the quantity of money at market to be lent; whatever has the property just mentioned, whether it be in the shape of paper or coin, by contributing to render the supply more equal to the demand, must tend to counteract the progress of usury.

But bank lending, it is pretended, is an impediment to other kinds of lending; which, by confining the resource of borrowing to a particular class, leaves the rest of the community more destitute, and therefore more exposed to the extortions of usurers. As the profits of bank stock exceed the legal rate of interest, the possessors of money, it is argued, prefer investing it in that article, to lending it at this rate; to which there are the additional motives of a more prompt command of the capital, and of more frequent and exact returns, without trouble or perplexity in the collection. This constitutes the second charge which has been enumerated.

The fact on which this charge rests, is not to to be admitted without several qualifications; particularly in reference to the state of things in this country. *First*—The great bulk of the stock of a bank, will consist of the funds of men in trade, among ourselves, and moneyed foreigners; the former of whom could not spare their capitals out of their reach, to be invested in loans for long periods, on mortgages or personal security; and the latter of whom would not be willing to be subjected to the casualties, delays, and embarrassments, of such a disposition of their money in a distant country. *Secondly*, There will always be a considerable proportion of those who are properly the money lenders of a country, who, from that spirit of caution which usually characterizes this description of men, will incline rather to vest their funds in mortgages on real estate, than in the stock of a bank, which they are apt to consider as a more precarious security.

These considerations serve in a material degree to narrow the foundation of the objection, as to the point of fact. But there is a more satisfactory answer to it. The effect supposed, as far as it has existence, is temporary. The reverse of it takes place in the general and permanent operation of the thing.

The capital of every public bank will of course be restricted within a certain defined limit. It is the province of legislative prudence so to adjust this limit, that while it will not be too contracted for the demand, which the course of business may create, and for the security which the public ought to have for the solidity of the paper which may be issued by the bank, it will still be within the compass of the pecuniary resources of the community; so that there may be an easy practicability of completing the subscriptions to it. When this is once done, the supposed effect of necessity ceases. There is then no longer room for the investment of any additional capital. Stock may indeed change hands by one person selling and another buying; but the money which the buyer takes out of the common mass to purchase the stock, the seller receives and restores to it. Hence the future surpluses which may accumulate must take their natural course, and lending at interest must go on as if there were no such institution.

It must indeed flow in a more copious stream. The bank furnishes an extraordinary supply for borrowers, within its immediate sphere. A larger supply consequently remains for borrowers elsewhere. In proportion as the circulation of the bank is extended, there is an augmentation of the aggregate mass of money for answering the aggregate mass of demand. Hence greater facility in obtaining it for every purpose.

It ought not to escape without a remark, that as far as the citizens of other countries become adventurers in the bank, there is a positive increase of the gold and silver of the country. It is true, that from this a half-yearly rent is drawn back, accruing from the dividends upon the stock: but as this rent arises from the employment of the capital, by our own citizens, it is probable, that it is more than replaced by the profits of that employment. It is also likely, that a part of it is, in the course of trade, converted into the products of our country: and it may even prove an incentive, in some cases, to emigration to a country in which the character of citizen is as easy to be acquired, as it is estimable and important. This view of the subject furnishes an answer to an objection which has been deduced from the circumstance here taken notice of; namely, the income resulting to foreigners from the part of the stock owned by them, which has been represented as tending to drain the country of its specie. In this objection, the original investment of the capital, and the constant use of it afterwards, seem both to have been overlooked.

That banks furnish temptations to overtrading, is the third of the enumerated objections. This must mean, that by affording additional aid to mercantile enterprise, they induce the merchant sometimes to adventure beyond the prudent or salutary point. But the very statement of the thing shows, that the subject of the charge is an occasional ill, incident to a general good. Credit of every kind, (as a species of which only can bank-lending have the effect supposed,) must be, in different degrees, chargeable with the same inconvenience. It is even applicable to gold and silver, when they abound in circulation. But would it be wise on this account to decry the precious metals; to root out credit; or to prescribe the means of that enterprise, which is the main spring of trade, and a principal source of national wealth, because it now and then runs into excesses, of which overtrading is one?

If the abuses of a beneficial thing, are to determine its condemnation, there is scarcely a source of public prosperity which will not speedily be closed. In every case, the evil is to be compared with the good; and in the present case, such a comparison will issue in this, that the new and increased energies derived to commercial enterprise, from the aid of banks, are a source of general profit and advantage; which greatly outweigh the partial ills of the overtrading of a few individuals, at particular times, or of numbers in particular conjunctures.

The fourth and fifth charges may be considered together: These relate to the aid which is sometimes afforded by banks to unskillful adventurers and fraudulent traders. These charges also have some degree of foundation, though far less than has been pretended; and they add to the instances of partial ills, connected with more extensive and overbalancing benefits.

The practice of giving fictitious credit to improper persons, is one of those evils which experience, guided by interest, speedily corrects. The bank itself is in so much jeopardy of being a sufferer by it, that it has the strongest of all inducements to be on its guard. It may not only be injured immediately by the delinquencies of the persons to whom such credit is given; but eventually, by the incapacities of others, whom their impositions or failures may have ruined.

Nor is there much danger of a bank's being betrayed into this error from want of information: The directors themselves being for the most part selected from the class of traders, are to be expected to possess individually, an accurate knowledge of the characters and situations of those who come within that description. And they have, in addition to this, the course of dealing of the persons themselves with the bank, to assist their judgment, which is in most cases a good index of the state in which those persons are. The artifices and shifts, which those in desperate or declining circumstances, are obliged to employ to keep up the countenance which the rules of the bank require, and the train of their connections, are so many prognostics, not difficult to be interpreted, of the fate which awaits them. Hence it not unfrequently happens, that banks are the first to discover the unsoundness of such characters, and by withholding credit, to announce to the public they are not entitled to it.

If banks, in spite of every precaution, are sometimes betrayed into giving a false credit to the persons described, they more frequently enable honest and industrious men, of small, or perhaps of no capital, to undertake and prosecute business, with advantage to themselves and to the community; and assist merchants of both capital and credit, who meet with fortuitous and unforeseen shocks, which might, without such helps, prove fatal to them and to others, to make head against their misfortunes, and finally to retrieve their affairs; circumstances which form no inconsiderable encomium on the utility of banks.

But the last, and heaviest charge, is still to be examined: this is, that banks tend to banish the gold and silver out of the country.

The force of this objection rests upon their being an engine of paper credit, which by furnishing a substitute for the metals, is supposed to promote their exportation. It is an objection which, if it has any foundation, lies not against banks peculiarly, but against every species of paper credit.

The most common answer given to it is, that the thing supposed is of little or no consequence; that it is immaterial what serves the purpose of money; whether paper, or gold and silver; that the effect of both upon industry is the same; and that the intrinsic wealth of a nation is to be measured, not by the abundance of the precious metals contained in it, but by the quantity of the productions of its labor and industry.

This answer is not destitute of solidity, though not entirely satisfactory. It is certain, that the vivification of industry, by a full circulation, with the aid of a proper and well regulated paper credit, may more than compensate for the loss of a part of the gold and silver of a nation, if the consequence of avoiding that loss should be a scanty or defective circulation.

But the positive, and permanent increase or decrease of the precious metals in a country, can hardly ever be a matter of indifference. As the commodity taken in lieu of every other, it is a species of the most effective wealth; and as the money of the world, it is of great concern to the state that it possesses a sufficiency of it to face any demands which the protection of its external interests may create.

The objection seems to admit of another and a more conclusive answer, which controverts the fact itself. A nation that has no mines of its own, must derive the precious metals from others; generally speaking, in exchange for the products of its labor and industry. The quantity it will possess will, therefore, in the ordinary course of things, be regulated by the favorable or unfavorable balance of its trade; that is, by the proportion between its abilities to supply foreigners, and its wants of them; between the amount of its exportations, and that of its importations. Hence the state of its agriculture and manufactures; the quantity and quality of its labor and industry; must, in the main, influence and determine the increase or decrease of its gold and silver.

If this be true, the inference seems to be, that well constituted banks favor the increase of the precious metals. It has been shown, that they augment, in different ways, the active capital of a country. This it is which generates employment; which animates and expands labor and industry. Every addition which is made to it, by contributing to put in motion a greater quantity of both, tends to create a greater quantity of the products of both. And by furnishing more materials for exportation, conduces to a favorable balance of trade, and consequently to the introduction and increase of gold and silver.

This conclusion appears to be drawn from solid premises. There are, however, objections to be made to it.

It may be said, that as bank paper affords a substitute for specie, it serves to counteract that rigorous necessity for the metals as a medium of circulation, which, in the case of a wrong balance, might restrain, in some degree, their exportation; and it may be added, that from the same cause, in the same case, it would retard those economical and parsimonious reforms in the manner of living, which the scarcity of money is calculated to produce, and which might be necessary to rectify such wrong balance.

There is, perhaps, some truth in both these observations: but they appear to be of a nature rather to form exceptions to the generality of the conclusion, than to overthrow it. The state of things in which the *absolute exigencies* of circulation can be supposed to resist with any effect the urgent demands for specie which a wrong balance of trade may occasion, presents an *extreme case*. And a situation in which a too expensive manner of living of a community, compared with its means, can stand in need of a corrective, from distress or necessity, is one which perhaps rarely results but from extraordinary and adventitious causes; such, for example, as a national revolution, which unsettles all the established habits of a people, and inflames the appetite for extravagance, by the illusions of an ideal wealth, engendered by the continual multiplication of a depreciating currency, or some similar cause. There is good reason to believe, that where the laws are wise and well executed, and the inviolability of property and contracts maintained, the economy of a people will, in the general course of things, correspond with its means.

The support of industry, is probably in every case of more consequence towards correcting a wrong balance of trade, than any practicable retrenchments in the expenses of families or individuals; and the stagnation of it would be likely to have more effect in prolonging, than any such savings in shortening, its continuance. That stagnation is a natural consequence of an inadequate medium, which, without the aid of bank circulation, would, in the cases supposed, be severely felt.

It also deserves notice, that as the circulation of a bank is always in a compound ratio to the fund upon which it depends, and to the demand for it; and as that fund is itself affected by the exportation of the metals, there is no danger of its being overstocked, as in the case of paper issued at the pleasure of the government, or of its preventing the consequences of any unfavorable balance from being sufficiently

felt to produce the reforms alluded to, as far as circumstances may require and admit.

Nothing can be more fallible than the comparisons which have been made between different countries, to illustrate the truth of the position under consideration. The comparative quantity of gold and silver in different countries, depends upon an infinite variety of facts and combinations, all of which ought to be known, in order to judge whether the existence or non-existence of paper currencies, has any share in the relative proportions they contain. The *mass* and *value* of the productions of the labor and industry of each, compared with its wants; the nature of its establishments abroad; the kind of wars in which it is usually engaged; the relations it bears to the countries which are the original possessors of those metals; the privileges it enjoys in their trade; these, and a number of other circumstances, are all to be taken into the account, and render the investigation too complex to justify any reliance on the vague and general surmises which have been hitherto hazarded on the point.

In the foregoing discussion, the objection has been considered as applying to the permanent expulsion and diminution of the metals. Their temporary exportation, for particular purposes, has not been contemplated. This, it must be confessed, is facilitated by banks, from the faculty banks possess of supplying their place. But their utility is in nothing more conspicuous than in these very cases. They enable the government to pay its foreign debts, and to answer any exigencies which the external concerns of the community may have produced. They enable the merchant to support his credit, (on which the prosperity of trade depends,) when special circumstances prevent remittances in other modes. They enable him also to prosecute enterprises, which ultimately tend to an augmentation of the species of wealth in question. It is evident, that gold and silver may often be employed in procuring commodities abroad; which, in a circuitous commerce, replace the original fund with considerable addition. But it is not to be inferred from this facility given to temporary exportation, that banks, which are so friendly to trade and industry, are in their general tendency inimical to the increase of the precious metals.

These several views of the subject, appear sufficient to impress a full conviction of the utility of banks, and to demonstrate that they are of great importance, not only in relation to the administration of the finances, but in the general system of the political economy.

The judgment of many concerning them, has, no doubt, been perplexed by the misinterpretation of appearances, which were to be ascribed to other causes. The general devastation of personal property, occasioned by the late war, naturally produced on the one hand, a great demand for money; and on the other, a great deficiency of it to answer the demand. Some injudicious laws, which grew out of the public distresses, by impairing confidence, and causing a part of the inadequate sum in the country to be locked up, aggravated the evil; the dissipated habits contracted by many individuals during the war, which after the peace plunged them into expenses beyond their incomes; the number of adventurers without capital, and in many instances without information, who at that epoch rushed into trade, and were obliged to make any sacrifices to support a transient credit; the employment of considerable sums in speculations upon the public debt, which from its unsettled state was incapable of becoming itself a substitute: all these circumstances concurring, necessarily led to usurious borrowing; produced most of the inconveniences, and were the true cause of most of the appearances which, where banks were established, have been by some erroneously placed to their account: a mistake which they might easily have avoided, by turning their eyes towards places where there were none; and where, nevertheless, the same evils would have been perceived to exist, even in a greater degree than where those institutions had obtained.

These evils have either ceased, or been greatly mitigated. Their more complete extinction may be looked for from that additional security to property which the constitution of the United States happily gives; (a circumstance of prodigious moment in the scale, both of public and private prosperity,) from the attraction of foreign capital, under the auspices of that security, to be employed upon objects, and in enterprises, for which the state of this country opens a wide and inviting field; from the consistency and stability which the public debt is fast acquiring, as well in the public opinion at home and abroad, as in fact; from the augmentation of capital which that circumstance and the quarter yearly payment of interest will afford; and from the more copious circulation which will be likely to be created by a well constitutioned national bank.

The establishment of banks in this country, seems to be recommended by reasons of a peculiar nature. Previously to the revolution, circulation was in a great measure carried on by paper emitted by the several local governments. In Pennsylvania alone, the quantity of it was near a million and a half of dollars. This auxiliary may be said to be now at an end. And it is generally supposed, that there has been for some time past a deficiency of circulating medium. How far that deficiency is to be considered as real or imaginary, is not susceptible of demonstration; but there are circumstances and appearances which, in relation to the country at large, countenance the supposition of its reality.

The circumstances are, besides the fact just mentioned respecting paper emissions, the vast tracts of waste land, and the little advanced state of manufactures. The progressive settlement of the former, while it promises ample retribution, in the generation of future resources, diminishes or obstructs, in the mean time, the *active* wealth of the country. It not only draws off a part of the circulating money, and places it in a more passive state, but it diverts into its own channels a portion of that species of labor and industry which would otherwise be employed in furnishing materials for foreign trade; and which, by contributing to a favorable balance, would assist the introduction of specie. In the early periods of new settlements, the settlers not only furnish no surplus for exportation, but they consume a part of that which is produced by the labor of others. The same thing is a cause that manufactures do not advance, or advance slowly. And notwithstanding some hypotheses to the contrary, there are many things to induce a suspicion, that the precious metals will not abound in any country which has not mines or variety of manufactures. They have been sometimes acquired by the sword; but the modern system of war has expelled this resource; and it is one upon which it is to be hoped the United States will never be inclined to rely.

The appearances alluded to are, greater prevalency of direct barter, in the more interior districts of the country, which, however, has been for some time past gradually lessening; and greater difficulty generally in the advantageous alienation of improved real estate; which also has of late diminished, but is still seriously felt in different parts of the Union. The difficulty of getting money, which has been a general complaint, is not added to the number; because it is the complaint of all times, and one in which imagination must ever have too great scope to permit an appeal to it.

If the supposition of such a deficiency be in any degree founded, and some aid to circulation be desirable, it remains to inquire what ought to be the nature of that aid?

The emitting of paper money by the authority of government, is wisely prohibited to the individual states, by the national constitution; and the spirit of that prohibition ought not to be disregarded by the government of the United States. Though paper emissions, under a general authority, might have some advantages not applicable, and be free from some disadvantages which are applicable, to the like emissions by the states separately; yet they are of a nature so liable to abuse, and it may even be affirmed, so certain of being abused; that the wisdom of the government will be shown in never trusting itself with the use of so seducing and dangerous an expedient. In times of tranquillity, it might have no ill consequence; it might even perhaps be managed in a way to be productive of good; but in great and trying emergencies, there is almost a moral certainty of its becoming mischievous. The stamping of paper is an operation so much easier than the laying of taxes, that a government, in the practice of paper emissions, would rarely fail in any such emergency, to indulge itself too far in the employment of that resource, to avoid, as much as possible, one less auspicious to present popularity. If it should not even be carried so far as to be rendered an absolute bubble, it would at least be likely to be extended to a degree, which would occasion an inflated and artificial state of things, incompatible with the regular and prosperous course of the political economy.

Among other material differences between a paper currency, issued by the mere authority of government, and one issued by a bank, payable in coin, is this: that in the first case, there is no standard to which an appeal can be made, as to the quantity which will only satisfy, or which will surcharge the circulation; in the last, that standard results from the demand. If more should be issued than is necessary, it will return upon the bank. Its emissions, as elsewhere intimated, must always be in a compound ratio to the fund and the demand:—Whence it is evident, that there is a limitation in the nature of the thing; while the discretion of the government is the only measure of the extent of emissions by its own authority.

This consideration further illustrates the danger of emissions of that sort, and the preference which is due to bank paper.

The payment of the interest of the public debt, at thirteen different places, is a weighty reason, peculiar to our immediate situation, for desiring a bank circulation. Without a paper, in general currency, equivalent to gold and silver, a considerable proportion of the specie of the country must always be suspended from circulation, and left to accumulate, preparatorily, to each day of payment; and as often as one approaches, there must, in several cases, be an actual transportation of the metals at both expense and risk, from their natural and proper reservoirs, to distant places. This necessity will be felt very injuriously to the trade of some of the states, and will embarrass not a little, the operations of the treasury in those states. It will also obstruct those negotiations, between different parts of the Union, by the instrumentality of treasury bills, which have already afforded valuable accommodations to trade in general.

Assuming it then as a consequence, from what has been said, that a national bank is a desirable institution, two inquiries emerge—Is there no such institution, already in being, which has a claim to that character, and which supersedes the propriety or necessity of another? If there be none, what are the principles upon which one ought to be established?

There are at present three banks in the United States: that of North America, established in the city of Philadelphia; that of New York, established in the city of New York; that of Massachusetts, established in the town of Boston. Of these three, the first is the only one which has at any time had a direct relation to the government of the United States.

The bank of North America originated in a resolution of congress of the 26th of May, 1781, founded upon a proposition of the superintendant of finance, which was afterwards carried into execution by an ordinance of the 31st of December following, entitled "An ordinance to incorporate the subscribers to the Bank of North America."

The aid afforded to the United States by this institution, during the remaining period of the war, was of essential consequence; and its conduct towards them since the peace,

has not weakened its title to their patronage and favor. So far its pretensions to the character in question are respectable; but there are circumstances which militate against them; and considerations which indicate the propriety of an establishment on different principles.

The directors of this bank, on behalf of their constituents, have since *accepted* and *acted* under a new charter from the state of Pennsylvania, materially variant from their original one; and which so narrows the foundation of the institution, as to render it an incompetent basis for the extensive purposes of a national bank.

The limit assigned by the ordinance of congress to the stock of the bank, is ten millions of dollars. The last charter of Pennsylvania confines it to two millions. Questions naturally arise, whether there be not a direct repugnancy between two charters so differently circumstanced; and whether the acceptance of the one, is not to be deemed a virtual surrender of the other? But perhaps it is neither advisable nor necessary, to attempt a solution of them.

There is nothing in the acts of congress, which imply an exclusive right in the institution to which they relate, except during the term of the war. There is therefore nothing, if the public good require it, which prevents the establishment of another. It may, however, be incidentally remarked, that in the general opinion of the citizens of the United States, the bank of North America has taken the station of a bank of Pennsylvania only. This is a strong argument for a new institution, or for a renovation of the old, to restore it to the situation in which it originally stood, in the view of the United States.

But though the ordinance of congress contains no grant of exclusive privileges, there may be room to alledge, that the government of the United States ought not, in point of candor and equity, to establish any rival or interfering institution, in prejudice of the one already established; especially as this has, from services rendered, well founded claims to protection and regard.

The justice of such an observation ought, within proper bounds, to be admitted. A new establishment of the sort ought not to be made without cogent and sincere reasons of public good. And in the manner of doing it, every facility should be given to a consolidation of the old with the new, upon terms not injurious to the parties concerned. But there is no ground to maintain, that in a case in which the government has made no condition restricting its authority, it ought voluntarily to restrict it, through regard to the interests of a particular institution, when those of the state dictate a different course; especially too, after such circumstances have intervened, as characterize the actual situation of the bank of North America.

The inducements to a new disposition of the thing are now to be considered. The first of them which occurs is, the at least ambiguous situation in which the bank of North America has placed itself, by the acceptance of its last charter: If this has rendered it the mere bank of a particular state, liable to dissolution at the expiration of fourteen years, to which term the act of that state has restricted its duration; it would be neither fit nor expedient, to accept it as an equivalent for a bank of the United States.

The restriction of its capital also, which, according to the same supposition, cannot be extended beyond two millions of dollars, is a conclusive reason for a different establishment. So small a capital promises neither the requisite aid to government, nor the requisite security to the community. It may answer very well the purposes of local accommodation, but is an inadequate foundation for a circulation coextensive with the United States; embracing the whole of their revenues, and affecting every individual into whose hands the paper may come.

And inadequate as such a capital would be to the essential ends of a national bank, it is liable to be rendered still more

so, by that principle of the constitution of the bank of North America, contained equally in its old, and in its new charter, which leaves the increase of the *actual* capital at any time, (now far short of the allowed extent,) to the discretion of the directors or stockholders. It is naturally to be expected, that the allurements of an advanced price of stock, and of large dividends, may disincline those who are interested, to an extension of capital; from which they will be apt to fear a diminution of profits. And from this circumstance, the interest and accommodation of the public, (as well indvidually as collectively,) are made more subordinate to the interest, real or imagined, of the stockholders, than they ought to be. It is true, that unless the latter be consulted, there can be no bank (in the sense at least in which institutions of this kind, worthy of confidence, can be established in this country). But it does not follow, that this is alone to be consulted, or that it even ought to be paramount. Public utility is more truly the object of public banks, than private profit. And it is the business of government, to constitute them on such principles, that while the latter will result, in a sufficient degree, to afford competent motives to engage in them, the former be not made subservient to it. To effect this, a principal object of attention ought to be to give free scope to the creation of an ample capital; and with this view, fixing the bounds which are deemed safe and convenient, to leave no discretion either to stop short of them, or to overpass them. The want of this precaution, in the establishment of the bank of North America, is a further, and an important reason, for desiring one differently constituted.

There may be room at first sight, for a supposition, that as the profits of the bank will bear a proportion to the extent of its operations; and as, for this reason, the interest of the stockholders will not be disadvantageously affected by any necessary augmentations of capital; there is no cause to apprehend that they will be indisposed to such augmentations. But most men, in matters of this nature, prefer the certainties they enjoy, to probabilities depending on untried experiments; especially when these promise rather that they will not be injured, than that they will be benefited.

From the influence of this principle, and a desire of enhancing its profits, the directors of a bank will be more apt to overstrain its faculties, in an attempt to face the additional demands which the course of business may create, than to set on foot new subscriptions, which may hazard a diminution of the profits, and even a temporary reduction of the price of stock.

Banks are among the best expedients for lowering the rate of interest in a country; but to have this effect, their capitals must be completely equal to all the demands of business, and such as will tend to remove the idea, that the accommodations they afford are in any degree favors; an idea very apt to accompany the parsimonious dispensation of contracted funds. In this, as in every other case, the plenty of the commodity ought to beget a moderation of the price.

The want of a principle of rotation, in the constitution of the bank of North America, is another argument for a variation of the establishment. Scarcely one of the reasons which militate against this principle in the constitution of a country, is applicable to that of a bank; while there are strong reasons in favor of it, in relation to the one, which do not apply to the other. The knowledge to be derived from experience, is the only circumstance common to both, which pleads against rotation in the directing officers of a bank.

But the objects of the government of a nation, and those of the government of a bank, are so widely different, as greatly to weaken the force of that consideration, in reference to the latter. Almost every important case of legislation requires, towards a right decision, a general and accurate acquaintance with the affairs of the state; and habits of thinking, seldom acquired but from a familiarity with public concerns. The administration of a bank, on the contrary, is regulated by a few simple fixed maxims, the application of which is not difficult to any man of judgment, especially if instructed in the principles of trade. It is, in general, a constant succession of the same details.

But though this be the case, the idea of the advantages of experience is not to be slighted: room ought to be left for the regular transmission of official information; and for this purpose, the head of the direction ought to be excepted from the principle of rotation. With this exception, and with the aid of the information of the subordinate officers, there can be no danger of any ill effects from want of experience, or knowledge; especially as the periodical exclusion ought not to reach the whole of the directors at one time.

The argument in favor of the principle of rotation is this; that by lessening the danger of combinations among the directors, to make the institution subservient to party views, or to the accommodation, preferably, of any particular set of men, it will render the public confidence more firm, stable, and unqualified.

When it is considered, that the directors of a bank are not elected by the great body of the community, in which a diversity of views will naturally prevail, at different conjunctures; but by a small and select class of men, among whom it is far more easy to cultivate a steady adherence to the same persons and objects; and that those directors have it in their power so immediately to conciliate, by obliging the most influential of this class, it is easy to perceive, that without the principle of rotation, changes in that body can rarely happen, but as a concession which they may themselves think it expedient to make to public opinion.

The continual administration of an institution of this kind, by the same persons, will never fail, with or without cause, from their conduct, to excite distrust and discontent. The necessary secrecy of their transactions, gives unlimited scope to imagination to infer that something is, or may be, wrong. And this *inevitable* mystery is a solid reason for inserting in the constitution of a bank the necessity of a change of men. As neither the mass of the parties interested, nor the public in general, can be permitted to be witnesses of the interior management of the directors, it is reasonable that both should have that check upon their conduct, and that security against the prevalency of a partial or pernicious system, which will be produced by the certainty of periodical changes. Such too is the delicacy of the credit of a bank, that every thing which can fortify confidence and repel suspicion, without injuring its operations, ought carefully to be sought after in its formation.

A further consideration in favor of a change, is the improper rule, by which the right of voting for directors is regulated in the plan upon which the bank of North America was originally constituted; namely, a vote for each share, and the want of a rule in the last charter; unless the silence of it on that point may signify that every stockholder is to have an equal and a single vote, which would be a rule in a different extreme, not less erroneous. It is of importance that a rule should be established on this head, as it is one of those things which ought not to be left to discretion; and it is consequently of equal importance, that the rule should be a proper one.

A vote for each share, renders a combination between a few principal stockholders, to monopolize the power and benefits of the bank, too easy. An equal vote to each stockholder, however great or small his interest in the institution, allows not that degree of weight to large stockholders, which it is reasonable they should have, and which perhaps their security, and that of the bank, require. A prudent mean is to be preferred. A conviction of this, has produced a by-law of the corporation of the bank of North America, which evidently aims at such a mean. But a reflection arises here, that a like majority with that which enacted this law, may at any moment repeal it.

The last inducement which shall be mentioned, is the want of precautions to guard against a foreign influence insinuating itself into the direction of the bank. It seems

scarcely reconcileable with a due caution, to permit, that any but citizens should be eligible, as directors of a national bank, or that non-resident foreigners should be able to influence the appointment of directors, by the votes of their proxies. In the event, however, of an incorporation of the bank of North America, in the plan, it may be necessary to qualify this principle, so as to leave the right of foreigners, who now hold shares of its stock, unimpaired, but without the power of transmitting the privileges in question to foreign aliences.

It is to be considered that such a bank is not a mere matter of private property, but a political machine of the greatest importance to the state.

There are other variations from the constitution of the bank of North America, not of inconsiderable moment, which appear desirable, but which are not of magnitude enough to claim a preliminary discussion: These will be seen in the plan which will be submitted in the sequel.

If the objections which have been stated to the constitution of the bank of North America, are admitted to be well founded, they will nevertheless not derogate from the merit of the main design, or of the services which that bank has rendered, or of the benefits which it has produced. The creation of such an institution, at the time it took place, was a measure dictated by wisdom. Its utility has been amply evinced by its fruits—American independence owes much to it.—And it is very conceivable, that reasons of the moment, may have rendered those features in it inexpedient, which a revision with a permanent view, suggests as desirable.

The order of the subject, leads next to an inquiry into the principles upon which a national bank ought to be organized.

The situation of the United States naturally inspires a wish that the form of the institution could admit of a plurality of branches. But various considerations discourage from pursuing this idea. The complexity of such a plan would be apt to inspire doubts, which might deter from adventuring in it: And the practicability of a safe and orderly administration, though not to be abandoned as desperate, cannot be so manifest in perspective, as to promise the removal of those doubts, or to justify the government in adopting the idea as an original experiment. The most that would seem advisable, on this point, is to insert a provision, which may lead to it hereafter, if experience shall more clearly demonstrate its utility, and satisfy those who may have the direction, that it may be adopted with safety. It is certain, that it would have some advantages, both peculiar and important. Besides more general accommodation, it would lessen the danger of a run upon the bank.

The argument against it is, that each branch must be under a distinct, though subordinate direction, to which a considerable latitude of discretion must of necessity be intrusted. And as the property of the whole institution would be liable for the engagements of each part; that, and its credit, would be at stake upon the prudence of the directors of every part. The mismanagement of either branch might hazard serious disorder in the whole.

Another wish, dictated by the particular situation of the country, is, that the bank could be so constituted as to be made an immediate instrument of loans to the proprietors of land; but this wish also yields to the difficulty of accomplishing it. Land is alone an unfit fund for a bank circulation: If the notes issued upon it were not to be payable in coin, on demand, or at a short date, this would amount to nothing more than a repetition of the paper emissions, which are now exploded by the general voice. If the notes are to be payable in coin, the land must first be converted into it, by sale or mortgage. The difficulty of effecting the latter, is the very thing which begets the desire of finding another resource; and the former would not be practicable on a sudden emergency, but with sacrifices which would make the cure worse than the disease. Neither is the idea of constituting the fund partly of coin and partly of land, free from

impediments: these two species of property do not, for the most part, unite in the same hands. Will the moneyed man consent to enter into a partnership with the landholder, by which *the latter* will share in the profits *which will be made by the money of the former?* The money, it is evident, will be the agent or efficient cause of the profits—the land can only be regarded as a additional security. It is not difficult to foresee, that a union on such terms, will not readily be formed. If the landholders are to procure the money by sale or mortgage of a part of their lands, this they can as well do, when the stock consists wholly of money, as if it were to be compounded of money and land.

To procure for the landholders the assistance of loans is the great desideratum. Supposing other difficulties surmounted, and a fund created, composed partly of coin and partly of land, yet the benefit contemplated could only then be obtained, by the bank's advancing them its notes for the whole, or part of the value of the lands they had subscribed to the stock. If this advance was small, the relief aimed at would not be given; if it was large, the quantity of notes issued would be a cause of *distrust*, and, if received at all, they would be likely to return speedily upon the bank for payment; which, after exhausting its coin, might be under the necessity of turning its lands into money, at any price that could be obtained for them, to the irreparable prejudice of the proprietors.

Considerations of public advantage suggest a further wish, which is, that the bank could be established upon principles that would cause the profits of it to redound to the immediate benefit of the state. This is contemplated by many who speak of a national bank, but the idea seems liable to insuperable objections. To attach full confidence to an institution of this nature, it appears to be an essential ingredient in its structure, that it shall be under a *private*, not a *public* direction, under the guidance of *individual interest*, not of *public policy;* which would be supposed to be, and in certain emergencies, under a feeble or too sanguine administration, would really be, liable to being too much influenced by *public necessity*. The suspicion of this, would most probably be a canker that would continually corrode the vitals of the credit of the bank, and would be most likely to prove fatal in those situations in which the public good would require that they should be most sound and vigorous. It would, indeed, be little less than a miracle, should the credit of the bank be at the disposal of the government, if, in a long series of time, there was not experienced a calamitous abuse of it. It is true, that it would be the real interest of the government not to abuse it; its genuine policy to husband and cherish it with the most guarded circumspection, as an inestimable treasure. But what government ever uniformly consulted its true interests, in opposition to the temptations of momentary exigencies? What nation was ever blessed with a constant succession of upright and wise administrators?

The keen, steady, and as it were magnetic sense of their own interest as proprietors, in the directors of a bank, pointing invariable to its true pole, the prosperity of the institution, is the only security that can always be relied upon for a careful and prudent administration. It is, therefore, the only basis on which an enlightened, unqualified, and permanent confidence, can be expected to be erected and maintained.

The precedents of the banks established in several cities of Europe; Amsterdam, Hamburg, and others; may seem to militate against this position. Without a precise knowledge of all the peculiarities of their respective constitutions, it is difficult to pronounce how far this may be the case. That of Amsterdam, however, which we best know, is rather under a municipal than a governmental direction. Particular magistrates of the city, not officers of the republic, have the management of it. It is also a bank of deposit, not of loan, or circulation; consequently, less liable to abuse, as well as less useful. Its general business consists in receiving

money for safe keeping, which if not called for within a certain time, becomes a part of its stock, and irreclaimable: But a credit is given for it on the books of the bank, which, being transferable, answers all the purposes of money.

The directors being magistrates of the city, and the stockholders, in general, its most influential citizens; it is evident, that the principle of private interest must be prevalent in the management of the bank. And it is equally evident, that from the nature of its operations, that principle is less essential to it, than to an institution constituted with a view to the accommodation of the public and individuals, by direct loans and a paper circulation.

As far as may concern the aid of the bank, within the proper limits, a good government has nothing more to wish for, than it will always possess; though the management be in the hands of private individuals. As the institution, if rightly constituted, must depend for its renovation from time to time on the pleasure of the government, it will not be likely to feel a disposition to render itself by its conduct, unworthy of public patronage. The government too, in the administration of its finances, has it in its power to reciprocate benefits to the bank, of not less importance than those which the bank affords to the government, and which, besides, are never unattended with an immediate and adequate compensation. Independent of these more particular considerations, the natural weight and influence of a good government will always go far towards procuring a compliance with its desires; and as the directors will usually be composed of some of the most discreet, respectable, and well-informed citizens, it can hardly ever be difficult to make them sensible of the force of the inducements which ought to stimulate their exertions.

It will not follow, from what has been said, that the state may not be the holder of a part of the stock of a bank, and consequently a sharer in the profits of it. It will only follow, that it ought not to desire any participation in the direction of it, and therefore ought not to own the whole or a principal part of the stock; for if the mass of the property should belong to the public, and if the direction of it should be in private hands, this would be to commit the interests of the state to persons not interested, or not enough interested in their proper management.

There is one thing, however, which the government owes to itself and the community; at least to all that part of it who are not stockholders; which is to reserve to itself a right of ascertaining, as often as may be necessary, the state of the bank, excluding, however, all pretension to control. This right forms an article in the primitive constitution of the bank of North America, and its propriety stands upon the clearest reasons. If the paper of a bank is to be permitted to insinuate itself into all the revenues and receipts of a country; if it is even to be tolerated as the substitute for gold and silver, in all the transactions of business; it becomes, in either view, a national concern of the first magnitude. As such, the ordinary rules of prudence require that the government should possess the means of ascertaining, whenever it thinks fit, that so delicate a trust is executed with fidelity and care. A right of this nature is not only desirable as it respects the government, but it ought to be equally so to all those concerned in the institution, as an additional title to public and private confidence, and as a thing which can only be formidable to practices that imply mismanagement. The presumption must always be, that the characters who would be intrusted with the exercise of this right on behalf of the government, will not be deficient in the discretion which it may require; at least the admitting of this presumption cannot be deemed too great a return of confidence for that very large portion of it which the government is required to place in the bank.

Abandoning, therefore, ideas which however agreeable or desirable, are neither practicable nor safe, the following plan for the constitution of a national bank, is respectfully submitted to the consideration of the house.

I. The capital stock of the bank shall not exceed ten millions of dollars, divided into twenty-five thousand shares, each share being four hundred dollars; to raise which sum, subscriptions shall be opened on the first Monday of April next, and shall continue open until the whole shall be subscribed. Bodies politic, as well as individuals, may subscribe.

II. The amount of each share shall be payable, one fourth in gold and silver coin, and three fourths in that part of the public debt, which, according to the loan proposed by the act making provision for the debt of the United States, shall bear an accruing interest at the time of payment of six per centum per annum.

III. The respective sums subscribed, shall be payable in four equal parts, as well specie as debt, in succession, and at the distance of six calendar months from each other; the first payment to be made at the time of subscription. If there shall be a failure in any subsequent payment, the party failing shall lose the benefit of any dividend which may have accrued prior to the time for making such payment, and during the delay of the same.

IV. The subscribers to the bank, and their successors, shall be incorporated, and shall so continue, until the final redemption of that part of its stock which shall consist of the public debt.

V. The capacity of the corporation to hold real and personal estate, shall be limited to fifteen millions of dollars, including the amount of its capital or original stock. The lands and tenements which it shall be permitted to hold, shall be only such as shall be requisite for the immediate accommodation of the institution; and such as shall have been bona fide mortgaged to it by way of security, or conveyed to it in satisfaction of debts previously contracted, in the usual course of its dealings, or purchased at sales upon judgments which shall have been obtained for such debts.

VI. The totality of the debts of the company, whether by bond, bill, note, or other contract, (credits for deposits excepted,) shall never exceed the amount of its capital stock. In case of excess, the directors under whose administration it shall happen, shall be liable for it in their private or separate capacities. Those who may have dissented, may excuse themselves from this responsibility, by immediately giving notice of the fact and their dissent, to the president of the United States, and to the stockholders, at a general meeting to be called by the president of the bank, at their request.

VII. The company may sell or demise its lands and tenements or may sell the whole or any part of the public debt, whereof its stock shall consist; but shall *trade* in nothing except bills of exchange, gold and silver bullion, or in the sale of goods pledged for money lent; nor shall take more than at the rate of six per centum per annum, upon its loans or discounts.

VIII. No loan shall be made by the bank, for the use or on account of the government of the United States, or of either of them, to an amount exceeding fifty thousand dollars, or of any foreign prince or state, unless previously authorized by a law of the United States.

IX. The stock of the bank shall be transferrable according to such rules as shall be instituted by the company in that behalf.

X. The affairs of the bank shall be under the management of twenty-five directors, one of whom shall be the president. And there shall be on the first Monday of January, in each year, a choice of directors, by a plurality of suffrages of the stockholders, to serve for a year. The directors, at their first meeting after each election, shall choose one of their number as president.

XI. The number of votes to which each stockholder shall be entitled; shall be according to the number of shares he shall hold, in the proportions following: that is to say, for one share, and not more than two shares, one vote; for

every two shares, above two, and not exceeding ten, one vote: for every four shares above ten, and not exceeding thirty, one vote; for every six shares above thirty, and not exceeding sixty, one vote; for every eight shares above sixty, and not exceeding one hundred, one vote; and for every ten shares above one hundred, one vote: but no person, copartnership, or body politic, shall be entitled to a greater number than thirty votes. And after the first election, no share or shares shall confer a right of suffrage, which shall not have been holden three calendar months previous to the day of election. Stockholders actually resident within the United States, and none other, may vote in elections by proxy.

XII. Not more than three fourths of the directors in office, exclusive of the president, shall be eligible for the next succeeding year. But the director who shall be president at the time of an election, may be always re-elected.

XIII. None but a stockholder, being a citizen of the United States, shall be eligible as a director.

XIV. Any number of stockholders not less than sixty, who together shall be proprietors of two hundred shares, or upwards, shall have power at any time to call a general meeting of the stockholders, for purposes relative to the institution; giving at least six weeks' notice, in two public gazettes of the place where the bank is kept, and specifying, in such notice, the object of the meeting.

XV. In case of the death, resignation, absence from the United States, or removal of a director by the stockholders, his place may be filled by a new choice for the remainder of the year.

XVI. No director shall be entitled to any emolument, unless the same shall have been allowed by the stockholders, at a general meeting. The stockholders shall make such compensation to the president, for his extraordinary attendance at the bank, as shall appear to them reasonable.

XVII. Not less than seven directors shall constitute a board for the transaction of business.

XVIII. Every cashier, or treasurer, before he enters on the duties of his office, shall be required to give bond, with two or more sureties, to the satisfaction of the directors, in a sum not less than twenty thousand dollars, with condition for his good behaviour.

XIX. Half yearly dividends shall be made of so much of the profits of the bank, as shall appear to the directors advisable. And once in every three years the directors shall lay before the stockholders, at a general meeting, for their information, an exact and particular statement of the debts which shall have remained unpaid, after the expiration of the original credit, for a period of treble the term of that credit, and of the surplus of profit, if any, after deducting losses and dividends.

XX. The bills and notes of the bank originally made payable, or which shall have become payable on demand, in gold and silver coin, shall be receivable in all payments to the United States.

XXI. The officer at the head of the treasury department of the United States, shall be furnished from time to time, as often as he may require, not exceeding once a week, with statements of the amount of the capital stock of the bank, and of the debts due to the same, of the moneys deposited therein, of the notes in circulation, and of the cash in hand; and shall have a right to inspect such general accounts in the books of the bank, as shall relate to the said statements; provided that this shall not be construed to imply a right of inspecting the account of any private individual or individuals, with the bank.

XXII. No similar institution shall be established by any future act of the United States, during the continuance of the one hereby proposed to be established.

XXIII. It shall be lawful for the directors of the bank to establish offices, wheresoever they shall think fit, within the United States, for the purpose of discount and deposit only, and upon the same terms, and in the same manner, as shall

be practised at the bank, and to commit the management of the said offices, and the making of the said discounts, either to agents specially appointed by them, or to such persons as may be chosen by the stockholders residing at the place where any such office shall be, under such agreements, and subject to such regulations as they shall deem proper; not being contrary to law, or to the constitution of the bank.

XXIV. And lastly—The president of the United States shall be authorized to cause a subscription to be made to the stock of the said company, on behalf of the United States, to an amount not exceeding two millions of dollars, to be paid out of the moneys which shall be borrowed by virtue of either of the acts, the one entitled "An act making provision for the debt of the United States," and the other entitled "An act making provision for the reduction of the public debt," borrowing of the bank an equal sum, to be applied to the purposes for which the said moneys shall have been procured, reimbursable in ten years by equal annual instalments; or at any time sooner, or in any greater proportions, that the government may think fit.

The reasons for the several provisions contained in the foregoing plan, have been so far anticipated, and will, for the most part, be so readily suggested by the nature of those provisions, that any comments which need further be made, will be both few and concise.

The combination of a portion of the public debt, in the formation of the capital, is the principal thing of which an explanation is requisite. The chief object of this is, to enable the creation of a capital sufficiently large to be the basis of an extensive circulation, and an adequate security for it. As has been elsewhere remarked, the original plan of the bank of North America, contemplated a capital of ten millions of dollars, which is certainly not too broad a foundation for the extensive operations to which a national bank is destined. But to collect such a sum in this country in gold and silver, into one depository, may, without hesitation, be pronounced impracticable. Hence the necessity of an auxiliary, which the public debt at once presents.

This part of the fund will be always ready to come in aid of the specie. It will more and more command a ready sale; and can therefore expeditiously be turned into coin, if an exigency of the bank should at any time require it. This quality of prompt convertibility into coin, renders it an equivalent for that necessary agent of bank circulation; and distinguishes it from a fund in land, of which the sale would generally be far less compendious, and at great disadvantage. The quarter-yearly receipts of interest, will also be an actual addition to the specie fund, during the intervals between them and the half-yearly dividends of profits. The objection to combining land with specie, resulting from their not being generally in possession of the same persons, does not apply to the debt, which will always be found in considerable quantity among the moneyed and trading people.

The debt composing part of the capital, besides its collateral effect in enabling the bank to extend its operations, and consequently to enlarge its profits, will produce a direct annual revenue of six per centum from the government, which will enter into the half-yearly dividends received by the stockholders.

When the present price of the public debt is considered, and the effect which its conversion into bank stock, incorporated with a specie fund, would, in all probability, have to accelerate its rise to the proper point, it will easily be discovered, that the operation presents in its outset a very considerable advantage to those who may become subscribers; and from the influence which that rise would have on the general mass of the debt, a proportional benefit to all the public creditors, and in a sense which has been more than once adverted to, to the community at large.

There is an important fact, which exemplifies the fitness of the public debt, for a bank fund, and which may serve to remove doubts in some minds on this point. It is this. tha

the bank of England, on its first erection, rested wholly on that foundation. The subscribers to a loan to government of one million two hundred thousand pounds sterling, were incorporated as a bank; of which the debt created by the loan and the interest upon it, were the sole fund. The subsequent augmentations of its capital, which now amounts to between eleven and twelve millions of pounds sterling, have been of the same nature.

The confining of the right of the bank to contract debts to the amount of its capital, is an important precaution, which is not to be found in the constitution of the bank of North America, and which, while the fund consists wholly of coin, would be a restriction attended with inconveniencies, but would be free from any, if the composition of it should be such as is now proposed. The restriction exists in the establishment of the bank of England, and as a source of security, is worthy of imitation. The consequence of exceeding the limit there is, that each stockholder is liable for the excess, in proportion to his interest in the bank. When it is considered, that the directors owe their appointments to the choice of the stockholders, a responsibility of this kind on the part of the latter, does not appear unreasonable. But on the other hand it may be deemed a hardship upon those who may have dissented from the choice. And there are many among us, whom it might perhaps discourage from becoming concerned in the institution. These reasons have induced the placing of the responsibility upon the directors, by whom the limit prescribed should be transgressed.

The interdiction of loans on account of the United States, or of any particular state, beyond the moderate sum specified, or of any foreign power, will serve as a barrier to executive encroachments, and to combinations inauspicious to the safety, or contrary to the policy of the Union.

The limitation of the rate of interest is dictated by the consideration, that different rates prevail in different parts of the Union; and as the operations of the bank may extend through the whole, some rule seems to be necessary. There is room for a question, whether the limitation ought not rather to be to five, than to six per cent., as proposed. It may with safety, be taken for granted, that the former rate would yield an ample dividend ; perhaps as much as the latter, by the extension which it would give to business. The natural effect of low interest is to increase trade and industry ; because undertakings of every kind can be prosecuted with greater advantage. This is a truth generally admitted ; but it is requisite to have analyzed the subject in all its relations, to be able to form a just conception of the extent of that effect. Such an analysis cannot but satisfy an intelligent mind, that the difference of one per cent. in the rate at which money may be had, is often capable of making an essential change for the better, in the situation of any country or place.

Every thing, therefore, which tends to lower the rate of interest, is peculiarly worthy of the cares of legislators. And though laws which violently sink the legal rate of interest greatly below the market level, are not to be commended, because they are not calculated to answer their aim ; yet, whatever has a tendency to effect a reduction, without violence to the natural course of things, ought to be attended to and pursued. Banks are among the means most proper to accomplish this end; and the moderation of the rate at which their discounts are made, is a material ingredient towards it ; with which their own interest, viewed on an enlarged and permanent scale, does not appear to clash.

But as the most obvious ideas are apt to have greater force than those which depend on complex and remote combinations, there would be danger that the persons whose funds must constitute the stock of the bank, would be diffident of the sufficiency of the profits to be expected, if the rate of loans and discounts were to be placed below the point to which they have been accustomed ; and might, on this account, be indisposed to embarking in the plan. There is, it is true, one reflection, which, in regard to men actually engaged in trade, ought to be a security against this danger ; it is this, that the accommodations which they might derive in the way of their business, at a low rate, would more than indemnify them for any difference in the dividend ; supposing even that some diminution of it were to be the consequence. But upon the whole, the hazard of contrary reasoning among the mass of moneyed men, is a powerful argument against the experiment. The institutions of the kind already existing, add to the difficulty of making it. Mature reflection, and a large capital, may, of themselves, lead to the desired end.

The last thing which requires any explanatory remark, is the authority proposed to be given to the president, to subscribe to the amount of two millions of dollars, on account of the public. The main design of this is, to enlarge the specie fund of the bank, and to enable it to give a more early extension to its operations. Though it is proposed to borrow with one hand what is lent with the other, yet the disbursement of what is borrowed will be progressive, and bank notes may be thrown into circulation instead of the gold and silver. Besides, there is to be an annual reimbursement of a part of the sum borrowed, which will finally operate as an actual investment of so much specie. In addition to the inducements to this measure, which result from the general interest of the government to enlarge the sphere of the utility of the bank, there is this more particular consideration, to wit : that as far as the dividend on the stock shall exceed the interest paid on the loan, there is a positive profit.

The secretary begs leave to conclude with this general observation—that if the bank of North America shall come forward with any propositions, which have for their object the ingrafting upon that institution the characteristics which shall appear to the legislature necessary to the due extent and safety of a national bank, there are, in his judgment, weighty inducements to giving every reasonable facility to the measure. Not only the pretensions of that institution, from its original relation to the government of the United States, and from the services it has rendered, are such as to claim a disposition favorable to it, if those who are interested in it are willing, on their part, to place it on a footing satisfactory to the government, and equal to the purposes of a bank of the United States; but its co-operation would materially accelerate the accomplishment of the great object, and the collision which might otherwise arise, might, in a variety of ways, prove equally disagreeable and injurious. The incorporation or union here contemplated, may be effected in different modes, under the auspices of an act of the United States, if it shall be desired by the Bank of North America, upon terms which shall appear expedient to the government.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

THE LATE BANK OF THE UNITED STATES.

This institution, though no longer existing, has rendered to government, and to the community at large, so many essential services, that its history will not be uninteresting. The idea of it was conceived immediately after the adoption of the present constitution, by Alexander Hamilton, Esq., then secretary of the treasury. The acute intellect and enlarged mind of this man, caused him to master every subject to which his attention was directed, and to embrace it in all its details and consequences, whether immediate or remote. It had not escaped him, that the work of the revolution would remain unfinished, without a solemn compact, which should give to the new born political society consistency and shape, and unite its wide spread members into a well organized commonwealth. His efforts, therefore, as his writings testify, had been directed towards effecting the formation of a constitution, and causing it to be adopted. But when this was attained, he perceived further, that in order to give permanency to the new fabric, it was necessary to render it respected abroad, and to strengthen it by the support of self-interest at home; he perceived that it was necessary to raise the edifice of public credit, and that this could only be attempted with success, by raising it on the basis of justice and good faith.

This required that the general government should acknowledge the debts contracted during the revolutionary struggle, make provision for the regular discharge of the accruing interest, and for an ultimate payment of the principal itself.

They were consequently funded; a system of revenue was created, to meet the future expenditures; and nothing could be happier than the further idea of establishing a NATIONAL BANK, the stock of which was chiefly to consist in public securities, in order to procure at once to those securities a great market value, give precision and method to the fiscal operations of the new government, and blend its stability with the comforts of individual existence. It would also have the advantage of turning credit into capital, and enable the country to procure from abroad the innumerable things which were wanted, to start with vigor in the career of industry, though nearly exhausted with the efforts to attain independence.

The plan of such a bank was therefore submitted to congress on the 13th December, 1790. It was opposed in congress, by the party then in the minority, but who have since come into favor, chiefly on the ground of the presumed unconstitutionality of the measure proposed. The power of creating a bank, or any corporate body whatever, not having been expressly delegated to congress, it was contended that no such power was possessed. The cabinet was divided on the question, as well as the public councils. The then secretary of state in particular argued, that though the constitution, in a summary manner, granted to congress power to pass such laws as were necessary to carry the specified powers into effect, yet this clause could only be considered as applicable to acts, in justification of which there could be pleaded an absolute, paramount, and irresistible necessity: not to those which, like the bank proposed, would only rest on the grounds of expediency, superior convenience, precedent, and general usefulness.

The manly understanding, however, of the secretary of the treasury, and the practical wisdom of the august chief then at the head of the nation, could not be swayed by grammatical considerations so futile. The former investigated the question, and refuted the pretended constitutional objection, with a force of reasoning which could not fail to remove all doubts on the subject from every sound and unprejudiced mind; and the latter, consequently, gave his sanction to the act of congress incorporating the bank, which passed into a law on the 25th February, of the year following. Agreeable to this law, the capital stock of the Bank of the United States was limited to 25,000 shares of $400 each, $10,000,000, payable one fourth in gold and silver, and three fourths in public securities, bearing an interest of six and three per cent. The corporation were restricted from contracting debts beyond the amount of their capital, and from holding property exceeding in value $15,000,000, or real estate more than necessary for the convenient transacting of their business. The affairs of this bank were to be managed by twenty-four directors, to be elected by the stockholders. Only citizens of the United States, and stockholders, were eligible as such. Only three fourths of their number could be re-elected every succesding year; and several other regulations were contained in the charter, generally well calculated to guard against political danger from this national establishment, to extend its usefulness, and confirm its solidity. The duration of the bank was limited to the 4th of March, 1811.

The subscriptions were filled as soon as opened. The government, conformably to the right reserved in the charter subscribed for 5000 shares, equal to $2,000,000, and the bank went into immediate operation. The dividends were semi-annually. Its stock, a great proportion of which was held in Europe, soon rose considerably above par, and the institution proved *always convenient*; on some occasions *eminently useful* to the *government*, and not less beneficial to the *public at large*.

This bank made an average annual dividend of eight and one third per cent., during the continuance of its charter of twenty years, amounting to $16,666,666; and from a report of the trustees of that institution, made a few months since, the public are given to expect further dividend.

It is now a well known historical fact, that in the infancy of our republic, we were but little respected by foreign nations, and by some scarcely acknowledged, until we had established a sound and efficient national system of finance. This bank, exhibiting the profound wisdom of its projectors, tended greatly to establish not only stability of character at home, but to command respect abroad. Besides the facilities afforded to the government, the public at large reaped an advantage from this institution, during its existence, as above stated, to the amount of $16,666,666; and it is altogether doubtful, whether, under the then situation of the country, an equal sum could have been realized from an investment, in the ordinary course of the then business, to double the amount.

Yet when the period of the termination of its charter arrived, and the stockholders applied to congress for the renewal of it, the same objection of unconstitutionality, which had been successfully combated twenty years before, was again revived. The institution had become the more invidious to the party in power, for having been, at its very origin, unsuccessfully opposed by their principal leader; an opposition, which perhaps even then arose from the desire of signalizing a system of political principles and measures, different from those which were adopted. When the subject came now again under discussion, the force of sound argument, the considerations of general usefulness, and the unquestionable fiscal expediency of the renewal of the charter, could not be expected to prevail against unfriendly sentiments of so long standing.

An impulse was given accordingly, the renewal of the charter refused, and the institution dissolved. The public prosperity might have received a severe shock, and the government itself been exposed to difficulties and embarrassments, much more serious than those under which it must now necessarily labor, from the want of a national bank, if the same course of deliberate prudence, which has marked the conduct of the late Bank of the U. States throughout, had not been also pursued in their mode of withdrawing from business. But they proceeded in this work so slowly, and acted towards individual debtors, and towards other banks on which they had claims, with so much liberal forbearance, that time was gained to supply the public with the circulating medium of new bank credits, in lieu of those to be withdrawn; a conduct which was moreover dictated by the interests of the expiring institution itself, and signally favored by the general stagnation of commerce, at the period in which it took place.

BANK OF THE UNITED STATES.

The present Bank of the United States, located at Philadelphia, with branches in the several states, was created by an act of congress of the 3d March, 1816, to endure twenty years, composed of 350,000 shares of $100 each. The United States hold in five per cent. stock, 70,000 shares,

	$ 7,000,000
Individuals hold 280,000 shares,	28,000,000
	$35,000,000

The president of the bank at New York, is ex officio loan officer of the United States, for the state of New York. This bank collects the revenue of the United States, and pays the debts of the United States in every commercial city where a branch is established. Its dividends, from the commencement to the present year, (1830,) inclusive, amount to $70.10, making $24,535,000. Although this institution has been assailed by foes within and foes without, and sustained severe losses, it has continued an undeviating course, shedding light, health, activity, and vigor throughout the body politic. And while it sustains and enlivens the fiscal concerns of the nation, it gives employment to many thousands of persons in its operations—constantly bearing on its fore front, in bold relief, this imperative language to the powers that be:

"Sta per te ipsum, et permitte nos esse solos."

The history of this institution is fully detailed, and its prosperous condition clearly manifest, from the following statement, extracted from their own authorized publication.

Report *on the condition of the* Bank of the United States, *by the committee of inspection and investigation; and afterwards adopted by the stockholders.*

At a triennial meeting of the stockholders of the Bank of the United States, held by adjournment at their hall in the city of Philadelphia, on Tuesday, the 1st of October, 1822—

THOMAS ELLICOTT, Esq., in the Chair, and
WILLIAM MEREDITH, Secretary.

The following report of the committee of inspection and investigation, appointed agreeably to the resolution of the stockholders, at the meeting held on the 2d of September, 1822, having been *adopted*, it was "Resolved that the report, with its appendix, be published in the public papers:

and that the president and directors of the Bank of the United States do also cause the same to be published in pamphlet form, and that a copy thereof be held at the disposal of each stockholder."

Your committee, to whom was referred an examination of the condition of the bank,

Report,

That they have carefully considered and diligently investigated the subject confided to them. But, before submitting any opinion or statement in detail, as to its actual situation, they beg leave to refer to the luminous exposition of the president, hereto appended, containing a fund of information in relation to the institution in connection with various topics of sound speculation and practical utility, which cannot fail to prove highly interesting to the stockholders and to the public; while, at the same time, they illustrate the consoling truth that the most appalling difficulties may be surmounted by the steady application of industry, integrity, and talent.

In compliance with the provisions of the 13th article of the 11th section of the charter, your committee have ascertained that the suspended debts at the bank, and its various branches, are

	Dolls.	Cts.
Upon personal and other than stock securities, - - - - - -	6,401,255	90
And upon loans secured by pledges of stock, - - - - - -	4,017,050	76
Together amounting to - - -	10,418,306	66

Your committee are decidedly of opinion, that the loss to the Bank upon this debt, together with overdrafts, counterfeit checks, and from all other sources, cannot exceed 3,743,899 dollars, a loss arising partly from the peculiar situation of the

moneyed relations of the country, but principally from a misplaced confidence in unworthy agents. But your committee feel gratified in saying, that a fund more than sufficient has been derived from the previous profits of the bank, and specifically pledged, and set apart to meet this loss; besides which it possesses a surplus of 971,425 dollars 41 cents, arising from a balance which stood to the credit of the profit and loss account on the 1st of July last, from interest which has actually accrued, but which has not yet been paid, upon that portion of the suspended debts which it is confidently believed will be ultimately obtained, and from the advance above par upon 37,954 shares United States Bank stock, held by the bank, estimated as worth four dollars per share above the par value.

The preceding facts, with the following analysis, your committee feel assured will render the conviction irresistible, that the Bank of the United States has now arrived at that point when its capital may be declared to be sound and entire, while it possesses contingent interests of nearly one million of dollars, to be applied to such objects as the future administrators of its affairs may deem advisable.

	Dolls.	Cts.
DR. Bank of the United States, to stockholders, for capital paid in, - - -	34,992,139	63
The sum paid, but not yet extinguished, for bonus, premium on four millions of 5 per cent. government stock, and for banking houses, provided for, and to be extinguished by the semi-annual appropriation of 60,000 dollars, - - - - - - -	2,015,802	15
Estimate of all the losses of the bank, up to the present period, - - - - -	3,743,899	00
Balance, - - - - - -	971,425	41
	41,723,266	19

	Dolls.	Cts.
CR. Bank of the United States, by capital paid in, - - - - - - -	34,992,139	63
The sum which has been paid on bonus, premium on four millions 5 per cent. government stock and banking houses, and which will be extinguished by a semi-annual appropriation of 60,000 dollars, - -	1,620,000	00
Value of banking houses which have cost 834,922 dollars 15 cents, but which, at the expiration of the charter, will not then stand on the books of the bank at a value more than - - - - - - - -	395,802	15
Contingent fund of 3,550,000 dollars, which will be increased by the transfer of 193,899 dollars from the balance of the profit and loss account as it stood on the 1st of July last, to cover the losses sustained, -	3,743,899	00
The balance that will remain of what appeared to the credit of the profit and loss account on the 1st of July, after having transferred to contingent fund, 193,899 dollars, - - - - - - - -	51,897	07
The interest which has accrued on suspended debts amounting to - - 1,279,520 54		
After deducting interest on that portion which is deemed bad of - - - 511,808 20		
	767,712	34
Advance above par on 37,954 shares of stock of the Bank of the United States, which it holds—say four dollars, per share,	151,816	00
	41,723,266	19

In addition to the above, the committee deem it proper to exhibit the following brief view of the present actual situation of the funds of the bank, and of their distribution :

	Dolls.	Cts.
The capital of the bank paid in is - -	34,992,139	63
The circulation of bank notes, amounts to	5,456,891	90
The deposits are, - - - - -	6,776,492	74
Unclaimed dividends, - - - -	129,741	28
Amount due to sundry banks, in current account, and to individuals in Europe,	1,964,898	36
Fund reserved to cover the losses sustained by the bank, - - - - -	3,743,899	00
Profit and loss account, after having transferred to contingent fund 193,899 dollars,	51,897	07
Interest, discounts, &c., received from 1st of July to September, - - -	388,237	01
The total amount of funds, are	53,504,196	99

Which are distributed as follows :

In United States 5 per cent. stock, - -	11,000,000	00
United States 6 per cent. stock, - -	2,020,469	27
Loans on personal security, - - -	26,236,150	88
Loans secured by bank stock, - -	5,974,725	80
Loans secured by mortgage, - -	8,000	00
Due by state banks, bearing interest, -	739,918	76
Real estate taken for debt, part of which is productive, - - - - -	587,102	38
Amount due by sundry state banks, &c., in current account, - - -	910,950	97
Paid on account of bonus, and premium on 5 per cent. stock, - - -	1,180,880	00
Banking house in Philadelphia, and branches cost - - - -	834,922	15
Notes of state banks on hand, - -	664,642	56
Specie in United States Bank and branches,	3,346,434	22
	53,504,196	99

It might be deemed prudent to abstain from expressing an opinion upon the future prospects of the bank, leaving each individual to draw his own inferences from the facts exhibited; yet your committee are unwilling to omit the expression of what they believe to be a well grounded hope, that the profits of the bank, and its public utility will continue to increase with the gradual development of its resources. If the bank has, under the embarrassment and perplexity in which it has been placed, not only sustained its own credit, but that of the circulating medium of the country, with which its interest and prosperity are indissolubly connected, it can scarcely be doubted, that these difficulties being surmounted, and a more ample field opened for the exercise of its energies, an increase of profit will result from a corresponding extension of its business. And whilst your committee have found it impracticable to view this institution, in any other light, than as an establishment to effect great national objects, they have been compelled to remark that, though these objects have been most fully attained, the institution itself has not received the support, which it is clearly the interest of the nation to afford.

The past history of the bank has proved that, where a sense of moral obligation is wanting, the existing laws are inadequate to deter the agents of the bank from the commission of frauds upon its vaults. Your committee therefore advise that the president and directors present to congress a respectful memorial, praying—1st, The enactment of efficacious laws, that adequate punishments may be inflicted upon such agents of the bank as may be guilty of malversation in office. 2dly, That they ask an alteration in that part of the charter which requires that all the notes of the bank which are payable on demand shall be received in payment of debts due to the government, inasmuch as this requisition, as heretofore construed, has not only the tendency to prevent the bank from restoring to some sections of the country a sound circulating medium, but it may occur that

the bank cannot safely place to the credit of the government, in cash, notes at one office, which, according to the contract on the face of them, are payable at a different and distant office alone, and where only funds have been placed for their redemption.

Though your committee are aware, that not only the convenience of the public but the interest of the institution require an additional emission of its notes, and although they believe, that with a reasonable degree of exertion on the part of the cashier, these may be executed and put in circulation, while the business of the bank is confined to its present limit; yet they are satisfied that a considerable extension of the ordinary business of the institution, would render it wholly impossible for its officers to perform this service: it is therefore respectfully suggested, that congress be prayed also to pass a law, authorizing other agents of the bank to sign its notes, and in the mean time the committee recommend that the best means in the power of the president and directors be taken, to put in circulation a large additional amount of notes, not exceeding the denomination of twenty dollars.

Your committee have not discovered that any serious consequences have resulted to the interests of the bank (except those which have been followed by a public exposure) from a want of obedience in distant agents; they nevertheless deem it proper to advise, that the president and directors of the parent bank keep steadily in view the absolute necessity of enforcing its own orders through all the various departments of the institution; without which, neither harmony can be expected in its administration, nor security to the interests of its stockholders.

Your committee feel much gratification in being able to state, that the current expenses of the bank have been essentially reduced since the year 1819, and while it might be supposed that the present embarrassed state of the commerce of the country, and the limited amount of interest heretofore divided upon the capital of the bank, are strong admonitions

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to your agents to observe the most rigid economy; yet, inasmuch as the splendid edifice in which you are assembled, is now so nearly completed, they cannot but recommend that it be finished, provided the expense shall not exceed 25,000 dollars.

In taking into view the business of the bank as connected with its different offices, the committee think it right to recommend to the continued attention of the president and directors the necessity of withdrawing those branches which are found to be unprofitable, and transferring their funds to those offices which shall seem to require additional capital.

Your committee take great pleasure in unanimously declaring that the circumstances of the bank fully realize the anticipations of the stockholders, as expressed at their last meeting, in regard to the president, who, by his talents, disinterestedness, and assiduity, has placed its affairs in an attitude so safe and prosperous, as that the burden of duty devolving upon his successor will be comparatively light.

THOS. ELLICOTT,

Chairman of the Committee of Inspection and Investigation.

Bank of the United States, Oct. 1st, 1822.

EXPOSITION.

The stockholders generally have never had any view of the progress of the bank submitted to them. At the triennial meeting, in 1819, it was my intention to have given them such a view. I was, however, advised that it would be more expedient to reserve the communication for a committee, and my opinion was cheerfully surrendered. But as it is my determination in a few months to quit the station with which you have honored me, and as my silence on a former occasion has kept you, as well as the public, in a great measure ignorant of the difficulties in which I found the bank, and has subjected the administration, of which I have been a member, to censures which were unfounded, and which have fallen in many instances from the lips of the very persons who were the authors of the errors and mismanagements, to use no harsher language, by which this institution was brought to the verge of bankruptcy and ruin, I will now present to you a short view of the progress and present state of the bank. You will probably raise a committee of inspection and investigation, and as far as any facts or circumstances which I shall present may be deemed material, their accuracy or error may be ascertained.

The institution commenced active banking operations about the 1st of January, 1817, and in the course of that year established eighteen branches, being all that have been established. One was projected at Augusta, but on reconsideration was abandoned. The report of the committee of congress, made in December, 1818, has made you fully acquainted with so many of the leading details of the previous management, and the lapse of time has made them so much less interesting than they would have been at an earlier day, that I mean to do little more, in relation to the period which preceded 1819, than present the results as they will be exhibited in the state of the bank when I came into it.

The bank, immediately on its commencement, did a very extensive business, imported vast sums of specie, paid its notes and those of the offices, without reference to the places where they were payable, at the bank, and all the principal offices north of the Potomac, while they were, under the charter, necessarily received every where in payment of debts to the government of the United States; and drafts were given without limit, on the parent bank and northern offices, by the western offices, at par or at a premium merely nominal. As soon as the notes of the southern or western offices were paid or received by the bank and northern offices, they were returned to them, and reissued in perpetual succession. An accompanying exhibit will show the enormous amount of the notes of southern and western offices, which became chargeable on the bank, directly and indirectly, through the northern offices. The result was, that the bank and the great northern offices were drained of their capital; and on the 20th of July, 1818, only eighteen months after the institution began its operations, it was obliged to commence a rapid and heavy curtailment of the business of the bank and its offices. During all this time it had the advantage of immense government deposits. At the moment these curtailments were ordered, the government deposits in the bank and its branches, including the deposits of public officers, amounted to eight millions of dollars,* and they had been larger at preceding periods. Curtailments were ordered, from time to time, at the southern and western offices, to the amount of seven millions of dollars, and at the parent bank to the amount of two millions, though at the latter they were made to the amount of $3,600,000, and upwards, between the 30th of July, 1818, and the 1st April, 1819. No curtailments were ordered at the offices of New York and Boston, because there was no room for them; yet necessity obliged them to reduce their business very much. The curtailments at all points, within the abovementioned dates,† being eight months, were $6,530,159.49. Yet after these immense and rapid curtailments, the most sensible and vital points (Philadelphia, New York, and Boston) were infinitely in worse condition than when the remedy was devised.

An accompanying exhibit will show the distribution of capital at the close of this period. At that moment the discount line of the important office at Boston was only $94,584.37. And when in this wretched state, the southern and western circulation was pouring in upon these weak points, and the government at liberty, according to the practice of the time, to draw on either office or the bank for the gross amount of its deposits, throughout the whole establishment, whether south, north, east, or west. The southern and western offices were not restrained from issuing their notes, which they did most profusely. The curtailments, in many instances, resulted merely in a change of debts, bearing interest for debts due by local banks, or the notes of local banks, on neither of which was interest received. The western offices curtailed their discounted paper, but they purchased what were called *race horse bills*, to a greater amount than their curtailments. The bank itself continued during the whole period, to purchase and collect drafts on the southern, and even western offices, though almost the whole active capital already lay in these quarters of the Union, and though the great object of the curtailments was to draw funds from these points. The debt due in Kentucky and Ohio, instead of being reduced, was within this period actually increased upwards of half a million of dollars. An accompanying exhibit will show, that instead of getting relief from the southern and western offices generally, where curtailments had been ordered, the bank was still further exhausted by the intervening operations.

* See the monthly statements, of the 6th and 30th July, 1818.

† I refer to the monthly statements of the 30th July, 1818, and 1st April, 1819.

At the commencement of this period, (a period commencing with the order for curtailments, and ending March, 1819,) the bank was indebted to Baring, Brothers & Co., Reed, Irving & Co., Adams, Robertson & Co., and Thomas Wilson & Co., the sum of $1,586,345.47, growing principally, if not entirely, out of its specie operations. Of this sum, the greater part was paid during this period. It had, however, contracted new debts with Baring, Brothers & Co., and Thomas Wilson & Co., of which there remained due, including any balance which may have been due on the former accounts, the sum of $876,648; and within the same period, it had disposed of $2,270,926.65 of its funded debt, furnishing, by these compound operations, ways and means, in addition to its curtailments, to the amount of $1,561,229.13 —and making, with these curtailments, a reduction in the productive capital of the bank, within the period of eight months, of eight millions of dollars, and upwards.

At the close of this period, the discounts on personal security at Philadelphia, had been so long the subject of curtailment, that but a small portion of them admitted of further reduction, and, after great efforts, a rule had been established to reduce the discounts which had been granted on the stock of the bank, at the rate of five per cent. every sixty days. These latter constituted the bulk of the discounted paper, and so small a reduction afforded no material relief against a great and immediate demand. Even this small reduction was the subject of loud, angry, and constant remonstrances among the borrowers, who claimed the privileges and the favor which they contended were due to stockholders, and sometimes succeeded in communicating their sympathies to the board. All the funded debt which was salable had been disposed of, and the proceeds exhausted. The specie in the vaults at the close of the day, on the 1st of April, 1819, was only $126,745.28, and the bank owed to the city banks, deducting balance due to it, an aggregate balance of 79,125 dollars 99 cents.

It is true there were in the mint $267,978.9, and *in transitu* from Kentucky and Ohio, overland, $250,000; but the treasury dividends were payable on that day, to the amount of near $500,000, and there remained at the close of the day more than one half of the sum subject to draft, and the greater part even of the sum which had been drawn during the day remained a charge upon the bank in the shape of temporary deposits, which were almost immediately withdrawn. Accordingly, on the 12th of the same month, the bank had in its vaults but $71,522.47, and owed to the city banks a balance of $196,418.66; exceeding the specie in its vaults $124,895.19. It must again be remarked, that it had yet the sum before mentioned in the mint, as well as the sum *in transitu* from Ohio and Kentucky. This last sum ($250,000) arrived very seasonably, on the next day, or a day or two thereafter. The bank in this situation, the office at New York was little better, and the office at Boston a great deal worse. At the same time the bank owed to Baring, Brothers & Co., and Thomas Wilson & Co. nearly $900,000, which it was bound to pay immediately, and which was equivalent to a charge upon its vaults to that amount. It had, including the notes of the offices, a circulation of six millions of dollars to meet, to which were to be added the demands of depositers, public and private, at a time too when the scarcity of money called forth every disposable dollar, and therefore created demands upon the bank for an unusual portion of the ordinary deposits and circulation.

The sums which were collected daily on account of the revenue, in branch paper, were demandable next day in Philadelphia, and, at the same time, at every office of the establishment, at the discretion of the officers of the government. The revenue was principally paid in branch paper, as well at Boston and New York as at Philadelphia, and while the duties were thus paid at one counter, in branch paper, the debentures, which amounted to one million of dollars every three months, were demanded and paid at the other, in specie or its equivalent—money of the place. Many additional details, increasing the difficulties of the moment, might be added. The southern offices were remitting tardily, and the western not at all. All the resources of the bank would not have sustained it in this course and mode of business another month!! Such was the prostrate state of the bank of the nation, which had only twenty-seven months before commenced business with an untrammeled active capital of twenty-eight millions of dollars.

But it would have been fortunate for the institution if its danger had ceased here. There still remained in some of the trusts of the bank some of the men who had contributed most to involve it in this state of things. As I must be brief, and the subject is very extensive, I will advert only to the principal instance of the misfortune and profligacy to which I allude.

In the office at Baltimore, of which James A. Buchanan was president, and J. W. M'Culloh was cashier, there were near three millions of dollars discounted or appropriated, without any authority, and without the knowledge of the board of the office, or that of the parent bank! S. Smith, and Buchanan, of which firm J. A. Buchanan was a member, James W. M'Culloh, and George Williams, (the latter a member of the parent board, by the appointment of the government,) had obtained, of the parent bank discounts in the regular and accustomed manner, to the amount of $1,957,700, on a pledge of 18,290 shares stock of the bank. These men, without the knowledge of either board, and contrary to the resolves and orders of the parent bank, took out of the office at Baltimore, under the pretense of securing it by pledging the surplus value of the stock, already pledged at the parent bank for its par value and more, and other like surpluses over which the bank had no control, the sum of $1,540,000: this formed a part of the sum before stated to have been discounted by the president and cashier of the office, without authority. When this stupendous fraud was discovered, attempts were immediately made to obtain security, and it was obtained nominally to the amount of $900,000. It was probably really worth $500,000. For this the bank is principally indebted to the good management of Messrs. Oliver, Hoffman, and M'Kim, of Baltimore, who were at the time members of the parent board.

The losses sustained at the office at Baltimore alone, the great mass of which grew out of this fraud and others closely connected with it, have been estimated at the immense sum of $1,671,221.87. The aggregate of the losses of the institution, growing out of the operations which preceded the 6th March, 1819, exceed considerably $3,500,000. The dividends, during the same time, amount to $4,410,000. Of this sum, $1,348,558.98 were received as the interest on the

public debt held by the bank, which leaves, as the entire profits on all the operations of banking, the sum of $3,061,441.2, which is less, by at least half a million of dollars, than the losses sustained on the same business!

When I was invited, and consented to fill the station I now hold, I was alike ignorant and unapprehensive of the situation in which I have just described the bank (truly, I believe,) to have been. I was at the moment remotely situated from the scenes of its active business, and its important transactions. I had held, it is true, shortly before, to oblige my friends, a place in the board of the office at Charleston, at which I occasionally attended, and from what I saw there, as well as from the public facts concerning the transactions of the bank, I was satisfied that there was a great want of financial talent in the management of it. But I had not the faintest idea that its power had been so completely prostrated, or that it had been thus unfortunately managed, or grossly defrauded. I never imagined that when it had, at so much expense and loss, imported so many millions of specie, they had been entirely exhausted, and were not yet paid for; nor that the bank was on the point of stopping payment. It was not until the moment I was about to commence my journey to Philadelphia, that I was apprized by a letter from a friend, who had been a member of the preceding board, that he feared, in a few months, the bank would be obliged to stop payment.

This was, indeed, appalling news. When I reached Washington, I received hourly proofs of the probability of this event. In Philadelphia it was generally expected. My memory deceives me much if I found any one in or out of the bank, who entertained a sanguine belief of its being able to sustain its payments much longer. On the contrary there was (I think it cannot be forgotten) a public and general expectation that the nation was about to suffer the calamity of a currency composed entirely of irredeemable paper. The evil which thus threatened the country, is not at all to be compared with the suspension of a sound currency in times of war and great national emergencies. The former can only be conceived by a people who have suffered under a paper currency in profound peace. What a train of evils does it produce? The destruction of public and private credit, the national torpor, the individual ruin, the disgraceful legislation and the prostration of the morals of the people, of which you may discover within your own territories, some examples, will give you some, but yet a faint idea of the calamity which was about to fall on the country.

On the bank it must have brought inevitable ruin, for if it had failed, from its own mismanagement, to serve the great purpose for which it was just before established—that of restoring and preserving the soundness of the currency—there is no doubt that the hostility which its great and habitual public usefulness cannot now appease, would have overwhelmed it. Indeed it would have had no claim on the sympathy or the justice of the government, and would have suffered a merited fate. No exertions and no sacrifices were therefore too great to avert this calamity. It was not to be accomplished without sacrifices: but they have been small, and infinitely less than was expected.

Thus stood the bank at the organization of the present administration. I was elected and took my seat as President of the board on the 6th March, 1819. But some time of course was necessary to look into the state of the bank before measures of relief could be projected. Its danger, however, was too manifest, and too pressing to allow much time for this purpose. The principal errors which produced the danger were fortunately of easy discovery, and to them the proper remedy was immediately applied. The southern and western offices were immediately directed not to issue their notes, and the bank ceased to purchase and collect exchange on the south and west. A special meeting of the board was called, which the non-resident directors were summoned to attend for the 9th April (the next month) and a correspondence with the secretary of the treasury was commenced, entreating his forbearance and his aid, to which I beg leave to refer. To this officer I should be ungrateful and unjust, if I were not publicly to acknowledge my obligations and those of the bank, for the countenance and support which he afforded to both in this struggle.

At the meeting of the directors on the 9th April, which was very full, the state of the bank was submitted to them, a select committee appointed, to whom the subject of its difficulties was referred, and after very mature deliberation that committee made a report which was *unanimously* agreed to. The principal means of relief proposed and agreed to were:

1. To continue the curtailments *previously* ordered. 2. To forbid the offices to the south and west to issue their notes when the exchanges were against them. 3. To collect the balances due by local banks to the offices. 4. To claim of the government the time necessary to transfer funds from the offices where money was collected to those where it was to be disbursed, as well as like time (until the difficulties of the bank were removed) to transfer funds to meet the notes of offices paid in the bank or other offices than those where they were payable according to their tenor. 5. To pay debentures in the same money in which the duties, on which the debentures were secured, had been paid. 6. To obtain a loan in Europe for a sum not exceeding $2,500,000, for a period not exceeding three years.

These measures, simple and obvious as they are, and some of them so strangely overlooked so long, lifted the bank in the short space of seventy days (from 6th March to 17th May) from the extreme prostration which has been described, to a state of safety, and even in some degree of power, enabled it to cease its curtailments, except at points where it had an excess of capital, to defy all attacks upon it, and to sustain other institutions which wanted aid and were ascertained to be solvent; above all, to establish the soundness of the currency which had just before been deemed hopeless; and in a single season of business (the first) to give to every office as much capital as it could advantageously employ. There are two of the measures thus adopted, on which I will enter into some detail, because they have been misconceived and misrepresented.

1. The curtailments. The immense curtailments which had been made before the present administration of the bank was organized, have been stated. The public has been led to believe that these curtailments were made by this administration, and were the fruit of a policy which originated with it. Men who sat at the board and knew the contrary, or, which is little better, without taking the trouble to ascertain a fact which was so easily within their reach, have consented to propagate this slander.

I now state, and defy contradiction, and am ready to prove that *no curtailment has been ordered from the time I took my seat, until this day.*

That any curtailments which have been made by the administration of which I have been a member, were made under orders which I found in force;—that the bank at Philadelphia continued to curtail only seventy days after I took my seat, that the offices of New York and Boston were only required to sustain themselves, according to circumstances, until the scattered funds of the institution could be collected to give them capital; and further that the greatest reduction of the discounts of the bank itself, and all the offices north of Philadelphia, together, at no one time exceeded $400,000, until they were reduced by a want of a demand for money which was general through the nation. When this want of demand for money prevented the profitable employment of the funds of the bank, the only expedient to relieve it from the losses of unemployed capital which existed, was promptly and successfully employed, by purchasing of the government of the United States, first two millions of six per cent. stock, redeemable at the pleasure of the government, and afterwards four millions of five per cent. stock, redeemable in 1835, on

terms which were then deemed highly advantageous to the bank, and which are so still, as shall be hereafter proved.

It is believed, that a candid and dispassionate investigation of the facts will show, that, with the same means, and under the same circumstances, no change of proceeding or policy could have increased the profits of the bank, and that, if the interest which has accrued on the heavy amount of suspended debt and not been received (and that it has not been received, is not the fault of the present administration, which did not grant the loans on which the interest accrued) be added to the dividends made, and the accumulations reserved, the gains will be within less than a half per cent. per annum of the nominal profits of the preceding period, in which, every thing was hazarded, and more actually lost than all that was thus nominally gained. I should have had no disposition to make these comparisons had they not been made necessary by false statements and representations of the same facts. In looking at these results, let it also be recollected what different circumstances characterized the different periods.

2. The other measure which I mean particularly to notice is the loan which was obtained in Europe. There was, at the time this loan was projected, great embarrassment in all the concerns of commerce, but the pressing difficulty was a real unsoundness in the bank circulation, which constituted the whole currency of the country. The weakness of the Bank of the United States has been exposed. That of the state banks was probably greater, though they were not subject to so many, and such complicated dangers. The revenue was accumulating to the credit of the government, at various points, in paper, that, if immediately pressed upon the banks which issued it, would not have not have been honored; and yet to have discredited it suddenly would have forced the *crisis* of the unsoundness of all the bank circulation at a moment when it had no recuperative faculty, and must have ended in consequences alike disastrous to the bank and the

country. On the other hand to have imposed no pressure upon these banks would have been to cherish and perpetuate and increase the evil of an unsound currency. The course to be pursued by this bank was a subject of great delicacy and difficulty. The situation of the country was exceedingly alarming.

It was not the present evil that was dreaded—the country was, in its money concerns, in an extreme state of exhaustion. It was drained of its specie in the preceding year, before the first installment of the Louisiana stock became payable. The sum necessary to make the payment stood to the credit of the treasury in the bank, and was transferred to the credit of the holders of this stock. The agent of Baring, Brothers, & Co. had for foreign account, at one moment, $2,410,000 at his credit at the bank in Philadelphia, and on the same day all the specie in the bank and all its offices did not amount to as much. It was impossible to have paid it, and the bank was obliged to enter into a contract to pay it in England by a given time, with interest. In executing this contract, it employed the whole operations of the next season of business in foreign exchanges, and paid a very large amount of interest; and at the time this loan was projected, there remained a large balance due to Baring, Brothers, & Co., on account of this contract. The country had been still further divested of its metallic basis in the interim, and a pretense was only wanting by too many individuals and banking institutions to stop payment. To them it might have afforded immediate relief and profit. But to the Bank of the United States it must, as already shown, have caused inevitable ruin. At every hazard, *it* was obliged to continue its payments. Its ability to do so, depended on sustaining the credit of the country, and restoring the soundness of the currency.

If its own vaults had been better replenished than they were, it could not have relied upon them alone. The ability of this bank to sustain its credit, at no time depends solely or principally on the specie in its own vaults, but on the general credit of the country, sustained by the usual legal and moral obligations—destroy these practically, and all its power becomes feebleness. Thus it has, at any given moment, from twenty to thirty millions of dollars becoming due to it within ninety days, besides very large sums standing in balances against other banks, and further sums in the notes of other banks. Now suppose at any moment that a state of things should arise which should destroy the general credit of the country, and disable debtors, who in their turn depend on the same means for their ability to pay, to comply with the first, and tempt them to disregard the last of these obligations, what would be then the situation of the Bank of the United States? Yet that state of things was on the point of taking place, when the loan in question was projected.

The country could bear no further exhaustion, however small, until it had a season to recover. But the second installment of the Louisiana stock was to be paid in a few months, and the sum to be withdrawn by foreigners exceeded probably all the specie in the two great cities of Philadelphia and New York. The bank would have been bound to pay it, had it received the local paper in payment of the revenue; and if it had refused it, we have seen the disastrous consequences to which it would have led. It was a payment which the country could not at the time bear, and the ability of the bank was necessarily limited by the ability of the country. Hence, in a general view, the necessity and expediency of the loan.

It has, I understand, been said that events have proved that the loan was unnecessary, regarding merely the direct obligations of the bank. This is an objection which no mind capable of comprehending the just policy of a national bank could make, if the foregoing views be correct. But it is not true. Events, on the contrary, proved it was indispensable. What would the situation of the bank have been, if in October, 1819, upwards of two millions of dollars had been, in this section of the Union, where it was payable, drawn from its vaults? Although they had been by that day considerably strengthened, yet all the specie in the bank, and all the offices on this side the Potomac, could not have met the draft! Will it be said that the government had not, at the time this installment was payable, a sufficient deposit to make the payment? It is true, because the government, as soon as it was discovered that the public credit would not be made to suffer, disbursed the moneys which must have been and would have been reserved for this purpose; and thus the bank and the community generally were relieved from the foreign drain upon them, in the manner in which the relief was originally projected.

Again—the burden of this loan has been greatly misrepresented. It has been supposed that in consequence of the subsequent want of demand for money, which prevented the bank from fully employing its capital, the interest paid on this loan was a loss to the bank. This might be admitted, and still the loan was not the less necessary. A sacrifice of gain was expected and intended. But the fact is not so. Although undoubtedly there was a long period during which the capital of the bank was not fully employed, yet it so happened that the specific money derived from this loan was employed, and has not ceased to bring in six per cent. per annum from that day to this. Without it the bank could not have taken the government loan of two millions of dollars, in 1820, which remains yet unpaid; nor could it have done the profitable business in foreign exchanges which it did in that year, nor have distributed capitals as early as it did to the northern offices, which infused into them a new life; nor could it have sustained the character or the usefulness of a national bank, until it should have collected by slow and painful means its scattered capital. I have said so much of the loan, not only because it is an important circumstance in the management of the bank, but also because it is a measure closely connected with the financial history of the country,

and on which turned, in a great measure, the preservation of a sound currency; an event, however unusual it is so to consider it, probably of more importance than any other in the history of the country since the late peace. In sustaining the bank a great public purpose was served, but it cost not an additional cent. Censured though it may be, I proudly say I suggested and advised this measure, and am well content to bear the responsibility of it. The loan was for only two millions of dollars, and was payable on the 5th of July last. One million thereof has been continued at 5 per cent. interest, and the other has been paid off at a profit which would defray the charge of remitting the remaining million, even at the present adverse rate of exchange.

During the present administration of the bank, considerable sums have been drawn from the capital, in erecting necessary buildings for the use of the institution: considerable burdens which were previously created have been discharged; one million of dollars have been paid on account of the bonus to the government for the charter; six millions of funded debt have been purchased, and are now held by the bank; three millions five hundred and fifty thousand dollars have been accumulated for the purpose of repairing the losses which had been previously sustained, and there now stands to the credit of profit and loss the sum of $245,796.7; and there is due to the bank $1,279,520.54, for interest which accrued before the first of July last, on suspended debts, and which has not been received.

The losses of the institution were estimated, at the last meeting of the stockholders, at three millions of dollars. They have been found to exceed that sum. The estimates of the dividend committee, in July last, made the aggregate of the losses $3,743,899. This includes all losses to that time, from whatever cause. A very small portion of these lossess, you will discover, has resulted from the business or management posterior to March, 1819. It is hoped, from the lapse of time and the trying circumstances which have intervened, that the losses have reached their utmost amount. The greatest pains have been taken to probe the state of all the offices to the bottom, as the accompanying documents will show.

The western debts, by which are meant those due in the states of Ohio and Kentucky, have been a subject of peculiar anxiety and attention. To ascertain the exact state of them, the board were not satisfied to rely on the ordinary means, but dispatched the cashier of the bank, who was understood to be particularly well acquainted with these states, to look into the situation of the offices in Kentucky and Ohio, and to furnish an estimate of the probable loss which would be sustained upon them. His reports which accompany this communication, will exhibit these results. His estimates very far exceed those of the committees of the offices; and the parent board and the committees of that board have been governed by his estimates, in forming their opinions of the amount of these losses. A number of investigations of particular cases have, in the course of the current transactions of the bank, taken place, and, on all such occasions, his estimates of loss have appeared to be beyond the probable loss, with the exception of the cases of some local banks at Cincinnati. Doubts, however, of the sufficiency of these estimates, founded on the *fear* of the fraudulent disposition of some of the debtors, and the unjust laws of those states in relation to creditors, were excited—the board, therefore, in July, 1821, set apart as an auxiliary fund, in addition to the contingent fund of three millions five hundred and fifty thousand dollars, all excess over the par value of certain stock pledged and transferred to the bank, and all interest due and to grow due on the suspended debts at the offices in Kentucky and Ohio, to be with the said "contingent fund" inviolably appropriated to the extinguishment of the losses of the bank, unless otherwise ordered or advised by the stockholders at a triennial meeting, or at a regular meeting which should be called for the purpose.

The course of policy pursued by the board in relation to suspended debts, and particularly the debts due in the western states, was not to press the debtors rigorously where they were willing to give the best security in their power, and indeed never to press them except with a view to security. The most liberal indulgence therefore has invariably been granted where satisfactory security or the best in the power of the debtor has been given. On the 1st April, 1819, the sum due to the bank in Ohio and Kentucky, including balances due by local banks, was $6,351,120.80; on the 30th August, 1822, the sum due, including also real estate taken in payment, was $5,389,477.18, being a reduction of $961,653.62,* but in the debt now due, is a considerable sum of contingent interest which has been liquidated and notes taken for it, so that the reduction will exceed one million of dollars of the principal. Mortgages, and other collateral security, deemed ample, have in many cases been obtained, in others valuable additional security, in others judgments, and suits are pending in all, or nearly all cases in which security has not been obtained.

The office at Cincinnati was discontinued in September, 1820, and a confidential agent is now employed in winding up its affairs. The reasons for discontinuing this office it would be tedious, and perhaps invidious to narrate, they shall be stated to any committee you may appoint. It has been deemed inexpedient to discontinue any other office.

The several funds which may be relied upon to extinguish the estimated losses are the following: 1. A contingent fund of actual profits which have been reserved of three millions five hundred and fifty thousand dollars. 2. Any excess beyond the par value of 37,954 shares of the capital stock of the bank, pledged to it, and standing in its corporate name on the books. Though the debts secured by these shares are only estimated at par, they give a claim to the bank which will cover any value beyond par which the shares may here-

* Vide monthly statements for 1st April, 1819, and 30th August, 1822.

after bear. 3. The sum of $245,796.7, now standing to the credit of profit and loss. 4. The sum of $1,279,520.54, arrears of interest due the bank. It must be remarked that this last sum includes interest as well on debts estimated as bad and doubtful as on those deemed good. There is now no charge on the bank besides ordinary current charges, except $60,000 dollars semi-annually, which will, if applied for the duration of the charter, extinguish the bonus, the premium on the five per cent. loan, and about forty per cent. of the cost of banking houses which have been erected, and of any that in all likelihood will be hereafter erected, as well as the completion of the building in which you are assembled; and although I have been opposed, and have even entered my dissent upon the journals, to some of the acts of the board in relation to this building, I nevertheless do advise, as it is so near completion, and is so beautiful a specimen of architecture, that it be finished. It never again can be done at so small an expense, and never under the superintendence of an agent more skillful, faithful, economical, and accurate, than the gentleman who planned and has so far executed it. The additional expense will be small.

It was expected by the stockholders at their last meeting, that the bank would have been enabled to have repaired the losses which had been sustained, and to have made a dividend in January, 1820. This the increased estimates of the losses and the stagnation of trade concurred to prevent, while the same causes have diminished the amount of the dividends which have since been made. It will be seen, however, on reference to the accompanying statement, that the bank would have been able to have made dividends which would, no doubt, have been satisfactory to the stockholders during the whole period of this administration, had it not been incumbered as well with the losses as the various embarrassments which belonged, in their origin, to a previous period.

The expenses of the institution very soon attracted the attention of the present administration, but it was not practicable to reduce them immediately. An accompanying statement, however, will show that much has been done towards the accomplishment of this object. The amount is still enormous compared with the profits growing out of the proper operations of banking; that is to say the profits of the bank, exclusive of the dividends received on the funded debt which it holds, and which require no management or expense in the receipt of them.

The monthly statements of the bank exhibit an analysis of the state and current business of the bank, and the several offices, as perfect as the nature of the subjects will permit: but if taken without explanations they are often likely to mislead. No attempt at this time and in this form to give such explanations in a general way would be admissible or practicable, but all such will be cheerfully and promptly given in reply to every inquiry on particular points which may be presented.

You will probably desire to have some notices of the condition of the principal funds in which the capital is invested. This I will briefly attempt:

I. The discounted paper. The current paper of this bank and its offices is probably as good, or better, than the current paper of other banks, in the places respectively where it is due. There is, however, unfortunately a heavy mass of suspended paper, on which interest is continually accruing, a great part of which will, no doubt, in time be recovered, but which adds little or nothing at the present time, to the fund from which the bank is to divide. There is one portion of this which, independently of the losses already sustained by it, and which are included in the estimates, I consider as very good and productive. I mean the forfeited stock, consisting of 37,954 shares which may be considered as a reduction of a capital quite too large, to the extent of their par value.

II. The funded debt held by the bank. This now consists, with the exception of a very inconsiderable sum, of seven millions of five per cent. stock subscribed by the government; of two millions of six per cent. stock purchased in 1820, redeemable at the pleasure of the government; of four millions of five per cent. stock purchased in 1821, and redeemable on the 31st of December, 1835. The two millions of six per cent. stock, of the loan of 1820, will, in all likelihood, be speedily redeemed. The four millions of five per cents. are longer irredeemable than any other stock of the government of the United States, and hence probably, this stock is more valuable than other stock of the government of the United States. It is quoted higher in the London market than the average of the six per cent. stocks. When the bank obtained this stock it was deemed a great bargain. It is now unusually depressed, from causes which probably cannot be permanent, and some stockholders who urged the bank to endeavor to take it at any price, begin now to doubt whether the institution were not better without it. If it were now sold at a profitable rate, as it may be, the same persons, if it rise, would condemn the sale of it. Leaving these persons then to the indulgence of their opinions, it may be remarked that the more the bank can retain of this stock the better for the institution. It wants active funds but for two purposes: Firstly, to pay the loan of $1,000,000, due in London. And, secondly, to give additional capital to its offices. All the offices south of Philadelphia, I venture to say, have as much capital as they can use advantageously.

I cannot stop to give my reasons for this opinion. It is doubtful whether more than half a million in addition to its present funds could be *profitably* employed at the parent bank: more than an additional million I am satisfied, cannot, under any circumstances, be profitably employed at New York, (a great many crude suggestions to the contrary notwithstanding:) and I doubt whether at this moment a dollar more ought to be added; though I am of opinion that a million ought to be added to the capital of that office at a proper time, making the capital $2,500,000 dollars. Half a million added to the capital of the office at Boston, making the capital $1,500,000 dollars, will be enough for that office. All this will be supplied by the redemption of the two millions 6 per cent. loan, and if a little more be necessary, it will soon be supplied from the suspended debt. I think, therefore, if the bank find it necessary to part with a million and a half of this loan, it ought to do it with regret; but it should on no account part with more. The unextinguished part of the premium of this loan is about 4¼ per cent., and the last London quotations are 95 a 96, and the exchange in favor of London 10 to 10½ per cent. It is obvious, therefore, that at the lowest quotations now or at any other time, of this stock, it would realize the cost, in connection with the rate of exchange, the rise of which against this country, is supposed to be the principal cause of the depression of this stock. There is one error in relation to this subject which it may be worth explaining. It is supposed by some, that, because the government of the United States have not been enabled to convert their six per cent. stocks into fives, that a five per cent. stock is deemed undesirable abroad: but the government has never offered a stock like that which the bank holds in exchange for the sixes. It has offered a stock redeemable in eight or ten years. The stock held by the bank is not redeemable in less than thirteen years and three months. No stronger proof can be given that the sixes would be exchanged for such a stock, than the fact that it is quoted higher than the average of the six per cents. in the London market.

The bank, by a resolution of the 28th day of November, 1816, agreed to remit to the holders of the capital stock of the Bank, residing in Europe, the dividends which should be declared thereon, free of expense. This was deemed a very disadvantageous and burthensome engagement on the part of the Bank—advice of eminent counsel has been taken, to know whether the bank was bound to continue these remittances, and it has been advised that it was not bound longer than it should desire to do so from its own views of expediency or advantage. It was determined therefore to discontinue this agency except as to those who had made regular requisitions, or who should do so by a given day. As to these it was thought better that the bank should make the sacrifice which these remittances required, than incur the suspicion of having misled th holders of stock who had made the requisition, perhaps, under the impression, that the regulation was not disadvantageous to the bank, and that it would be permanent; as to all others there was no pretence of claim. There is one case of 3540 shares which is under consideration, which the bank has heretofore determined not to be entitled to this privilege, but the parties have urged a reconsideration of it. If this be embraced, the number of shares on which the bank has determined to continue remittances will be 15,330 shares. If they be excluded, the number will be 11,790 shares.

With these facts, and an inspection of the documents which are referred to, and ready to be exhibited, the stockholders will be able to form an opinion for themselves, with all the lights and information which I have, or of which the subject is susceptible, of the state of the bank, and may offer their advice and express their opinions accordingly.

LANGDON CHEVES,
President of the Bank of the United States.

"*Bank United States, Sept.* 25, 1822.

"The committee of inspection and investigation appointed in pursuance of a resolution adopted at the meeting of the stockholders, met agreeably to adjournment. Mr. Cheves continued the proof of his statements, and closed at 12—when, on motion of Mr. Hamilton, the following resolution was unanimously adopted:

"*Resolved*, That, in the opinion of this committee, Mr. Cheves has fully and satisfactorily proved the facts detailed in his statement of the past and present condition of the

bank, submitted by him to the stockholders, on the 2d September, and now in the possession of this committee."

I do hereby certify that the above is a correct extract from the minutes of the committee of stockholders of the bank of the United States, signed by the chairman and secretary, and deposited in this bank for safe keeping.

J. ANDREWS, *Assistant Cashier.*
Bank United States, October 17, 1822.

M'DUFFIE'S REPORT.

House of Representatives, April 13, 1830.

Mr. M'Duffie, from the Committee of Ways and Means, to which the subject had been referred, made the following

REPORT:

The Committee of Ways and Means, to whom was referred so much of the message of the president as relates to the Bank of the United States, beg leave to report:

That they have bestowed upon the subject all the attention demanded by its intrinsic importance, and now respectfully submit the result of their deliberations to the consideration of the house. There are few subjects, having reference to the policy of an established government, so vitally connected with the health of the body politic, or in which the pecuniary interests of society are so extensively and deeply involved. No one of the attributes of sovereignty carries with it a more solemn responsibility, or calls in requisition a higher degree of wisdom, than the power of regulating the common currency, and thus fixing the general standard of value for a great commercial community, composed of confederated states.

Such being, in the opinion of the committee, the high and delicate trust exclusively committed to congress by the constitution, they have proceeded to discharge the duty assigned to them with a corresponding sense of its magnitude and difficulty.

The most simple and obvious analysis of the subject, as it is presented by the message of the president, exhibits the following questions for the decision of the national legislature:

1. Has congress the constitutional power to incorporate a bank, such as that of the United States?

2. Is it expedient to establish and maintain such an institution?

3. Is it expedient to establish a "national bank, founded upon the credit of the government and its revenues?"

I. If the concurrence of all the departments of the government, at different periods of our history, under every administration, and during the ascendancy of both the great political parties into which the country was divided, soon after the adoption of the present constitution, shall be regarded as having the authority ascribed to such sanctions by the common consent of all well regulated communities, the constitutional power of congress to incorporate a bank, may be assumed as a postulate no longer open to controversy. In a little more than two years after the government went into operation, and at a period when most of the distinguished members of the federal convention were either in the executive or legislative councils, the act incorporating the first bank of the United States passed both branches of congress, by large majorities, and received the deliberate sanction of President Washington, who had then recently presided over the deliberations of the convention. The constitutional power of congress to pass the act of incorporation was thoroughly investigated, both in the executive cabinet and in congress, under circumstances in all respects propitious to a dispassionate decision. There was at that time no organization of political parties, and the question was, therefore, decided by

those who, from their knowledge and experience, were peculiarly qualified to decide correctly; and who were entirely free from the influence of that party excitement and prejudice which would justly impair, in the estimation of posterity, the authority of a legislative interpretation of the constitutional charter. No persons can be more competent to give a just construction to the constitution, than those who had a principal agency in framing it; and no administration can claim a more perfect exemption from all those influences which sometimes pervert the judgments even of the most wise and patriotic, than that of the father of his country, during the first term of his service.

Such were the circumstances under which all the branches of the national legislature solemnly determined that the power of creating a national bank was vested in congress, by the constitution. The bank, thus created, continued its operations for twenty years—the period for which its charter was granted—during which time, public and private credit were raised from a prostrate to a very elevated condition, and the finances of the nation were placed upon the most solid foundation.

When the charter expired in 1811, congress refused to renew it, principally owing, as the committe believe, to the then existing state of political parties. Soon after the bank was chartered, the two great parties that have since divided the country began to assume an organized existence. Mr. Jefferson and Mr. Madison, the former in the executive cabinet, and the latter in congress, had been opposed to the establishment of the bank, on constitutional grounds, and being placed at the head of the party most favorable to the extension of the powers of the government, by implication, the bank question came to be regarded as, in some degree, the test of political principle.

When Mr. Jefferson came into power upon the strong tide of a great political revolution, the odium of the alien and sedition laws, was, in part, communicated to the Bank of the United States; and although he gave his official sanction to an act creating a new branch of that institution at

New Orleans, and to another to punish the counterfeiting of its bills, yet when the question of renewing the charter came before congress, it was discussed as a party question. And though some of the most distinguished republicans, including Mr. Gallatin, then secretary of the treasury, and Mr. Crawford, then a member of the senate, were decidedly in favor of the renewal, sustaining the measure by able arguments, the votes in both branches of congress were distinctly marked as party votes. At no time, since the commencement of the government, has there existed a more violent party excitement, than that which marked the period under review. It was the period of the embargo, non-intercourse, and other commercial restrictions; when the undiscriminating opposition of the leaders of the federal party to the measures adopted by the administration, to vindicate our rights against British aggression, had caused the great majority of the American people to view these leaders as the apologists of a nation, already regarded in the light of a public enemy. When to these circumstances we add, that the stock of the bank was principally held by British subjects, and Americans of the unpopular party, the house will readily perceive how great were the national and party prejudices, which must have been arrayed against the proposition to renew its charter. It was stated by Mr. Clay, in a speech delivered in the senate, that seven-tenths of the stock belonged to British subjects, and that certain English noblemen, and a late lord chancellor, were among the very largest of the stockholders. With all these difficulties to encounter, the proposition for renewing the charter was lost only by the casting vote of the president of the senate, and by a majority of a single vote in the house of representatives.

In less than three years after the expiration of the charter—the war with Great Britain having taken place in the mean time—the circulating medium became so disordered, the public finances so deranged, and the public credit so impaired, that the enlightened patriot, Mr. Dallas, who then presided

over the treasury department, with the sanction of Mr. Madison, and, as it is believed, every member of the cabinet, recommended to congress the establishment of a National Bank, as the only measure by which the public credit could be revived, and the fiscal resources of the government redeemed from a ruinous, and otherwise incurable embarrassment; and such had been the impressive lesson taught by a very brief, but fatal experience, that the very institution, which had been so recently denounced, and rejected by the republican party, being now recommended by a republican administration, was carried through both branches of congress, as a republican measure, by an overwhelming majority of the republican party. It is true that Mr. Madison did not approve and sign the bill which passed the two houses, because it was not such a bill as had been recommended by the secretary of the treasury, and because the bank it proposed to create, was not calculated, in the opinion of the president, to relieve the necessities of the country. But he premised his objections to the measure, by "waiving the question of the constitutional authority of the legislature to establish an incorporated bank, as being precluded, in his opinion, 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." Another bill was immediately introduced, and would, in all probability, have become a law, had not the news of peace, by doing away the pressure of the emergency, induced congress to suspend further proceedings on the subject, until the ensuing session. At the commencement of that session, Mr. Madison invited the attention of congress to the subject; and Mr. Dallas again urged the necessity of establishing a bank to restore the currency, and facilitate the collection and disbursement of the public revenue; and so deep and solemn was the conviction upon the minds of the public functionaries, that such an institution was the only practicable means of restoring the circulating medium to a state of soundness, that, notwithstanding the decided opposition of all the state banks and their debtors, and indeed, the whole debtor class of the community, the act, incorporating the present Bank of the United States, was passed by considerable majorities in both branches of congress, and approved by Mr. Madison.

The brief history of the former and present bank, forcibly suggests a few practical reflections. It is to be remarked, in the first place, that, since the adoption of the constitution, a bank has existed under the authority of the federal government, for thirty-three out of forty years, during which time, public and private credit have been maintained at an elevation fully equal to what has existed in any nation in the world: whereas, in the two short intervals, during which no national bank existed, public and private credit were greatly impaired, and in the latter instance, the fiscal operations of the government were almost entirely arrested. In the second place, it is worthy of special notice, that, in both the instances in which congress has created a bank, it has been done under circumstances calculated to give the highest authority to the decision. The first instance, as has been already remarked, was in the primitive days of the republic, when the patriots of the revolution, and the sages of the federal convention, were the leading members both of the executive and legislative councils; and when General Washington, who, at the head of her armies, had conducted his country to independence, and, as the head of the convention, had presided over those deliberations which resulted in the establishment of the present constitution, was the acknowledged president of a people, undistracted by party divisions. The second instance was under circumstances of a very different, but equally decisive character. We find the very party which had so recently defeated the proposition to renew the charter of the old bank, severely schooled both by adversity and experience, magnanimously sacrificing the pride

of consistency, and the prejudices of party, at the shrine of patriotism. It may be said, without disparagement, that an assembly of higher talent and purer patriotism has never existed since the days of the revolution, than the congress by which the present bank was incorporated. If ever a political party existed, of which it might be truly said, that "all the ends they aimed were their country's," it was the republican party of that day. They had just conducted the country through the perils of a war, waged in defense of her rights and honor; and, elevating their views far above the narow and miserable ends of party strife, sought only to advance the permanent happiness of the people. It was to this great end, that they established the present bank.

In this review, it will be no less instructive than curious to notice some of the changes made in the opinions of prominent men, yielding to the authority of experience. Mr. Madison, who was the leading opponent of the bank created in 1791, recommended and sanctioned the bank created in 1816; and Mr. Clay, who strenuously opposed the renewal of the charter in 1811, as strenuously supported the proposition to grant the charter in 1816.

That may be said of the bank charter, which can be said of few contested questions of constitutional power. Both the great political parties that have so long divided the country, have solemnly pronounced it to be constitutional, and there are but very few of the prominent men of either party, who do not stand committed in its favor. When, to this imposing array of authorities, the committee add the solemn and unanimous decision of the supreme court, in a case which fully and distinctly submitted the constitutional question to their cognizance, may they not ask, in the language of Mr. Dallas, "can it be deemed a violation of the right of private opinion to consider the constitutionality of a national bank as a question for ever settled and at rest?"

And here the committee beg to be distinctly understood, as utterly disclaiming the idea of ascribing to the decision of any or of all the departments of the government upon a great constitutional question, the binding authority which belongs to judicial precedents, in cases of mere private right, depending upon the construction of the ordinary acts of the legislature. No length of prescription, or concurrence of authority, can consecrate the usurpation of powers subversive of public liberty, and destructive of public happiness. But, where the power exercised is clearly conducive to the public welfare, and its constitutionality is merely doubtful, it would seem to be one of the most obvious dictates of practical wisdom, to regard the decision of those who had the best means of ascertaining the intention of the constitution, and who were actuated by the most undoubted purity and disinterestedness of motive, as of sufficient authority at least to overrule theoretical objections, and silence individual scruples.

The committee will now submit a few remarks, with the design of showing, that, viewing the constitutionality of the bank as an original question, the arguments in its favor are at least as strong as those against it.

The earliest, and the principal objection urged against the constitutionality of a national bank, was, that congress had not the power to create corporations. That congress has a distinct and substantive power to create corporations, without reference to the objects intrusted to its jurisdiction, is a proposition which never has been maintained, within the knowledge of the committee; but that any one of the powers expressly conferred upon congress, is subject to the limitation, that it shall not be carried into effect by the agency of a corporation, is a proposition which cannot be maintained, in the opinion of the committee.

If congress, under the authority to pass *all laws*, necessary and proper for carrying into effect the powers vested in all or any of the departments of the government, may rightfully pass a law inflicting the punishment of death, *without any other authority*, it is difficult to conceive why it may not pass a law, under the same authority, for the more humble

purpose of creating a corporation. The power of creating a corporation is one of the lowest attributes, or, more properly speaking, incidents of sovereign power. The chartering of a bank, for example, does not authorize the corporation to do any thing which the individuals composing it might not do without the charter. It is the right of every individual of the Union to give credit to whom he chooses, and to obtain credit where he can get it. It is not the policy of any commercial country to restrict the free circulation of credit, whether in the form of promissory notes, bills of exchange, or bank notes. The charter of the Bank of the United States, therefore, merely enables the corporation to do, in an artificial capacity, and with more convenience, what it would be lawful for the individual corporators to do without incorporation. Mr. Girard established a bank in Philadelphia, without a charter, which was in very high credit within the sphere of its circulation; and it cannot be doubted, that he might have formed a banking copartnership with the principal capitalists in the other commercial cities of the Union, of which the bills would have had a general credit in every part of the country, particularly if the federal government had provided that these bills should be received in discharge of its dues. The only material particular in which the charter of the Bank of the United States confers a privilege upon the corporation, apparently inconsistent with the state laws, is, the exemption of the individual property of the corporators from responsibility for the debts of the corporation. But, if the community deal with the bank, knowing that the capital subscribed is alone responsible for its debts, no one can complain either of imposition or injury; and, in point of fact, no one ever has complained on that score, or ever will. The real complaint against the bank, is not that it has not a sufficient basis for its credit, but that its credit is too extensive. The objection lies, therefore, not against the artificial character communicated to the stockholders by the charter, but against the pecuniary operations of the bank itself. Now these operations consist in the use of its own capital—a faculty not surely derived from the government, but in the exercise of which the government imposes many useful restrictions for the benefit of itself and of the community.

The committee have presented this brief analysis of a bank corporation, with a view of showing that there is nothing in the nature of the thing which renders it unfit to be an instrument in the hands of a government, admitted to be sovereign in its appropriate sphere, for carrying into effect powers expressly delegated.

It now remains for the committee to show that the Bank of the United States is a "necessary and proper," or, in other words, a natural and appropriate, means of executing the powers vested in the federal government. In the discussion of 1791, and also in that before the supreme court, the powers of raising, collecting, and disbursing the public revenue, of borrowing money on the credit of the United States, and paying the public debt, were those which were supposed most clearly to carry with them the incidental right of incorporating a bank, to facilitate these operations. There can be no doubt, that these fiscal operations are greatly facilitated by a bank, and it is confidently believed that no person has presided twelve months over the treasury, from its first organization to the present time, without coming to the conclusion that such institution is exceedingly useful to the public finances in time of peace, but indispensable in time of war. But as this view of the question has been fully unfolded in former discussions, familiar to the house, the committee will proceed to examine the relation which the bank of the United States bears to another of the powers of the federal government, but slightly adverted to in former discussions of the subject.

The power to "coin money and fix the value thereof," is expressly and exclusively vested in congress. This grant was evidently intended to invest congress with the power of regulating the circulating medium. "Coin" was regarded

at the period of framing the constitution, as synonymous with "currency," as it was then generally believed that bank notes could only be maintained in circulation by being the true representative of the precious metals. The word "coin," therefore, must be regarded as a particular term, standing as the representative of a general idea. No principle of sound construction will justify a rigid adherence to the letter, in opposition to the plain intention of the clause. If, for example, the gold bars of Ricardo should be substituted for our present coins, by the general consent of the commercial world, could it be maintained that congress would not have the power to *make* such money, and fix its value, because it is not "coined?" This would be sacrificing sense to sound, and substance to mere form. This clause of the constitution is analogous to that which gives congress the power to "establish post roads." Giving to the word "establish" its restricted interpretation, as being equivalent to "fix," or "prescribe," can it be doubted that congress has the power to establish a canal or a river as a post rout, as well as a road? Roads were the ordinary channels of conveyance, and the term was, therefore, used as synonymous with "routs," whatever might be the channel of transportation, and, in like manner, "coin," being the ordinary and most known form of a circulating medium, that term was used as synonymous with currency.

An argument in favor of the view just taken, may be fairly deduced from the fact, that the states are expressly prohibited from "coining money, or emitting bills of credit," and from "making any thing but gold and silver a lawful tender in payment of debts." This strongly confirms the idea, that the subject of regulating the circulating medium, whether consisting of coin or paper, was, at the same time that it was taken from the control of the states, vested in the only depository in which it could be placed, consistently with the obvious design of having a common measure of value throughout the Union.

But even if it should be conceded that the grant of power to "coin money and fix the value thereof," does not, in its terms, give congress the power of regulating any other than the "coined" currency of the Union, may not the power of regulating any substituted currency, and especially one which is the professed representative of coin, be fairly claimed as an incidental power—as an essential means of carrying into effect the plain intention of the constitution, in clothing congress with the principal power? This power was granted in the same clause with that to regulate weights and measures, and for similar reasons. The one was designed to insure a uniform measure of value, as the other was designed to insure a uniform measure of quantity. The former is decidedly the more important, and belongs essentially to the general government, according to every just conception of our system. A currency of uniform value is essential to what every one will admit to be of cardinal importance: the equal action of our revenue system upon the different parts of the Union. The state of things which existed when the bank was incorporated, furnished a most pregnant commentary on this clause of the constitution. The currency of the country consisted of the paper of local banks, variously depreciated. At one of the principal sea-ports the local currency was 20 per cent. below par. Now it was in vain for congress to regulate the value of coin, when the actual currency, professing to be its equivalent, bore no fixed relation to it. This great and essential power of fixing the standard of value, was, in point of fact, taken from congress, and exercised by some hundreds of irresponsible banking corporations, with the strongest human motives to abuse it, because their enormous profits resulted from the abuse. The power of laying and collecting imposts and excises, is expressly subject to the condition that they "shall be uniform throughout the United States;" and it is also provided, that "no preference shall be given, by any regulation of commerce or *revenue*, to the ports of one state over those of another." Now, when it is known that

the circulating medium of Baltimore was 20 per cent. below the value of the circulating medium of Boston, is it not apparent that an impost duty, though nominally uniform, would, in effect, make a discrimination in favor of Baltimore, proportioned to the depreciation of the local currency? Congress, therefore, not only had the power, but, as it seems to the committee, were under the most solemn constitutional obligation to restore the disordered currency; and the Bank of the United States was not only an appropriate means for the accomplishment of that end, but, in the opinion of the committee, the only safe and effectual means that could have been used. This view of the subject is in full accordance with the opinion of Mr. Madison, as expressed in his message of December, 1816. "But," says he, "for the interest of the community at large, as well as for the purpose of the treasury, it is essential that the nation should possess a currency of equal value, credit, and use, wherever it may circulate. The constitution has intrusted congress, exclusively, with the power of creating and regulating a currency of that description, and the measures which were taken, during the last session, in execution of the power, give every promise of success. The Bank of the United States, under auspices the most favorable, cannot fail to be an important auxiliary."

Such are the authorities and such the arguments which have brought the committee to the conclusion, that the power to incorporate a bank is incidental to the powers of collecting and disbursing the public revenue; of borrowing money on the credit of the United States; of paying the public debt; and above all, of fixing and regulating the standard of value, and thereby insuring, at least so far as the medium of payment is concerned, the uniformity and equality of taxation.

II. The next question proposed for consideration, is the expediency of establishing an incorporated bank, with a view to promote the great ends already indicated. In discussing the constitutionality of such a measure, some of the considerations which render it expedient have been slightly unfolded. But these require a more full and complete development, while others remain to be presented.

It must be assumed as the basis of all sound reasoning on this subject, that the existence of a paper currency, issued by banks deriving their charters from the state governments, cannot be prohibited by congress. Indeed bank credit and bank paper are so extensively interwoven with the commercial operations of society, that, even if congress had the constitutional power, it would be utterly impossible to produce so entire a change in the moneyed system of the country, as to abolish the agency of banks of discount, without involving the community in all the distressing embarrassments usually attendant on great political revolutions, subverting the titles to private property. The sudden withdrawal of some hundred millions of bank credit, would be equivalent, in its effects, to the arbitrary and despotic transfer of the property of one portion of the community to another, to the extent, probably, of half that amount. Whatever, therefore, may be the advantages of a purely metallic currency, and whatever the objections to a circulating medium partly composed of bank paper, the committee consider that they are precluded, by the existing state of things, from instituting a comparison between them, with a view to any practical result.

If they were not thus precluded, and it were submitted to them as an original question, whether the acknowledged and manifold facilities of bank credit and bank paper, are not more than counterbalanced by the distressing vicissitudes in trade, incident to their use, they are by no means prepared to say, that they would not give a decided preference to the more costly and cumbersome medium.

But the question really presented for their determination, is not between a metallic and a paper currency, but between a paper curency of uniform value, and subject to the control of the only power competent to its regulation, and a paper currency of varying and fluctuating value, and subject to no

common or adequate control whatever. On this question it would seem that there could scarcely exist a difference of opinion; and that this is substantially the question involved in considering the expediency of a national bank, will satisfactorily appear by the comparison of a state of the currency previous to the establishment of the present bank, and its condition for the last ten years.

Soon after the expiration of the charter of the first bank of the United States, an immense number of local banks sprung up under the pecuniary exigencies produced by the withdrawal of so large an amount of bank credit, as necessarily resulted from the winding up of its concerns—an amount falling very little short of fifteen millions of dollars. These banks being entirely free from the salutary control which the bank of the United States had recently exercised over the local institutions, commenced that system of imprudent trading and excessive issues, which speedily involved the country in all the embarrassments of a disordered currency. The extraordinary stimulus of a heavy war expenditure, derived principally from loans, and a corresponding multiplication of local banks, chartered by the double score in some of the states, hastened the catastrophe which must have occurred, at no distant period, without these extraordinary causes. The last year of the war presented the singular and melancholy spectacle of a nation abounding in resources, a people abounding in self-devoting patriotism, and a government reduced to the very brink of avowed bankruptcy, solely for the want of a national institution, which, at the same time that it would have facilitated the government loans and other treasury operations, would have furnished a circulating medium of general credit in every part of the Union. In this view of the subject, the committee are fully sustained by the opinion of Mr. Dallas, then secretary of the treasury, and by the concurring and almost unanimous opinion of all parties in congress; for whatever diversity of opinion prevailed as to the proper basis and organization of a bank, almost every one agreed that a national bank of some sort was indispensably necessary to rescue the country from the greatest of financial calamities.

The committee will now present a brief exposition of the state of the currency at the close of the war, of the injury which resulted from it, as well to the government as to the community, and their reasons for believing that it could not have been restored to a sound condition, and cannot now be preserved in that condition, without the agency of such an institution as the Bank of the United States.

The price current appended to this report will exhibit a scale of depreciation in the local currency, ranging through various degrees to twenty, and even to twenty-five per cent. Among the principal eastern cities, Washington and Baltimore were the points at which the depreciation was greatest. The paper of the banks in these places, was from 20 to 22 per cent. below par. At Philadelphia the depreciation was considerably less, though even there it was from 17 to 18 per cent. In New York and Charleston, it was from 7 to 10 per cent. But in the interior of the country, where banks were established, the depreciation was even greater than at Washington and Baltimore. In the western part of Pennsylvania, and particularly at Pittsburg, it was 25 per cent. These statements, however, of the relative depreciation of bank paper at various places, as compared with specie, give a very inadequate idea of the enormous evils inflicted upon the community, by the excessive issues of bank paper. No proposition is better established than that the value of money, whether it consists of specie or paper, is depreciated in exact proportion to the increase of its quantity, in any given state of the demand for it. If, for example, the banks in 1816 doubled the quantity of the circulating medium by their excessive issues, they produced a general degradation of the entire mass of the currency, including gold and silver, proportioned to the redundancy of the issues, and wholly independent of the relative depreciation of bank paper at different places, as compared with specie. The nominal money price

of every article was of course one hundred per cent. higher than it would have been, but for the duplication of the quantity of the circulating medium. Money is nothing more nor less than the measure by which the relative value of all articles of merchandise is ascertained. If, when the circulating medium is fifty millions, an article should cost one dollar, it would certainly cost two, if, without any increase of the uses of a circulating medium, its quantity should be increased to one hundred millions. This rise in the price of commodities, or depreciation in the value of money, as compared with them, would not be owing to the want of credit in the bank bills, of which the currency happened to be composed. It would exist though these bills were of undoubted credit, and convertible into specie at the pleasure of the holder, and would result simply from the redundancy of their quantity. It is important to a just understanding of the subject, that the relative depreciation of bank paper at different places, as compared with specie, should not be confounded with this general depreciation of the entire mass of the circulating medium, including specie. Though closely allied, both in their causes and effects, they deserve to be separately considered.

The evils resulting from the relative depreciation of bank paper at different places, are more easily traced to their causes, more palpable in their nature, and consequently more generally understood by the community. Though much less ruinous than the evils resulting from the general depreciation of the whole currency, they are yet of sufficient magnitude to demand a full exposition.

A very serious evil, already hinted at, which grew out of the relative depreciation of bank paper, at the different points of importation, was its inevitable tendency to draw all the importations of foreign merchandise to the cities where the depreciation was greatest, and divert them from those where the currency was comparatively sound. If the Bank of the United States had not been established, and the government had been left without any alternative, but to receive the de preciated local currency, it is difficult to imagine the extent to which the evasion of the revenue laws would have been carried. Every state would have had an interest to encourage the excessive issues of its banks, and increase the degradation of its currency, with a view to attract foreign commerce. Even in the condition which the currency had reached in 1816, Boston and New York and Charleston would have found it advantageous to derive their supplies of foreign merchandise through Baltimore; and commerce would undoubtedly have taken that direction had not the currency been corrected. To avoid this injurious diversion of foreign imposts, Massachusetts and New York and South Carolina would have been driven by all motives of self-defense and self-interest, to dedgrae their respective currencies at least to a par with the currency of Baltimore; and thus a rivalry in the career of depreciation would have sprung up, to which no limit can be assigned. As the tendency of this state of things would have been to cause the largest portion of the revenue to be collected at a few places, and in the most depreciated of the local currency, it would have followed that a very small part of that revenue would have been disbursed at the points where it was collected. The government would consequently have been compelled to sustain a heavy loss upon the transfer of its funds to the points of expenditure. The annual loss which would have resulted from these causes alone, cannot be estimated at a less sum than two millions of dollars.

But the principal loss which resulted from the relative depreciation of bad paper at different places, and its want of general credit, was that sustained by the community, in the great operations of commercial exchange. The extent of these operations annually may be safely estimated at sixty millions of dollars. Upon this sum the loss sustained by the merchants, and planters, and farmers, and manufacturers, was not probably less than an average of ten per cent., being the excess of the rate of exchange beyond its natural rate in sound state of the currency, and beyond the rate to which it has been actually reduced by the operations of the Bank of

the United States. It will be thus perceived that an annual tax of six millions of dollars was levied from the industrious and productive classes, by the large moneyed capitalists in our commercial cities, who were engaged in the business of brokerage. A variously depreciated currency, and a fluctuating state of the exchanges, open a wide and abundant harvest to the money brokers; and it is not, therefore, surprising, that they should be opposed to an institution, which, at the same time that it has relieved the community from the enormous tax just stated, has deprived them of the enormous profits which they derived from speculating in the business of exchange. In addition to the losses sustained by the community, in the great operations of exchange, extensive losses were suffered throughout the interior of the country, in all the smaller operations of trade, as well as by the failure of the numerous paper banks, puffed into a factitious credit by fraudulent artifices, and having no substantial basis of capital to insure the redemption of their bills.

But no adequate conception can be formed of the evils of a depreciated currency, without looking beyond the relative depreciation at different places, to the general depreciation of the entire mass. It appears from the report of Mr. Crawford, the secretary of the treasury in 1820, that during the general suspension of specie payments, by the local banks, in the years 1815 and 1816, the circulating medium of the United States had reached the aggregate amount of one hundred and ten millions of dollars, and that, in the year 1819, it had been reduced to forty-five millions of dollars, being a reduction of fifty-nine per cent. in the short period of four years. The committee are inclined to the opinion, that the severe and distressing operation of restoring a vicious currency to a sound state, by the calling in of bank paper, and the curtailment of bank discounts, had carried the reduction of the currency, in 1819, to a point somewhat lower than was consistent with the just requirements of the community for a circulating medium, and that the bank discounts have been gradually enlarged since that time, so as to satisfy those requirements. It will be assumed, therefore, that the circulating medium of the United States has been fifty-five millions of dollars for the last ten years, taking the average.

Even upon this assumption it will follow, that the national currency has been one hundred per cent. more valuable for the last ten years, than it was in 1816. In other words, two dollars would purchase no more of any commodity in 1816, than one dollar has been capable of purchasing at any time since 1819. It is obvious, therefore, that the depreciation of the paper of particular banks, at any particular time, as compared with specie, furnishes no criterion by which to ascertain the general depreciation of the whole currency, including specie, as compared with the value of that currency at a different period. A specie dollar, in 1816, would purchase no more than half as much as a paper dollar will purchase at present.

Having endeavored to explain, thus briefly, the general depreciation resulting from a redundant currency, the committee will now proceed to point out some of the injurious consequences which have resulted from those great changes in the standard of value, which have been unavoidably produced by the correction of the redundancy.

An individual who borrowed a sum of money in 1816, and paid it in 1820, evidently returned to the lender double the value received from him; and one who paid a debt in 1820, which he had contracted in 1816, as evidently paid double the value he had stipulated to pay, though nominally the same amount in money. It is in this way that fluctuations in the quantity and value of the currency interfere, in the most unjust and injurious manner, between debtor and creditor.

And when banks have the power of suspending specie payments, and of arbitrarily contracting and expanding their issues, without any general control, they exercise a more dangerous and despotic power over the property of the community, than was ever exercised by the most absolute government. In such a state of things, every man in the community holds his property at the mercy of money making corporations, which have a decided interest to abuse their power.

By a course of liberal discounts and excessive issues for a few years, followed by a sudden calling in of their debts, and contraction of their issues, they would have the power of transferring the property of their debtors to themselves, almost without limit. Debts contracted when their discounts were liberal, and the currency of course depreciated, would be collected when their discounts were almost suspended, and the currency of course unnaturally appreciated; and in this way the property of the community might pass under the hammer, from its rightful owners to the banks, for less than one half its intrinsic value. If the committee have not greatly mistaken the matter, there is more of history than of speculation in what they have here presented to the consideration of the house.

It is impossible to form any thing like an accurate estimate of the injuries and losses sustained by the community, in various ways, by the disorders and fluctuations of the currency, in the period which intervened between the expiration of the old bank charter, and the establishment of the present bank. But some tolerable notion may be formed of the losses sustained by the government, in its fiscal operations, during the war.

The committee have given this part of the subject an attentive and careful examination, and they cannot estimate the pecuniary losses of the government, sustained exclusively for the want of a sound currency and an efficient system of finance, at a sum less than forty-six millions of dollars. If they shall make this apparent, the house will have something like a standard for estimating the individual losses of the community.

The government borrowed, during the short period of the war, eighty millions of dollars, at an average discount of fifteen per cent., giving certificates of stock, amounting to eighty millions of dollars, in exchange for sixty-eight millions of dollars, in such bank paper as could be obtained. In this statement, treasury notes are considered as stock, at twenty per cent. discount. Upon the very face of the transaction, therefore, there was a loss of twelve millions of dollars, which would in all probability have been saved, if the treasury had been aided by such an institution as the Bank of the United States. But the sum of sixty-eight millions of dollars, received by the government, was in a depreciated currency, not more than half as valuable as that in which the stock given in exchange for it has been and will be redeemed. Here, then, is another loss of thirty-four millions, resulting, incontestibly and exclusively, from the depreciation of the currency, and making, with the sum lost by the discount, forty-six millions of dollars. While, then, the government sustained this great pecuniary loss in less than three years of war, amounting annually to more than the current expenses of the government in time of peace, it is worth while to inquire, who were the persons who profited to this enormous amount, by the derangement of the currency? It will be found that the whole benefit of this speculation upon the necessities of the government, was realized by stockjobbers and money brokers, the very same class of persons who profited so largely by the business of commercial exchanges, in consequence of the disorders of the currency, and who have the same interest in the recurrence of those disorders, as lawyers have in litigation, or physicians in the diseases of the human frame. Having presented these general views of the evils which existed previous to the establishment of the Bank of the United States, it remains for the committee to inquire how far this institution has effected a remedy of those evils.

The first great question which arises under this branch of the inquiry is, whether or no the bank has corrected the disorders of the circulating medium, by providing a paper currency, convertible into specie at the pleasure of the holder, and of equal value with specie at all points of the Union?

The chief magistrate, in that part of his first message which relates to the Bank of the United States, expresses the opinion, that "it has failed in the great end of establishing a uniform and sound currency." After giving to this opinion all the consideration to which it is so justly entitled, from the eminent station and high character of the citizen by whom it is entertained, the committee are constrained to express their respectful but decided dissent from it. It is true, that the bank does not, in all cases, redeem the bills issued by any one of its branches, indiscriminately at all the other branches: and it is in reference to this fact, as the committee presume, that the president expresses the opinion that the institution has failed to establish "a uniform and sound currency."

It is confidently believed, that no one of the persons who were principally instrumental in establishing the bank, ever entertained an idea that it would attempt to redeem its bills at any of its offices, other than those by which they should be respectively issued. The charter certainly contains no such requirement, and it would have been highly inexpedient if it had, to say nothing of its obvious injustice. The inevitable effect of such a requirement, would have been to compel the bank to perform the whole of the commercial exchanges of the country, without any compensation. It would not be more unjust to require a rail road company to transport all the productions of the country without compensation. No institution could stand such an operation; and it was the injudicious attempt of the first direction of the bank to do it, that principally contributed to the embarrassments of 1819. A committee was appointed by the house of representatives, in that year, to investigate the management of the bank; and in the report of that committee, as well as in the discussions to which it gave rise in the house, this attempt of the direction to redeem the bills of the institution, indiscriminately, at all its branches, was indicated as one of the causes of the existing embarrassment. No one who participated in the debate, pretended to alledge that the bank was bound to redeem its bills indiscriminately, or that it was expedient that it should do so. The most that any one did, was to apologize for the unwise attempt.

But it yet remains for the committee to show that this indiscriminate redeemability of the bills of all the branches of the bank, is not necessary to "the establishment of a uniform and sound currency."

Human wisdom has never effected, in any other country, a nearer approach to uniformity in the currency, than that which is made by the use of the precious metals. If, therefore, it can be shown that the bills of the United States Bank are of equal value with silver at all points of the Union, it would seem that the proposition is clearly made out, that the bank has accomplished "the great end of establishing a uniform and sound currency." It is not denied that the bills of the mother bank, and of all its branches, are invariably and promptly redeemed in specie, whenever presented at the offices by which they have been respectively issued, and at which, upon their face, they purport to be payable. Nor is it denied that the bills of the bank, and of all the branches, are equal to specie in their respective spheres of circulation. Bills, for example, issued by the mother bank, are admitted to be equal to silver in Pennsylvania, and all those parts of the adjacent states of which Philadelphia is the market. But it is contended that these bills, not being redeemable at Charleston and New Orleans, are not of equal value with silver to the merchant who wishes to purchase cotton with them, in those cities. Now, if the Philadelphia merchant had silver, instead of bank bills, he certainly could not effect his purchases with it in Charleston or New Orleans, without having the silver conveyed to those places; and it is equally certain that he could not have it conveyed there, without paying for its transportation and insurance. These expenses constitute the natural rate of exchange between those cities, and indicate the exact sum which the merchant would give as a premium for a bill of exchange, to avoid the trouble and delay

of transporting his specie. It is obvious, therefore, that even for these distant operations of commerce, silver would be no more valuable than the bills of the bank: for these would purchase a bill of exchange on either of the cities mentioned, precisely as well as silver. If the operation should be reversed, and the planter of Louisiana or South Carolina should desire to place his funds in Philadelphia, with a view to purchase merchandise, he would find the bills of the branch bank in either of those states, entirely equivalent to silver in effecting his object. Even, therefore, if the bank had not reduced the rate of the exchanges, it might be safely asserted, that its bills would be of equal value with silver at every point in the Union, and for every purpose, whether local or general.

But it is impossible to exhibit any thing like a just view of the beneficial operations of the bank, without adverting to the great reduction it has effected, and the steadiness it has superinduced, in the rate of the commercial exchanges of the country. Though this branch of the business of the bank has been the subject of more complaint, perhaps, than any other, the committee have no hesitation in saying, it has been productive of the most signal benefits to the community, and deserves the highest commendation. It has been already stated that it has saved the community from the immense losses resulting from a high and fluctuating state of the exchanges. It now remains to show its effect in equalizing the currency. In this respect it has been productive of results more salutary than were anticipated by the most sanguine advocates of the policy of establishing the bank. *It has actually furnished a circulating medium more uniform than specie.* This proposition is susceptible of the clearest demonstration. If the whole circulating medium were specie, a planter of Louisiana, who should desire to purchase merchandise in Philadelphia, would be obliged to pay one per cent. either for a bill of exchange on this latter place, or for the transportation and insurance of his specie. His specie at

New Orleans, where he he had no present use for it, would be worth one per cent. less to him than it would be in Philadelphia, where he had a demand for it. But, by the aid of the Bank of the United States, one half of the expense of transporting specie is now saved to him. The bank, for one half of one per cent. will give him a draft upon the mother bank at Philadelphia, with which he can draw either the bills of that bank, or specie, at his pleasure. In like manner, the bank and its branches will give drafts from any point of the Union to any other where offices exist, at a per centage greatly less than it would cost to transport specie, and in many instances at par. If the merchant or planter, however, does not choose to purchase a draft from the bank, but prefers transmitting the bills of the office where he resides to any distant point, for commercial purposes, although these bills are not strictly redeemable at the point to which they are transmitted, yet, as they are receivable in payment of all dues to the government, persons will be generally found willing to take them at par; and if they should not, the bank will receive them frequently at par, and always at a discount much less than would pay the expense of transporting specie. The fact that the bills of the bank and its branches are indiscriminately receivable at the custom houses and land offices, in payment of duties, and for the public lands, has an effect in giving uniformity to the value of these bills, which merits a more full and distinct explanation.

For all the purposes of the revenue, it gives to the national currency that perfect uniformity, that ideal perfection, to which a currency of gold and silver, in so extensive a country, could have no pretensions. A bill issued at Missouri is of equal value with specie at Boston, in payment of duties; and the same is true of all other places, however distant, where the bank issues bills, and the government collects its revenue. When it is, moreover, considered, that the bank performs with the most scrupulous punctuality, the stipulation to transfer the funds of the government to any point

where they may be wanted, free of expense, it must be apparent that the committee are correct, to the very letter, in stating that the bank has furnished, both to the government and to the people, *a currency of absolutely uniform value in all places, for all the purposes of paying the public contributions, and disbursing the public revenue.* And, when it is recollected, that the government annually collects and disburses more than twenty-three millions of dollars, those who are at all familiar with the subject will at once perceive, that bills, which are of absolutely uniform value for this vast operation, must be very nearly so for all the purposes of general commerce.

Upon the whole, then, it may be confidently asserted, that no country in the world has a circulating medium of greater uniformity than the United States; and that no country of any thing like the same geographical extent, has a currency at all comparable to that of the United States on the score of uniformity. The committee have seen the statement of an intelligent traveller, who has visited almost every part of Europe, exhibiting the great variations of the currency in different parts of the same empire or kingdom. In Russia, the bills of the bank of St. Petersburgh have a very limited circulation. At Riga, and throughout Courland, Livournia, and all the southern parts of the empire, the currency is exclusively of silver coins. In Denmark, the notes of the Bank of Copenhagen are current only in Zealand, the other islands, and Jutland, but will not pass at all in Sleswic and Holstein, which constitute the best portion of the kingdom. Since the congress of Vienna, Germany is divided into thirty-nine separate states, each having a distinct currency, though represented in the Diet at Frankfort. Out of the territory in which these several currencies are issued, they are mere articles of merchandise; which circumstance has given rise in every town to a numerous and distinct class of tradesmen, called money changers. How far these separate and unconnected currencies have a tendency to embarrass commerce, may be inferred from the fact, that a traveller going from St, Petersburgh to Calais will lose, upon the unavoidable changes of money, an average of six per cent. In France, the bills of the bank are of such large denominations as to be adapted only to the greater operations of commerce, and are principally confined to the bankers and extensive traders in Paris. The general currency is silver; and to avoid the trouble of carrying this to distant parts of the kingdom, gold pieces, or bills of exchange, which are preferable, are purchased at a premium of from one and a half to four per cent. After this brief review of the currencies of Europe, the committee will barely state, as a conclusive vindication of our currency from the imputation of unsoundness, that there is no point in the Union, at which a bill of the United States Bank, issued at the opposite extremity of the country, is at a discount of more than one fourth of one per cent.

In confirmation of the views here presented, as to the comparative uniformity of the currency furnished by the bank, and, also, as to the obligation of the bank to redeem its bills indiscriminately at all the offices, the committee will present a few brief extracts from the speech of a statesman, whose opinions have every title to authority on these important subjects. Mr. Lowndes, in discussing the question how far the bank had performed the great duty for which it was created, used the following decided language in 1819, when the currency had not reached the point of uniformity it has now attained, by one half of one per cent.

"The great object of the government in chartering the bank, was to provide a currency which should have that degree of stability and uniformity in its value, which is required by the interests both of our commerce and revenue. A currency, equally valuable at every place and every time, cannot be provided by human wisdom. The nearest approach to this object has been generally supposed to be afforded by the employment of gold and silver, as the measures of value. The 14th congress did not aim at ideal perfection; they

wished to combine with the conveniences of bank circulation a uniformity of value equal to that which was possessed by the precious metals; and the means which they employed to secure this uniformity were simple and effectual, by enjoining, under a heavy penalty, the payment of all its notes in coin, upon demand. In the report, indeed, the notes of the national bank are said to be now 'on the same footing with those of local banks.' Of the footing on which local bank notes stood, he should speak hereafter; but the price current upon his table informed him, that the greatest discount on branch notes on the United States, was three fourths of one per cent. This was a value much more uniform than that which coin could be expected to have in so extensive a country. He had been lately looking into a book on political economy, which had been published here, with high, and, in respect to its clearness and precision, with just commendations—the work of Mr. Tracy.

"He inferred from one of his chapters, that the difference of exchange between Marseilles and Paris was often from two to three per cent. If, with all the facilities afforded by the internal improvements in which France is so rich, with a currency consisting almost exclusively of gold and silver, the variation in the value of money is three times greater in her territory than on our continent, can it be said, that in this respect, the bank has not fulfilled the objects of its institution? Before its establishment, the value of bank notes, even in the commercial states, had varied twenty per cent. from each other; and, as none of them bore a fixed proportion to the precious metals, or to any natural standard, it was impossible to assign any limit to their depreciation. You have required that the currency furnished by the national bank should be every where convertible into silver, and it is so. You have expected that it should be as uniform as coin, and it is more so. He would not detain the committee by reading a paper, which he had prepared with that intention, containing the state of exchange, since the establishment of the bank, with

England, France, and Holland, for he found himself occupying much more of their time than he had expected. But he believed that any member, who should turn his attention to the subject, would remark its steadiness during that period. He thought himself justified in drawing from this fact a conclusion highly favorable to the bank."

In reference to the great depreciation of the paper of the local banks, previous to the establishment of that of the United States, he said:

"Did the interests or duty of the government of the United States permit that this currency should be received by it? Some dissatisfaction was expressed because the branch notes of the United States Bank were at a discount of three fourths of one per cent. He read from a price current the state of the market for bank notes, by which it appeared that notes, which were insisted to be in very good credit, varied from a discount of two and a half, to one of seven, fifteen, twenty-five, and even thirty per cent. Was our revenue to be received in these notes? How were they to be employed? They might be expended in the district in which they were issued. But was the expenditure of every district to be exactly limited to its revenue? What became of the Union if it were so? He spoke of the thing, and not the name. Our Union might dissolve in imbecility, as well as be destroyed by violence. Did not union imply, that the resources of one state, its money as well as its men, might be employed for the defense of another?

"But, if the government were willing to bear the loss of a depreciated and unequal currency, it must neglect the plainest principle of the constitution in doing so—equality of taxation. The committee must 'well remember, that, before the establishment of the national bank, such was the unequal value of currency in the different states, that the merchants paid duties varying fifteen per cent from each other, on the same articles.'"

On the question whether the bank was bound to redeem, indiscriminately, the bills of all its branches, he said:

"He should not argue that the bank was not bound to pay its notes, indiscriminately, at all its offices. He believed that nobody now contended that it was." * * * "It was no unfair account of the practical operation of the system of which he was speaking, to say, that it gave to the branches where the exchange was unfavorable, the entire disposition of the specie of those branches where the exchange was favorable. Upwards of six millions of specie have been sent to the branch of New York, besides the amount which has been paid by the subscribers of the bank there; but, in issuing notes which the bank of New York has been obliged to redeem, every branch throughout the country has drawn upon a fund, with whose condition, at the time, he could not be acquainted." * * * "Such a system might be expected to produce inconvenient changes in the distribution of bank capital, an extreme facility of obtaining loans at one time, and unexpected contractions of discount at another." * * * "Whenever the state of exchange is unfavorable, whenever the just principles of banking require a reduction of discounts, then, under this system of indiscriminate payment of its notes, the bank has nothing to fear from a draft of specie, and is encouraged to lend to every applicant. Wherever the exchange is favorable, and on the sound principles of banking, an enlarged accommodation might be given to the community—there the flow of notes from every state whose exchange is unfavorable, contracts or suspends all the operations of the bank. Thus, wherever discounts should be enlarged, the tendency of this system is to reduce them, and to enlarge them wherever they should be reduced."

Independently of the gross injustice of requiring the bank to perform all the exchanges of this extensive confederacy without any compensation, these enlightened views show most conclusively its inexpediency and injustice, as it regards the different sections of the Union. It would inevitably render those parts of the Union where the bank issues were prudent and moderate, tributary to those where the issues were injudicious and excessive. In this way, the very inequality in the currency, which the bank was designed to correct, would be perpetuated by the vain attempt to make it perform impossibilities. The power of annihilating space, of transporting money or any other article to the most distant points, without the loss of time or the application of labor, belongs to no human institution.

But the salutary agency of the Bank of the United States, in furnishing a sound and uniform currency, is not confined to that portion of the currency which consists of its own bills. One of the most important purposes which the bank was designed to accomplish, and which, it is confidently believed, no other human agency could have effected, under our federative system of government, was the enforcement of specie payments on the part of numerous local banks, deriving their charters from the several states, and whose paper, irredeemable in specie, and illimitable in its quantity, constituted the almost entire currency of the country. Amidst a combination of the greatest difficulties, the bank has almost completely succeeded in the performance of this arduous, delicate, and painful duty. With exceptions, too inconsiderable to merit notice, all the state banks in the Union have resumed specie payments. Their bills, in the respective spheres of their circulation, are of equal value with gold and silver; while, for all the operations of commerce, beyond that sphere, the bills or checks of the Bank of the United States are even more valuable than specie. And even in the very few instances in which the paper of state banks is depreciated, those banks are winding up their concerns; and it may be safely said, that no citizen of the Union is under the necessity of taking depreciated paper, because a sound currency cannot be obtained. North Carolina is believed to be the only state where paper of the local banks is irredeemable in

specie, and consequently depreciated. Even there, the depreciation is only one or two per cent., and what is more important, the paper of the Bank of the United States can be obtained by all those who desire it, and have an equivalent to give for it. The committee are aware, that the opinion is entertained by some, that the local banks would, at some time or other, either voluntarily or by the coercion of the state legislatures, have resumed specie payments. In the very nature of things this would seem to be an impossibility. It must be remembered that no banks ever made such large dividends as were realized by the local institutions, during the suspension of specie payments. A rich and abundant harvest of profit was opened to them, which the resumption of specie payments must inevitably blast. While permitted to give their own notes, bearing no interest, and not redeemable in specie, in exchange for better notes bearing interest, it is obvious, that the more paper they issued, the higher would be their profits. The most powerful motive that can operate upon moneyed corporations would have existed, to prevent the state banks from putting an end to the very state of things, from which their excessive profits proceeded. Their very nature must have been changed, therefore, before they could have been induced to co-operate, voluntarily, in the restoration of the currency. It is quite as improbable that the state legislatures would have compelled the banks to do their duty. It has already been stated that the tendency of a depreciated currency to attract importations to the points of greatest depreciation, and to lighten the relative burdens of federal taxation, would naturally produce, among the states, a rivalry in the business of excessive bank issues. But there remains to be stated a cause, of more general operation, which would have prevented the interposition of the state legislatures to correct those issues.

The banks were, directly and indirectly, the creditors of the whole community, and the resumption of specie payments necessarily involved a general curtailment of discounts, and withdrawal of credit, which would produce a general and distressing pressure upon the entire class of debtors. These constituted the largest portion of the population of all the states where specie payments were suspended, and bank issues excessive. Those, therefore, who controlled public opinion in the states where the depreciation of the local paper was greatest, were interested in the perpetuation of the evil. Deep and deleterious, therefore, as the disease evidently was in many of the states, their legislatures could not have been expected to apply a remedy, so painful as the compulsion of specie payments would have been, without the aid of the Bank of the United States. And here it is worthy of special remark, that, while that bank has compelled the local banks to resume specie payments, it has most materially contributed, by its direct aid and liberal arrangements, to enable them to do so, and that with the least possible embarrassment to themselves, and distress to the community. If the state legislatures had been ever so anxious to compel the banks to resume specie payments, and the banks ever so willing to make the effort, the committee are decidedly of the opinion that they could not have done it, unaided by the bank of the United States, without producing a degree of distress incomparably greater than has been actually experienced. They will conclude their remarks on this branch of the subject by the obvious reflection, that if congress, at the close of the war, had left it to the states to restore the disordered currency, this important function of sovereignty would have been left with those from whom the constitution has expressly taken it, and by whom it could not be beneficially or effectually exercised. But another idea, of considerable plausibility, is not without its advocates. It is said that this government, by making the resumption and continuance of specie payments the condition upon which the state banks should receive the government deposits, might have restored the currency to a state of uniformity. Without stopping to give their reasons for believing that specie payments could not

have been restored in this way, and that, even if they could, a uniform currency of general credit, throughout the Union, would not have been provided, the committee will proceed to give their reasons for thinking that such a connection between the federal government and the state banks would be exceedingly dangerous to the purity of both. While there is a national bank, bound by its charter to perform certain stipulated duties, and entitled to receive the government deposits as a compensation fixed by the law creating the charter, and only to be forfeited by the failure to perform those duties, there is nothing in the connection at all inconsistent with the independence of the bank, and the purity of the government. The country has a deep interest that the bank should maintain specie payments, and the government an additional interest that it should keep the public funds safely, and transfer them, free of expense, wherever they may be wanted. The government, therefore, has no power over the bank, but the salutary power of enforcing a compliance with the terms of its charter. Every thing is fixed by the law, and nothing left to arbitrary discretion. It is true, that the secretary of the treasury, with the sanction of congress, would have the power to prevent the bank from using its power unjustly and oppressively, and to punish any attempt, on the part of the directors, to bring the pecuniary influence of the institution to bear upon the politics of the country, by withdrawing the government deposits from the offending branches. But this power would not be lightly exercised by the treasury, as its exercise would necessarily be subject to be reviewed by congress. It is, in its nature, a salutary corrective, creating no undue dependence on the part of the bank.

But the state of things would be widely different, if there was no national bank, and it was left to the discretion of the secretary of the treasury to select the local banks in which the government deposits should be made. All the state banks would, in that case be competitors for the favors of the treasury: and no one, who will duly consider the nature of this sort of patronage, can fail to perceive, that, in the hands of an ambitious man, not possessed of perfect purity and unbending integrity, it would be imminently dangerous to the public liberty. The state banks would enter the lists of political controversy, with a view to obtain this patronage; and very little sagacity is required to foresee, that, if there should ever happen to be an administration disposed to use its patronage to perpetuate its power, the public funds would be put in jeopardy by being deposited in banks unworthy of confidence, and the most extensive corruption brought to bear upon the elections throughout the Union. A state of things more adverse to the government—a power more liable to be abused—can scarcely be imagined. If five millions of dollars were annually placed in the hands of the secretary of the treasury, to be distributed at his discretion, for the purposes of internal improvement, it would not invest him with a more dangerous and corrupting power.

In connection with this branch of the subject, the committee will briefly examine the grounds of complaint, sometimes made against the Bank of the United States. It is alledged that this bank, avails itself of the government deposits, consisting in some places principally of local paper, makes heavy and oppressive drafts on the local banks for specie, and thus compels them to curtail their discounts, to the great injury of the community. In the first place it is to be remarked, that one of the highest duties of the bank—the great object for which it was established—was to prevent the excessive issues of local paper; and this duty can only be performed, by enforcing upon the state banks the payment of specie for any excess in their issues. But the committee are induced to believe, that this complaint is principally owing, so far as it now exists, to the fact, that the operations of the federal treasury are mistaken for the operations of the bank, because the bank is the agent by whom those operations are performed. This institution receives the government deposits in the paper of the local banks, certainly in no

spirit of hostility to those banks. On the contrary, it tends to give them credit, and is designed to have that effect. But the Bank of the United States is not only bound to pay in specie, or its own bills, what it receives for the government, in local paper, but to transfer the funds to any part of the Union, where they may be required for disbursement. Let it be assumed, that the government collects annually, at the custom house in Charleston, one million of dollars in local bank notes, and disburses in South Carolina only one hundred thousand, it would result from this, that the government would have nine hundred thousand dollars of local bank paper deposited in the Charleston branch, which the bank would be bound by its charter, and for the national benefit, to transfer perhaps to Washington or Norfolk. As this paper would not answer the purpose of the government at those places, the bank would be, of course, compelled to provide specie, or bills that will command specie at those places. It is obvious, then, that it is the inequality in the collection and disbursement of the revenue, that produces the evil in question. If all the revenue collected in Charleston were disbursed in the state, no drafts would be made upon the local banks for specie. The Bank of the United States, so far from being justly obnoxious to any complaint on this score, has greatly mitigated the action of the treasury upon the local banks, by means of the liberal arrangements which its large capital and numerous branches have enabled it to make with them. The degree in which that institution has reduced the rate of exchange, may be fairly assumed as that in which it has mitigated the action of the treasury upon the state banks. If, for example, there existed no national bank, and the deposits of the revenue collected in Charleston were made in one of the local banks, what would be the effect of transferring, annually, nine hundred thousand dollars to Washington and Norfolk? The local banks, having no branches at either of those places, instead of transmitting drafts, as is now generally done, would be compelled to transmit specie. The bank in which the government deposits were made, would consequently be under the necessity of demanding specie from all the other banks, in a manner, and to an extent, much more oppressive than any thing that can be imputed to the Bank of the United States. If, to avoid these specie drafts, the local banks should purchase bills on Washington or Norfolk, they would probably cost five or six per cent. even in a tolerable state of the currency, which would be a loss to the banks almost to the full extent of the premium.

Although the expediency of renewing the charter of the present bank is not a question now submitted for the decision of congress, the committee consider it so far involved in the matter referred to them, as to render it their duty to present some considerations bearing on that question, in addition to what they have said on the general expediency of maintaining such an institution. If a national bank, similar to the presnt, be a necessary and proper agent for the accomplishment of the great purposes heretofore indicated, the only remaining question would seem to be, whether the charter of the present stockholders should be renewed, or a new set of stockholders incorporated.

In considering this question, congress will of course be governed, in some degree, by the terms on which the present stockholders will agree to accept a renewal of their charter. But, as the committee have satisfactory reasons for believing that terms eminently advantageous to the government can be obtained, they will proceed to some other inquiries. What then would be the effect of refusing to renew the present charter? And, in the first place, what are the inducements for pursuing that course?

It is sometimes alledged that the present stockholders are large capitalists, and, as the stock of the bank is some twenty per cent. above par, that a renewal of the charter would be equivalent to a grant to them of twenty per cent. upon their capital. It is true, that a small proportion of the capital of the company belongs to very wealthy men. Something more than two millions of that owned in the United States belongs to persons holding upwards of one hundred thousand dollars each. It is also true that foreigners own seven millions, or one-fifth of the capital. But, on the other hand, it is to be remarked that the government, in trust for the people of the United States, holds seven millions; and that persons owning less than five thousand dollars each, hold four millions six hundred and eighty-two thousand; and that persons owning between five and ten thousand dollars each, hold upwards of three millions. It is also worthy of remark, that a very considerable portion of the stock—very nearly six millions—is held by trustees and guardians, for the use of females and orphan children, and charitable and other institutions. Of the twenty-eight millions of the stock which is owned by individuals, only three millions four hundred and fifty-three thousand is now held by the original subscribers. All the rest has been purchased at the market prices—a large portion of it probably when those prices were higher than at present. Most of the investments made by wills, and deeds, and decrees in equity for the use of females and minors, are believed to have been made when the stock was greatly above par. From this brief analysis, it will appear that there is nothing in the character or situation of the stockholders, which should make it desirable to deprive them of the advantage which they have fairly gained, by an application of their capital to purposes highly beneficial, as the committee have attempted to show to the government and people of the United States. If foreigners own seven millions of the stock of the bank, our own government owns as much; if wealthy men own more than two millions, men in moderate circumstances own between seven and eight millions; and widows, orphans, and institutions devoted to charitable and other purposes, own nearly six millions.

But the objection that the stock is owned by men of large capital would apply with equal, if not greater force, to any bank that could be organized. In the very nature of things, men who have large surplus capitals are the principal subscribers at the first organization of a bank. Farmers and planters, merchants and manufacturers, having an active employment for their capitals, do not choose to be the first adventurers in a bank project. Accordingly, when the present bank went into operation, it is believed that most of the capital was owned by large capitalists, and under a much more unequal distribution than exists at present. The large amount of stock now held in trust for females and minors, has been principally, if not entirely, purchased since the bank went into operation; and the same remark is generally applicable to that stock in the hands of small holders. It is only when the character of a bank is fully established, and when its stock assumes a steady value, that these descriptions of persons make investments in it.

It is morally certain, therefore, that, if another distinct institution were created, on the expiration of the present charter, there would be a much greater portion of its capital subscribed by men of large fortunes, than is now owned by persons of this description, of the stock of the United States Bank. Indeed, it might be confidently predicted, that the large capitalists who now hold stock in that bank, would, from their local position, and other advantages, be the first to forestall the subscriptions to the new bank, while the small stockholders scattered over the country, would be probably excluded, and the females and minors, and others interested in trust investments made by decrees in equity, would be almost necessarily excluded, as the sanction of a court could scarcely be obtained, after the passage of the new act of incorporation, in time to authorize a subscription.

To destroy the existing bank, therefore, after it has rendered such signal services to the country, merely with a view to incorporate another, would be an act rather of cruelty and caprice, than of justice and wisdom, as it regards the present stockholders. It is no light matter to depreciate the property

of individuals, honestly obtained, and usefully employed, to the extent of five millions six hundred thousand dollars, and the property of the government, to the extent of one million four hundred thousand dollars, purely for the sake of change. It would indicate a fondness for experiment, which a wise government will not indulge upon slight considerations.

But the great injury which would result from the refusal of congress to renew the charter of the present bank, would, beyond all question, be that which would result to the community at large. It would be difficult to estimate the extent of the distress which would naturally and necessarily result from the sudden withdrawal of more than forty millions of credit, which the community now enjoy from the bank. But this would not be the full extent of the operation. The Bank of the United States, in winding up its concerns, would not only withdraw its own paper from circulation, and call in its debts, but would unavoidably make such heavy drafts on the local institutions for specie, as very greatly to curtail their discounts. The pressure upon the active, industrious, and enterprising classes, who depend most upon the facilities of bank credit, would be tremendous. A vast amount of property would change hands at half its value, passing under the hammer, from the merchants, manufacturers, and farmers, to the large moneyed capitalists, who always stand ready to avail themselves of the pecuniary embarrassments of the community. The largest stockholders of the present bank, the very persons whose present lawful gains it would be the object of some to cut off, having a large surplus money capital thrown upon their hands, would be the first to speculate upon the distresses of the community, and build up princely fortunes upon the ruins of the industrious and active classes. On the other hand, the females and minors, and persons in moderate circumstances, who hold stock in the institution, would sustain an injury, in no degree mitigated by the general distress of the community.

A very grave and solemn question will be presented to congress, when they come to decide upon the expediency of renewing the charter of the present bank. That institution has succeeded in carrying the country through the painful process necessary to cure a deep seated disease in the national currency. The nation, after having suffered the almost convulsive agonies of this necessary remedy, is now restored to perfect health. In this state of things it will be for congress to decide, whether it is the part of wisdom to expose the country to a degree of suffering almost equal to that which it has already suffered, for the purpose of bringing back that very derangement of the currency which has been remedied by a process as necessary as it was distressing.

If the Bank of the United States were destroyed, and the local institutions left without its restraining influence, the currency would almost certainly relapse into a state of unsoundness. The very pressure which the present bank, in winding up its concerns, would make upon the local institutions, would compel them either to curtail their discounts when most needed, or to suspend specie payments. It is not difficult to predict which of these alternatives they would adopt, under the circumstances in which they would be placed. The imperious wants of a suffering community would call for discounts, in language which could not be disregarded. The public necessities would demand, and public opinion would sanction, the suspension, or at least an evasion, of specie payments.

But, even if this desperate resort could be avoided in a period of peace and general prosperity, neither reason nor experience will permit us to doubt, that a state of war would speedily bring about all the evils which so fatally affected the credit of the government, and the national currency, during the late war with Great Britain. We should be again driven to the same miserable round of financial expedient, which, in little more than two years, brought a wealthy community almost to the very brink of a declared national bankruptcy, and placed the government completely at the mercy of speculating stockjobbers.

The committee feel warranted, by the past experience of the country, in expressing it as their deliberate opinion, that, in a period of war, the financial resources of the country could not be drawn into efficient operation without the aid of a national bank, and that the local banks would certainly resort to a suspension of specie payments. The maxim is eminently true in modern times, that money is the sinew of military power. In this view of the subject, it does appear to the committee, that no one of the institutions of the country, not excepting the army or navy, is of more vital importance than a national bank. It has this decided advantage over, the army and navy, while they are of scarcely any value except in war, the bank is not less useful than either of them in war, and is also eminently useful in peace. It has another advantage still greater. If, like the army or navy, it should cost the nation millions annually to sustain it, the expediency of the expenditure might be doubted. But, when it actually saves to the government and to the country, as the committee have heretofore attempted to show, more millions annually, than are expended in supporting both the army and navy, it would seem that, if there was one measure of national policy, upon which all the political parties of the country should be brought to unite, by the impressive lessons of experience, it is that of maintaining a national bank.

It is due to the persons who for the last ten years have been concerned in the administration of the bank, to state, that they have performed the delicate and difficult trust committed to them, in such a manner as at the same time to accomplish the great national ends for which it was established, and promote the permanent interest of the stockholders, with the least practicable pressure upon the local banks. As far as the committee are enabled to form an opinion from careful inquiry, the bank has been liberal and indulgent in its dealings with these institutions, and, with scarcely an exception, now stands in the most amicable relation to them. Some of those institutions have borne the most disinterested and unequivocal testimony in favor of the bank.

It is but strict justice also to remark, that the direction of the mother bank appears to have abstained, with scrupulous care, from bringing the power and influence of the bank to bear upon political questions, and to have selected, for the direction of the various branches, business men, in no way connected with party politics. The committee advert to this part of the conduct of the directors, not only with a view to its commendation, but for the purpose of expressing their strong and decided conviction that the usefulness and stability of such an institution will materially depend upon a steady and undeviating adherence to the policy of excluding party politics and political partizans from all participation in its management. It is gratifying to conclude this branch of the subject by stating, that the affairs of the present bank, under the able, efficient, and faithful guidance of its two last presidents and their associates, have been brought from a state of great embarrassment into a condition of the highest prosperity. Having succeeded in restoring the paper of the local banks to a sound state, its resources are now such as to justify the directors in extending the issue and circulation of its paper so as to satisfy the wants of the community, both as it regards bank accommodations and a circulating medium. Upon the soundest principles of banking, the very ample resources of the institution would justify the directors in granting accommodations to a much greater extent than they have yet done; and though they have increased the circulation of their paper from four and a half to fourteen millions, since January, 1823, they are ready and willing to increase it still further, by discounting bills of exchange, and other business paper. It is believed that the discounts and issues of the institution are now actually limited by the want of applications resting upon these, the only substantial and safe foundations of bank credit and circulation.

III. Having said thus much on the constitutionality and expediency of an incorporated national bank, the only question which remains to be examined by the committee is the expediency of establishing a "national bank, founded upon the credit of the government and its revenues."

It is presumed to have been the intention of the president, in suggesting the inquiry as to a bank founded upon the credit and revenues of the government, to be understood as having allusion to a bank of discount and deposit. Such a bank, it is taken for granted, would have branches established in various parts of the Union, similar to those now established by the Bank of the United States, and co-extensive with them. The great object of furnishing a national currency could not be accomplished, with an approach to uniformity, without the agency of such branches; and another object, second only in importance to the one just stated, the extension of the commercial facilities of bank accommodations to the different parts of the Union, could not be at all affected without such agency. If there should be simply a great central bank established at the seat of government, without branches to connect its operations with the various points of the commerce of the Union, the promise to pay specie for its notes, whenever presented, would be almost purely nominal. Of what consequence would it be to a merchant or planter of Louisiana, or a manufacturer or farmer of Maine, that he could obtain specie for bills of the national bank, on presenting them at the city of Washington—a place wholly unconnected either with Louisiana or Maine by any sort of commercial intercourse, and where, consequently, these bills would never come in the regular course of trade? A promise to pay specie at a place so remote from the place of circulation, and where the bills would never come but at a great expense, and for the sole purpose of being presented for payment, would neither give credit to the notes, nor operate as an effective check upon excessive issues. Whatever credit such notes might have, at a distance from the place of issue, would not be because they were redeemable at the pleasure of the holder—for such would not be the fact; but principally because of the ultimate responsibility of the government, and of their being receivable in payment of all dues to the treasury. They would rest, therefore, upon almost precisely the same basis of credit as the paper money of our revolution, the assignats of revolutionary France, and the treasury notes of the late war. These were receivable in discharge of debts due to the treasury, and government was of course ultimately responsible for their payment; yet the two former depreciated almost to nothing, and the latter, though bearing interest, sunk to twenty per cent. below par. But the notes of a central government bank, without branches, would be subject to depreciation from a cause which constitutes a conclusive objection to such an institution. *There would be nothing to limit excessive issues but the discretion and prudence of the government or of the direction.* Human wisdom has never devised any adequate security against the excessive issues, and, consequently, the depreciation of bank paper, but its actual, and easy, and prompt convertibility into specie, at the pleasure of the holder. Experience has shown, that where the paper of a bank is by any means habitually circulated at places remote from the point where it is issued, and not connected with it by a regular commercial intercourse, there will not exist that easy and prompt convertibility which is so essential to the credit of bank paper. When bank bills are confined to their appropriate sphere of circulation, a redundant issue is certainly and immediately followed by a run upon the bank for specie. This timely admonition is as useful to the bank as it is to the community: for it enables the directors to avoid, with unfailing certainty, an excess equally injurious to both, and which no human sagacity could anticipate or prevent by calculation merely. Whatever, therefore, in a system of bank circulation, prevents the reflux of redundant issues,

necessarily destroys the only adequate security against these injurious and ruinous excesses.

But a government bank, without branches, would be obnoxious to another objection which could not be obviated. Its loans would be confined to the District of Columbia; or, if extended to the various parts of the Union—to say nothing of the inconvenience to which it would expose those at a distance, who obtained accommodations—they would be unavoidably granted without any knowledge of the circumstances of the persons upon whose credit the government would depend for repayment. It would in fact be, for all useful purposes, a mere district bank.

These views of the subject have brought the committee to the conclusion, that, if a government bank should be established, it would have at least as many branches as the Bank of the United States, and probably a much greater number. Few administrations would have the firmness to resist an application to establish a branch, coming from any quarter of the Union, however injudicious the location might be, upon correct principles of commerce and banking.

The Bank of the United States now employs five hundred agents, in the various parts of the Union where its offices are established. From this fact some idea may be formed of the very great addition which would be made to the patronage of the executive government by the establishment of such a bank as the one under consideration.

But the patronage resulting from the appointment—the annual appointment—of those agents, great as it would doubtless be, would be insignificant and harmless when compared with that which would result from the dispensation of bank accommodations to the standing amount of at least fifty millions of dollars! The mind almost instinctively shrinks from the contemplation of an idea so ominous to the purity of the government and the liberties of the people. No government, of which the committee have any knowledge, except perhaps, the despotism of Russia, was ever invested with a patronage at once so prodigious in its influence and so dangerous in its character. In the most desperate financial extremities, no other European government has ever ventured upon an experiment so perilous. If the whole patronage of the English monarchy were concentrated in the hands of the American executive, it may be well doubted whether the public liberty would be so much endangered by it as it would by this vast pecuniary machine, which would place in the hands of every administration fifty millions of dollars, as a fund for rewarding political partizans.

Without assuming that a corrupt use would be made of this new species of government patronage, a very slight acquaintance with the practice of all political parties, whatever may be their professions, will be sufficient to satisfy any reflecting mind, that all the evil consequences of corruption would flow from its exercise. Have not our political contests too frequently degenerated into a selfish scramble for the offices of the country? Are there not those who sincerely and honestly believe that these offices are legitimate objects of political warfare, and the rightful reward of the victorious party? And disinterested and patriotic as the great body of every political party is admitted to be, the fact is no less true than it is lamentable, that the most devoted and active partizans are very often mere soldiers of fortune, who watch the political signs, and enlist, at the eleventh hour, under the banners of the party most likely to prove successful. Such being, more or less, the composition of all political parties, what would be the probable use made of fifty millions of bank patronage, by a political party who conscientiously held the doctrine that all the offices in the gift of the executive should be divided among the partizans of a successful political leader? Would not the same principle be even more applicable to bank loans? And would not the treasury of the United States, under the sanctifying influence of party delusion and party infatuation, be literally plundered by mercenary retainers, bankrupts in fortunes, and adventurers in politics?

Even if the administration should be ever so much disposed to restrain the abuse of this patronage, it would be utterly impracticable to exercise any efficient control over the great number of bank directors who would be scattered over the Union, and who, upon all the known principles of human nature, it may be confidently predicted, would principally consist of busy and officious political partizans.

Such would be the depositaries—acting, not under the public eye, but under the protecting mystery of a sort of concealment and secrecy deemed indispensable in banking operations—to whom, not only the whole treasury of the Union would be confided, to be squandered, perhaps, in profligate favoritism, but the tremendous power of putting the whole property of the nation under mortgage, for the redemption of the bills issued at their discretion. To say nothing of the utter insecurity of the public revenues under such a system, a new species of legislative power, unknown to the constitution, would be committed to these irresponsible bank directors, of which no human sagacity can predict the consequences.

A just analysis of the operation of granting loans by this government bank, in exchange for notes of private individuals, will show, that it involves the exercise, on the part of the directors of the twofold power of appropriating the public revenue in the most dangerous of all forms—discretionary loans—and of pledging the responsibility of the government to an unlimited extent, for the payment of the debts at the same time created against it. These are among the highest functions of legislative power, and have been expressly and exclusively vested in congress. Unless, therefore, it be assumed, that congress may rightfully transfer the powers with which it is invested to these bank directors, it will be difficult to find any warrant, either in the letter or spirit of the constitution, for the creation of this tremendous engine of pecuniary influence. It may, indeed, be doubted, whether all the branches of the legislative authority united have any constitutional power to lend the public revenue, either to individuals, corporations, or states, without reference to the objects to which it shall be applied. But whatever may be the power of congress on this subject, it appears to the committee to be inexpedient, in every view of the question, that the government should be converted into a great money lender. There is no species of trade in which it would be wise for the government to embark; but of all the variety of pursuits known to human enterprise, that of lending money by the government to the citizens of the country would be fraught with the most pernicious consequences.

In the first place, it is a business to which, in the very nature of things, no government is adapted, and, least of all, a popular government. There is no employment of capital that requires a more vigilant and skillful superintendence. Nothing but the active motive of individual interest can supply the watchfulness necessary to secure a banking institution against the grossest frauds and impositions. In pecuniary transactions, few men are to be found who will serve others, in cases involving the exercise of discretionary powers, with the same fidelity that they would serve themselves; and, when we consider the strong motives, both of private friendship and political attachment, which would operate on the directors of a government bank, to bestow its favors without impartiality or prudence, it requires but little sagacity to foresee that enormous losses would be annually sustained by the insolvency of the government debtors.

All governments have found it expedient to place the public treasury under the guardianship of a high and confidential officer, aided, in the enforcement of a rigid responsibility, by a system of checks and counterchecks, operating upon all the subordinate officers concerned in collecting and disbursing the public revenue. Such is our own system. No discretion is vested in the chief officer of the treasury, much less in those

that are subordinate, in the appropriation of a single dollar of the public money. "No money can be drawn from the treasury but in consequence of appropriations made by law." How far these wise and provident safeguards, and this constitutional barrier, would be prostrated, by placing not only the public revenue, but the public credit, at the disposal of some hundreds of bank directors in various parts of the Union, is a very grave question for the consideration of the house.

Our own experience has demonstrated the great danger of having large masses of the community indebted to the government. It was a deep conviction of this danger that induced congress to abolish the system of credit sales in the disposition of public lands. Congress has been compelled to yield to the pressing importunities of the purchasers of these lands, by granting them not only repeated indulgencies, but by the remitting some millions of the debt. What then, would be the situation of the government, with a debt of fifty millions diffused throughout the country, and due to it from the most active, enterprising, and influential classes of the community? Nothing that has happened can be more certain than that every unfavorable vicissitude in trade, every period of commercial distress and embarrassment, would give rise to importunate and clamorous calls for indulgence, and for an injudicious extension of discounts, which no administration would have the firmness to resist. Every one who has witnessed the urgency and unanimity with which the representatives of the states indebted for public lands, have pressed the claims of their citizens for indulgence and remission, must be satisfied, that if the citizens of all the states should become indebted much more largely for bank loans, the government would have scarcely any faculty of resistance, when appeals for indulgence should come from all quarters of the Union, sustained by the strong plea of public distress and embarrassment.

The policy of extending indulgence to the public debtors, and of granting more liberal loans to the community, would, in the natural course of things, become the favorite of those who aspired to popular favor. Political parties would come to be divided upon the question of observing towards the public debtors a strict banking policy, indispensable to the maintenance of specie payments on the one hand, or a liberal government policy, necessarily involving a suspension of specie payments on the other. And when it is considered that the whole class of debtors, always the most numerous and active portion of the community, would be naturally in favor of increasing bank issues, and extending bank indulgences, it can scarcely be doubted that specie payments would be suspended in the first great pecuniary exigency, growing out of the embarrassments in our commerce, or deficiencies in our revenue.

The government therefore, which is under the most sacred obligations to constrain all the banks to maintain specie payments, with a view to the uniformity and soundness of the currency, would, by its own example, perpetuate the great national evil of a fluctuating and depreciated circulating medium.

These evils which would be so highly probable in time of peace, would be almost certain in the event of war. The temptation to supply the federal treasury, by the easy process of bank issues, rather than resort to the unpopular process of internal taxation, would be too fascinating to be resisted. We should thus experience, what every nation has experienced in like circumstances, the manifold evils of a mere paper currency, having no relation to any standard of intrinsic value. In these views the committee are fully sustained by the opinion of Mr. Lowndes, expressed in 1819. These are his words: "That the destruction of the (United States) Bank would be followed by the establishment of paper money, he firmly believed; he might almost say he knew." It was an extremity from which the house would recoil, if now proposed; but if the resolutions on the table were passed, it would very soon be proposed. The subject was too large for an incidental discussion. Gentlemen thought the amount of

government paper might be limited, and depreciation prevented, by the rate of interest which should be exacted. Inadequate every where, the security was particularly ineffectual in the United States.

But the inevitable tendency of a government bank to involve the country in a paper system, is not, in the opinion of the committee, the greatest objection to it. The powerful, and in the hands of a bad administration, the irresistible and corrupting influence which it would exercise over the elections of the country, constitutes an objection more imposing than all others united. No matter by what means an administration might get into power with such a tremendous engine in their hands, it would be almost impossible to displace them without some miraculous dispensation of Providence.

Deeply impressed with the conviction, that the weak point of a free government is the absorbing tendency of executive patronage, and sincerely believing that the proposed bank would invest that branch of the government with a weight of moneyed influence, more dangerous in its character and more powerful in its operation than the entire mass of its present patronage, the committee have felt that they were imperiously called upon by the highest considerations of public duty, to express the views they have presented, with a frankness and freedom demanded by the occasion. It is at the same time due to their own feelings, that they should state, unequivocally, their conviction, that the suggestion of the chief magistrate, which they have thus freely examined, proceeded from motives of the most disinterested patriotism, and was exclusively designed to promote the welfare of the country. This is not the mere formal and heartless homage sometimes offered up to official station either from courtesy or interest, but a tribute which is eminently due, and cheerfully rendered, to the exalted character of the distinguished individual on whom it is bestowed.

A

STATISTICAL AND COMPARATIVE VIEW

OF THE

MONEYED INSTITUTIONS OF NEW YORK,

AND TWENTY-FOUR OF THE PRINCIPAL CITIES OF THE

UNITED STATES:

Showing the amount of each share, and the product of each institution, from the 1st of January, 1830, to the 1st of January, 1831. Compiled from official sources, private correspondence, and personal investigation.

NEW YORK.

NEW YORK CITY.			No. of Shares.	Doll's. each.	Amount of Capital.	Time and rate of dividend.				Amount of dividend.
Banks.										
U. S. Branch, - - - - - -			25000	100	2,500,000	Jan.	3½	July	3½	175,000
America, - - - - - - -	1822	20 years	20000	100	2,000,000	Jan.	2½	July	2½	100,000
Mechanics', - - - - - - -	1810	22 do.	80000	25	2,000,000	Jan.	3½	July	3½	140,000
Manhattan Co., - - - - - -	1790	perpetual	41000	50	2,050,000	Jan.	3½	July	3½	143,500
Delaware and Hudson Canal Co., - - -	1825	perpetual	15000	100	1,500,000	June	0	Dec.	0	
Merchants', - - - - - -	1805	27 years	28000	50	1,400,000	June	3	Dec.	3	84,000
City, - - - - - - -	1812	20 do.	25000	50	1,250,000	May	3	Nov.	3	75,000
New York, - - - - - - -	18—	do.	1900	500	950,000	May	4	Nov.	4	76,000
Phenix, - - - - - - -	1812	20 do.	20000	25	500,000	Jan.	3½	July	3½	35,000
North River, - - - - - -	1821	21 do.	10000	50	500,000	Jan.	4	July	4	40,000
Tradesmen's, - - - - - -	1822	10 do.	12000	40	480,000	Jan.	3	July	3½	31,200
24 Chemical, - - - - - - -	1824	21 do.	20000	25	500,000	Jan.	3½	July	0	17,500
Union, - - - - - - -	1811	20 do.	20000	50	1,000,000	May	3	Nov.	3	60,000
Fulton, - - - - - - -	1824	20 do.	20000	30	600,000	May	3½	Nov.	3½	42,000
Dry Dock, - - - - - - -		perpetual	14000	50	700,000	Jan.	2	July	0	14,000
Greenwich, - - - - - - -	1830	new	8000	25	200,000	Not determined.				
			359900		18,130,000					1,033,200

RECAPITULATION.

There are sixteen banks in this city, whose aggregate capital is - - - - - - - - - -	18,130,000
And these have made dividends for - - - - - - - - - - - - -	1,033,200
Of these, the Hudson and Delaware makes no dividend, in consequence of appropriating their means to the great work of completing the canal between the two rivers, which promises a great advantage to the city. The Greenwich has just now commenced; so that the dividend has accrued upon a capital of $17,930,000—making an interest on the dollar of 5.7875 cents: as the paper discounted will average 60 days' notes, and 6 per cent. discount deducted, there must have been discounted during the year paper to the amount of - - - - - - - - - -	103,769,952

DELAWARE AND HUDSON CANAL COMPANY.

There is probably no improvement of equal magnitude and utility in this country, in relation to which so little is known by the community in general, and perhaps, it may be added, the stockholders themselves, as the canal and railroad of the Delaware and Hudson Canal Company. This improvement, extending from one of the finest rivers in the country, one hundred and twenty-four miles into the interior, and terminating in one of the best coal fields in Pennsylvania, was in operation from the middle of April to the 15th of December last, when the canal closed: in that time forty-three thousand two hundred tons of coal were, through this new avenue, added to the usual supply of the New York and eastern market. Yet many of the consumers of the article are ignorant of the locality of the work, and comparatively few are correctly informed of its real character, the leading and primary object of its construction, or the consequences likely to flow from it, either in relation to the public generally, or the stockholders in particular.

The Delaware and Hudson canal commences at Kingston, on the Hudson river, ninety miles above New York, and extends, in a southwest direction, through Ulster, Sullivan, and Orange counties, in that state, following the valleys of the Rondout, Neversink, and Delaware, to the mouth of the Lackawaxen river, in Pike county, Pennsylvania, thence up that river to the junction of the Dyberry and west branch of the Lackawaxen, at Honesdale, in Wayne county, Pennsylvania. The work has been constructed in every part in the best manner; the locks and culverts on the first sixty miles are built of stone, laid in the best hydraulic cement mortar, and the acqueducts are either entirely of stone and cement,

or wooden trunks, supported by stone piers and abutments of the best masonry. On the uppper forty-eight miles of canal, the locks are similar in every respect, except that the walls are of dry masonry, with wooden chambers to make them water tight, which can be repaired and renewed without disturbing the stone work of the lock, and at a season of the year when the canal is closed by the frost. The canal is one hundred and eight miles in length, fed by the waters of the Rondout, Neversink, Mongaup, Delaware, and Lackawaxen rivers, all large and permanent streams, affording an abundant supply of water at all times. The locks are on an improved plan, and will pass a boat, including the filling of the lock, in less than four minutes. The canal is thirty-six feet wide at the surface, and four feet deep. The locks are seventy-six feet long between the gates, nine feet wide, and from eight to eleven feet lift.

A railroad of sixteen miles connects the company's coal mines at Carbondale with the canal. This road in its character is new in this country, having five inclined planes, worked by stationary steam engines, either of which will pass seven and a half tons of coal half a mile in eight minutes, and return the empty wagons.

This improvement in its whole length, has been critically examined by experienced and competent judges, and with all its appendages, of aqueducts, culverts, waste weirs, slope walls and feeders, has been pronounced not inferior to any in the country. The railroad and canal were both in operation from the middle of April to the 15th of December last, and during that time nothing occurred on either of them to interrupt the regular course of business for more than six days altogether.

During the month of November, heavy rains raised the Lackawaxen and Delaware rivers, and other streams with which the company's works are connected, much beyond any swell that had taken place for many years. The flood was moreover sudden as well as great. But along the whole line of the improvement, the damage done by this extraordinary and sudden freshet did not exceed fifteen dollars. No better evidence could be asked or given of the stability of the work.

These improvements have been made under charters from the states of Pennsylvania and New York, which are as liberal and comprehensive in their provisions as could be desired. No restriction or limitation is imposed upon dividends, except as regards the railway, where the tolls are required to be so regulated as not to yield more than twelve per cent. on the capital expended in constructing it. The company is permitted to hold five thousand acres of coal land, and to carry on the coal business without limitation or restriction as to the amount of capital used therein.

The company are the proprietors in fee of between three and four thousand acres of coal land, selected in especial reference to its own operations and the quality and quantity of the article, and therefore undoubtedly the most valuable in that section of the country. Unless the price at which coal lands have been selling near the head of the Schuylkill navigation be entirely fictitious, the Delaware and Hudson Canal Company possess, in their coal lands alone, a property of immense value. They also own the sites of the town of Bolton, at the eastern termination of the canal. Port Jarvis, at the point where the canal reaches the valley of the Delaware river, a moiety of Honesdale, at the head or west end of the canal, and Carbondale, at the mines. No inconsiderable amount of money will be realized from the sales of lots in these places, especially the last two.

The capital of the company employed in its canal and coal operations is about $2,300,000, which is invested as follows, namely:

124 miles of canal and railroad.
3500 acres of coal lands, town plots, and banking house.
275 railroad wagons.

130 canal boats, and other movable property.

$1,500,000 of this capital is supplied by a stock subscribed at the original formation of the company, which is all paid up.

$500,000 is a loan from the state of New York, at five per cent. and $300,000 at $4\frac{1}{2}$ per cent. interest, payable in twenty years from the dates of the loans respectively.

The primary and leading object in the construction of this work is the transportation of coal from the Lackawanna coal field to the Hudson river. Aside from this consideration, there would not have been a sufficient inducement for such an improvement, although it is not to be doubted, but that a large amount of miscellaneous business will be done upon it. The country through which it passes, particularly that part of it in Pennsylvania, is new, and susceptible of much increase in population and business. Its progress in improvement has hitherto been retarded for want of an outlet to market, which this canal and railway now furnish. A great and decided revolution must soon take place both in the course and amount of trade throughout the country penetrated by these improvements. Of the rapidity and extent of this change, some notion may be formed by the fact, that the village of Carbondale, (the mines,) which according to the late census contains a population of upwards of six hundred persons, was, three years ago, a solitary spot in the wilderness, marked by a single log hut. At the same time Honesdale (the head of the canal) was covered by a dense forest, which has disappeared, and given place to a pleasant and thriving village, enlivened by the bustle and hum of business, and but little inferior in population to Carbondale. The railroad approaches within twenty-two miles of the Susquehanna river, with which it will probably at a future day be connected, along the valley of the Lackawanna. The company own the mines, railway, and canal, and are authorized to carry on the coal trade, and use as much capital therein as they may deem necessary. Unquestionably they will prosecute the business to the full extent of the demand for the article. Their profit or dividends will depend on the sum per ton which it will cost them to bring the article to market, the price which they can obtain for it, and the quanthey they can sell. The capacity of the railway is equal to the delivery of five hundred tons per day of twelve hours, and that of the canal to six hundred thousand tons per annum. The power of the railway may be increased with facility, and at a small expense.

From the landing on the Hudson to New York, the transportation cost during the last season fifty cents per ton. But the experiments made by the company with the Lackawanna steam towing boat, render it certain, that the expense of this part of the operation may be reduced to twenty-five cents per ton. Let us however assume the cost of the article to the company at \$3 per ton at the landing on the Hudson. Any one who may feel sufficient interest in the matter to inquire of the officers and agents of the company, will find that this assumption exceeds the real cost.

Taking the quantity of coal to be delivered this year at only eighty thousand tons, and the price at the very reduced rate of \$5 per ton at Kingston, the net profit to the company will be

\$2 per ton—or on 80,000 tons, - -		\$160,000
Receivable tolls on other business, - -		25,000
		\$185,000
Interest on loans, - -	38,500	
Estimated expense of repairs and superintendence,	30,000	. . 68,500
Leaving for dividend on \$1,500,000 -		\$116,500
Which is equal to a dividend of 7 per cent.		105,000
Leaving a surplus of - - -		\$11,500

The operations of the company may be extended to the delivery of one hundred and fifty thousand tons of coal the next year, without the least difficulty, and the cost of mining, railroad transportation, and freight, may be reduced fifty cents per ton, making the net cost of the coal at Kingston, two dollars and fifty cents instead of three dollars, the present cost. But to assume only one half of that saving, and the cost at Kingston, at two dollars and seventy-five cents, and the selling price four dollars and seventy-five cents, with only an increase of twenty thousand tons to the quantity for the year 1832, the result will be as follows: there will be a profit of

\$2 per ton, which on 100,000 tons will be	\$200,000
Receivable tolls on other business,	30,000
	230,000
Repairs, superintendence, and interest on loans,	68,500
Leaving for dividend on \$1,500,000 stock	161,500
Equal to ten per cent.	150,000
And a surplus of	\$11,500

The canal terminates on the Hudson, ninety miles above New York, and sixty below the city of Albany. The whole of the population in the towns and counties bordering on the North river, may therefore be considered as the peculiar and exclusive market of this company. No other coal of which we have any knowledge, can possibly maintain or attempt a competition with that of the Delaware and Hudson Canal Company, in this section of country. This will be conceded at once, by every candid man: and it is equally certain, that the quantity required for this market, will be very considerable. Their winters are long and severe. The forest which once skirted this noble river has almost entirely disappeared. In the North river towns, wood is therefore an expensive article; in Albany it costs about the same price as in Philadelphia. It is hauled twelve miles, to Kingston landing, for the New York market. To the quantity required by the Northriver market, may safely be added no inconsiderable amount for the population bordering on the Erie and Champlain canals; so that in fact the market open to this company, and secured to it exclusively by the termination of the canal on the North river, will be co-extensive with the inland navigation of the state of New York. The article has already found its way to Utica.

NEW YORK.

NEW YORK CITY. *Marine Insurance.*		No. of Shares.	Doll's. each.	Amount of Capital.	Time and rate of dividend.				Amount of dividend.
New York,	1798	10000	50	500,000	Jan. 5	July	5		50,000
American,	1815	10000	50	500,000	May 16	Nov.	12		140,000
Ocean,	1810	10000	35	350,000	Jan. 16	July	12		98,000
Union,	1818	10000	50	500,000	Jan. 6	July	6		60,000
Neptune,	1815	5000	50	250,000	Jan. 6	July	6		30,000
Atlantic, (new series)		10000	50	500,000	May 5	Nov.	0		25,000
National, do.		5000	50	250,000	Jan. 0	July	0		
Pacific,	1817	8000	25	200,000	Jan. 0	July	0		
		68000		3,050,000					403,000

RECAPITULATION.

There are in this city eight marine insurance companies, with an aggregate capital of	3,050,000
And these have made dividends for	403,000
During the year, two of these, whose capital amounts to $450,000, have made none, so that the dividend has arisen upon a capital of $2,600,000, making an interest of 15.572 cents. The American commenced in 1815, and its dividend to this year inclusive is 312 per cent., amounting to	1,560,000
The Ocean, with a capital of $350,000, has, from 1823 to this year inclusive, made dividends for 126 per cent.	441,000
The New York, with a capital of $500,000, has, from 1823 to this year inclusive, made dividends for 76 per cent.	380,000

NEW YORK.

NEW YORK CITY.

Fire Insurance Companies.

		No. of Shares.	Doll's. each.	Amount of Capital.	Time and rate of dividend.				Am't of dividend
United States,	1824	10000	25	250,000	June	0	Dec.	3½	8750
Globe,	1814	20000	50	1,000,000	June	3½	Dec.	3½	70000
Eagle, chartered 1806, with liberty to increase its capital to $1,000,000	1806	5000	100	500,000	Jan.	4	July	4	40000
Washington,	1814	10000	50	500,000	Feb.	4½	Aug.	4½	45000
Franklin,	1818	6000	50	300,000	Jan.	4	July	4	24000
Jefferson,	1824	5000	50	250,000	Apl.	3½	Aug.	3½	17500
Howard,	1825	6000	50	300,000	Jan.	0	July	4	12000
Fulton,	1819	10000	50	500,000	Jan.	3	July	3½	32500
Mutual,	1798	10000	50	500,000	May	3½	Nov.	3½	35000
Merchants',	1818	5000	100	500,000	Jan.	3½	July	3½	35000
Traders',	1825	10000	25	250,000	May	3½	Nov.	3½	17500
Manhattan,	1819	5000	50	250,000	June	4½	Dec.	3½	20000
Mercantile,	1818	10000	30	300,000	May	0	July	3½	10500
Ætna,	1824	8000	50	400,000	May	3½	Nov.	3½	28000
North River,	1822	14000	25	350,000	Mar.	4	Sept.	4	28000
Firemen's,	1825	12000	25	300,000	Mar.	3½	Sept.	3½	21000
Equitable,	1822	6000	50	300,000	Jan.	4	July	4	24000
Phœnix,	1824	5000	50	250,000	May	0	Nov.	0	
Contribution,	1824	6000	50	300,000	May	3½	Nov.	3½	21000
Farmers' Fire and Loan,	1821	10000	50	500,000	Jan.	0	July	0	
		177,000		7,800,000					489,750

RECAPITULATION:

There are in this city twenty fire companies, whose aggregate capital is - - - - - - - - - - - $7,800,000
And these have made dividends for - - - - - - - - - - - - - - 489,750
During the year, two of these, whose capital amounts to $750,000, have made none, so that the dividend has arisen upon a capital of $7,050,000—making an interest of 6.805 cents. The Washington commenced in 1814, and has made a uniform semiannual dividend of 4½ per cent—making in all 144 per cent., amounting to - - - - - - - - - - - - 720,000
From 1823 to this year, inclusive, the dividends of the Eagle is 69½ per cent., making $347,500—Globe, 52 per cent., $520,000—Franklin, 44½ per cent., $133,000—North River, 64 per cent., $224,000—Making in all - - - - - - - - $1,224,500

NEW YORK.

NEW YORK CITY.

Other Institutions.

	No. of Shares.	Dollars each.	Amount of Capital.	Time and rate of dividend.				Am't of Dividend.
New York Lombard, for the sole purpose of making advances on goods, 1819,	2000	100	200,000	Jan.	0	July	0	
New York Exchange,	2000	100	200,000	Jan.	3	July	3	12,000
New York Tontine Coffee House, commenced 1794, cost $40,000, shares originally 200, original number of nominees 203, now living 120, divides this year,				1830			$31	3720
New York High School, incorporated 1825,	2000	25	50,000	1830		4 per ct.		2000
New York Gas Light Co., capital by charter $1,000,000, paid in,	9900	50	495,000	Mar.	6	Sept.	5	54,450
New York Sugar Refining Co., capital by charter $150,000, shares 200, paid in,	750	185	138,750	1830			$15	11,250
New York Life Insurance and Trust Co., insure lives, grant annuities, and receive money in trust, incorporated 1830,	10000	100	1,000,000	none this year.				
New York and Schuylkill Co., to supply the city with coal,	6000	30	300,000	none				
	32,650		2,383,750					83,420

RECAPITULATION.

These companies have an aggregate capital of - - - - - - - - - - - - $2,383,750
And have made dividends to the amount of - - - - - - - - - - - - 83,420
During the year, three of these, whose capitals amount to $1,500,000, have made none; so that the dividend has arisen upon a capital of $883,750, making an interest of 7.731 cents.

BROOKLYN, opposite to New York. Long Island Bank commenced 1824, with a capital of $300,000; divides this year 7 per cent., making - - - - - - - - - - - - - - 21,000
Its dividends, from the commencement to this year, is 49 per cent., amounting to - - - - - - - 147,000
Long Island Fire Insurance Company has 6000 shares, at $17 each, making $102,000. Dividend, 1830, 4 per cent., is $4,080

NEW YORK.

PROGRESS OF STOCKS IN THE CITY OF NEW YORK.

The author commenced his work in 1819; he now presents the following expose of each subsequent year:

Each year as it was.	BANKS IN NEW YORK CITY.				MARINE INSURANCE.			FIRE INSURANCE COS.		
	Amount of capital.	*Amount of dividend declared.*	*Rate per cent. cents.*	*Amount of paper discounted.*	*Amount of capital.*	*Amount of dividend declared.*	*Rate per cent. cents.*	*Amount of capital.*	*Amount of dividend declared.*	*Rate per ct. cents.*
1819	15,900,000	782,000	4.918	78,199,992	3,850,000	412,250	10.707	4,500,000	237,500	5.277
1820	15,900,000	921,500	5.795	92,149,980	3,850,000	250,750	6.513	4,500,000	365,000	8.111
1821	15,900,000	920,500	5.789	92,649,984	3,850,000	250,650	6.510	4,500,000	364,500	8.100
1822	16,000,000	921,200	5.757	92,119,976	3,850,000	320,150	8.310	4,500,000	365,500	8.122
1823	15,500,000	992,500	6.403	99,250,060	3,150,000	276,500	8.777	7,400,000	485,000	6.554
1824	15,600,000	617,050	3.947	61,705,020	4,650,000	317,000	6.817	7,400,000	552,500	7.466
1825	17,450,000	936,500	5.366	93,649,972	5,300,000	221,000	4.169	11,900,000	767,500	6.459
1826	17,500,000	1,031,500	5.894	103,149,856	5,300,000	260,000	4.905	12,150,000	717,750	5.825
1827	17,880,000	1,025,400	5.751	102,539,996	4,350,000	228,000	5.241	12,450,000	602,000	4.835
1828	18,330,000	1,039,200	5.669	103,919,972	4,100,000	301,500	7.353	10,100,000	467,000	4.524
1829	17,830,000	977,000	5.479	97,699,992	3,000,000	442,000	14.733	7,800,000	464,500	5.955
1830	18,130,000	1,037,700	5.7232	103,769,952	3,050,000	.403,000	13.213	7,800,000	489,750	6.150
	12 years.	11,202,050		1,120,804,752		3,682,800			5,878,500	

In the previous estimates, reference is had especially to productive capital in determining the rate per cent. For example, bank capital productive is $17,930,000, making 5.7875 cents; but in the above, the capital to the whole dividend declared and the rate per cent. determined the one against the other on each species of stock.

NEW YORK.

ALBANY.

Banks.	*No. of Shares.*	*Dollars each.*	*Amount of Capital.*	*Time and rate of dividend.*		*Amount of dividend.*
Bank of Albany, - - - - - - -	8000	300	240,000	May 4	Sept. 3½	18000
State Bank, - - - - - - -	13200	28	369,600	Mar. 4	Sept. 4	29568
Mechanics' and Farmers', - - - - -	26000	17	442,000	May 50	Nov. 4	238680
Commercial, - - - - - - -	15000	15	225,000	Mar. 3½	Sept. 3½	15000
Canal Bank, - - - - - - -	15000	20	300,000	None.		
	77200		1,576,600			301248

RECAPITULATION.

There are 5 banks in this city, whose entire capital is - - - - - - - - - 1,576,600
And these have made dividends for - - - - - - - - - - 301,248
One bank, however, in May last, divided its surplus funds with its May dividend, making 50 per cent.—giving this bank an ordinary dividend each time of 4 per cent., it will make the dividend - - - - - - 97,928
The Canal Bank has just now commenced, so that the dividend has arisen upon a capital of - - .. - 1,276,600
Making an interest of - - - - - - - - - - cents 7.674
But the whole capital to the whole dividend makes an interest for - - - - - 23.608
By the foregoing rule, reserving the above extra dividend, there must have been paper discounted to the amount of - 9,792,801
The State Bank has made a uniform dividend of 4 per cent. semi-annually for the last 15 years, amounting to - - 443,520

NEW YORK.

ALBANY.	No. of Shares.	Dollars each.	Amount of Capital.	Time and rate of dividend.		Amount of dividend.
Insurance.						
Albany,	5000	60	300,000	Mar. 4	Sept. 4½	25500
Merchants',	10000	25	250,000	Jan. 4	July 4	20000
	15000		550,000			45500
Albany Water Works Company,	1600	50	80000	July 4		3200

RECAPITULATION.

There are in this city two Insurance Companies, whose capitals amount to	550,000
And these have made dividends for	45,500
Making an interest of 8.272 cents.	

NEW YORK.

TROY.	No. of Shares.	Doll's. each.	Amount of Capital.	Time and rate of dividend.		Am'nt of dividend.
Banks.						
Farmers' Bank, chartered for $350,000 paid in,	6950	40	278,000	June 4	Dec. 4	22,240
Bank of Troy, chartered for $550,000 paid in,	22000	20	440,000	March 4½	Sept. 4½	39,600
Merchants' and Mechanics',	6000	50	300,000	Feb. 0	Aug. 0	
						61,840
	34590		1,018,000			
Insurance Company.						
The Rensselaer and Saratoga Insurance Co., of which the business is transacted at Troy,	10000	25	250,000	Jan. 4½	July 4½	22,500

RECAPITULATION.

This beautiful and flourishing city contains three banks, whose capitals amount to	$1,018,000
And these have made dividends for	61,840
The last mentioned commenced this year, and makes no dividend, so that the dividend has arisen upon a capital of $718,000, making an interest of 8.612 cents on the dollar. By the foregoing rule, there must have been paper discounted to the amount of	6,183,996
One insurance company, whose capital is	250,000
Amount of dividend,	22,500
The Savings Bank has a capital of about	65,000
It divides in October 2½ per cent.	1625

CONNECTICUT.

NEW HAVEN.	No. of Shares.	Doll's. each.	Amount of Capital.	Time and rate of dividend.				Am'nt of dividend
Banks.								
New Haven Bank,	1700	200	340,000	Jan.	4	July	4	27,200
Mechanics' Bank,	5000	100	500,000	Jan.	0	July	0	
	6700		840,000					27,200
Insurance Companies.								
New Haven Insurance Co.,	2000	25	50,000	Jan.	0	July	0	
Ocean do.	1200	50	60,000	Jan.	3	July	3	3,600
	3200		110,000					

RECAPITULATION.

There are in this city two banks, whose aggregate capital is	$ 840,000
And these have made dividends for	27,200
The Mechanics' Bank has $80 on a share paid in, which makes the capital	400,000
This bank is largely concerned in the Farmington canal, neither of which makes a dividend this year—so that the dividend above has arisen upon a capital of	340,000
Making an interest of 8 cents. By the foregoing rule, there must have been paper discounted for	2,720,016
There are two marine insurance companies in this city, whose capitals are	110,000
The one is silent, and one with a capital of	60,000
Makes a dividend of	3,600

CONNECTICUT.

HARTFORD.	No. of shares.	Doll's. each.	Amount of capital.	Time and rate of dividend.				Am'nt of dividend.
Banks.								
United States Branch,	3000	100	300,000	Jan.	3½	July	3½	21,000
Phœnix,	12100	100	1,210,000	March	3	Sept.	3	72,600
Hartford,	10990	100	1,099,000	June	3	Dec.	3	65,940
Connecticut River,	5000	50	250,000	Jan.	0	July	0	
	31090		2,859,000					159,540
Insurance Companies.								
Hartford Fire,	3000	50	150,000	June	0	Dec.	0	
Ætna,	2000	100	200,000	June	0	Dec.	0	
Protection,	3000	50	150,000	June	0	Dec.	0	
	8000		500,000					

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RECAPITULATION.

There are four banks in this city, whose capital is	$ 2,859,000
And these have made dividends to the amount of	159,540
The last mentioned bank commenced operation this year, and makes no dividend—so that the dividend above has arisen upon a capital of $1,609,000, making an interest of 6.114 cents on the dollar. By the foregoing rule, paper has been discounted for	15,295,964
There are in this city three insurance companies, whose capitals amount to	500,000

CONNECTICUT.

NEW LONDON.

Banks.	*No. of shares*	*Doll's each.*	*Amount of capital.*	*Time and rate of dividend.*		*Amount of dividend.*
New London Bank,	2363	62½	147,687½	Jan. and July	$4	9452
Union Bank,	1000	100	100,000	March and Sept.	6	6000
	3363		247,687½			15,452
Marine Insurance.						
Union Insurance Company,	500	200	100,000	None this year.		

RECAPITULATION.

There are in this city two banks, with a capital of	$ 247,687
And these have made dividends for	15,452
Making an interest of 6,338 cents on the dollar. By the foregoing rule, paper must have been discounted to the amount of	1,545,180

RHODE ISLAND.

NEWPORT.

Banks.	*No. of shares*	*Doll's each*	*Amount of capital.*	*Time and rate of dividend.*				*Amount of dividend.*
Bank of Rhode Island,	1000	100	100,000	None this year.				
Rhode Island Union Bank,	2000	100	200,000	Jan.	2½	July	3	11,000
Newport Bank,	2000	60	120,000	Jan.	3	July	3	7,200
Merchants' Bank,	2000	50	100,000	April	3	Oct.	3	6,000
New England Commercial Bank,	1500	50	75,000	Jan.	3½	July	3½	5,250
	8500		595,000					19,450

RECAPITULATION.

There are five banks in this city, with a capital of	$595,000
And these have made dividends for	19,450
One of which, whose capital is $100,000, has made none, so that the dividend has arisen from a capital of $495,000, making an interest of 3.919 cents on the dollar. By the foregoing rule, paper must have been discounted to the amount of	1,939,964

There are no marine or fire insurance companies in this city.

RHODE ISLAND.

PROVIDENCE.	No. of shares	Doll's. each.	Amount of capital.	Time and rate of dividend				Amount of dividend.
Banks.								
United States Branch,	8000	100	800,000	Jan.	3½	July	3½	56,000
Exchange Bank,	10000	50	500,000	Jan.	3	July	3	30,000
Union Bank,	10000	50	500,000	Jan.	3	July	3⅓	31,000
Mechanics' Bank,	8000	50	400,000	Jan.	3½	July	3	26,000
Mechanics' and Manufacturers',	2500	50	125,000	Jan.	3	July	3½	8,125
Bank of North America,	500	200	100,000	Jan.	3	July	3	6,000
High street Bank,	2000	50	100,000	Feb.	3¼	Aug.	3¼	6,500
Roger Williams' Bank,	6666	75	499,950	March	3	Sept.	3	29,997
Providence Bank,	1000	400	500,000	April	3	Oct.	3	30,000
Merchants' Bank,	10000	50	500,000	May	3½	Nov.	3½	35,000
Eagle Bank,	6000	50	300,000	May	3	Nov.	3	18,000
	61,666		4,324,950					276,662
Insurance.								
Washington,	6250	32	200,000	None this year.				
Marine Insurance Company,	1200	50	60,000	do.				
	7,450		260,000					

RECAPITULATION.

There are eleven banks in this city, whose capitals amount to $4,324,950
And these have made dividends for 276,662
Making an interest of 6.3967 cents on the dollar. By the foregoing rule, paper must have been discounted to the amount of 27,672,184

MASSACHUSETTS.

BOSTON.	No. of Shares.	Dollars each.	Amount of Capital.	Time and rate of dividend.				Amount of dividend.
Banks.								
United States Branch,	15000	100	1,500,000	Jan.	3½	July	3½	105000
American,	7500	100	750,000	April	1	Oct.	2	22500
Massachusetts,	3200	250	800,000	April	2	Oct.	2½	36000
New England,	10000	100	1,000,000	April	3	Oct.	3	60000
State Bank,	30000	60	1,800,000	April	2½	Oct.	2½	90000
Washington,	5000	100	500,000	April	1½	Oct.	2¼	18750
Commonwealth,	5000	100	500,000	April	3	Oct.	3	30000
Eagle,	5000	100	500,000	April	3	Oct.	3	30000
Globe,	10000	100	1,000,000	April	2½	Oct.	3	55000
Union,	8000	100	800,000	April	2	Oct.	2½	36000
Boston,	12000	75	900,000	April	0	Oct.	3	27000
City,	10000	100	1,000,000	April	1½	Oct.	3	45000
Columbian,	5000	100	500,000	April	2	Oct.	2½	22500
Franklin,	1000	100	100,000	April	3	Oct.	3½	6500
Tremont,	5000	100	500,000	April	0	Oct.	2½	12500
North Bank,	5000	100	500,000	April	3½	Oct.	3¼	33750
Suffolk,	7500	100	750,000	April	3	Oct.	3	45000
Atlantic,	5000	100	500,000	April	2½	Oct.	1½	20000
	149200		13,900,000					695500

RECAPITULATION.

There are in this city 18 banks, whose aggregate capitals are - - - - - - - - - 13,900,000
And these have made dividends for - - - - - - - - - - - - - 695,500
Making an interest of 5.0036 cents.
By the foregoing rule, there must have been paper discounted for - - - - - - - - 69,550,000

MASSACHUSETTS.

BOSTON. *Marine Insurance.*	*No. of Shares.*	*Dollars each.*	*Amount of Capital.*	*Time and rate of dividend.*	*Amount of dividend.*
American,	5000	60	300,000	6 per cent.	18000
Boston,	5000	60	300,000	3⅓ do.	10000
New England,	5000	60	300,000	7 do.	21000
Atlantic, 1830—a new Company, of which one half the capital has been paid in,	2500	100	250,000	None.	
	17500		1,150,000		49000

In this city the insurance companies are diverse; the above are considered marine, although all take risks either way. The following are denominated as fire insurance companies:

MASSACHUSETTS.

BOSTON. *Fire and Marine Insurance Companies.*	*No. of Shares.*	*Dollars each.*	*Amount of capital.*	*Time and rate of dividend.*	*Amount of dividend.*
Atlas,	5000	60	300,000	4 per cent.	12000
Boston,	5000	60	300,000	10 do.	30000
Boylston,	5000	60	300,000	3 do.	9000
Columbian,	5000	60	300,000	10 do.	30000
Commonwealth,	5000	60	300,000	3 do.	9000
Franklin,	5000	60	300,000	6 do.	18000
Globe,	5000	60	300,000	8 do.	24000
Massachusetts,	4000	100	400,000	3 do.	12000
Manufacturers',	5000	60	300,000	None.	
Mercantile,	5000	60	300,000	5 per cent.	15000
Massachusetts Hospital,	5000	100	500,000	6 do.	30000
Suffolk,	5000	60	300,000	4 do.	12000
United States,	4000	50	200,000	4 do.	8000
Washington,	4000	50	200,000	3 do.	6000
Merchants',	5000	60	300,000	10 do.	30000
	72000		4,600,000		245000

RECAPITULATION.

There are in this city considered as definitely marine, three companies, whose capitals amount to		1,150,000
And these have made dividends for		49,000
There are 15 companies called fire and marine insurance companies, whose capitals amount to		4,600,000
And these have made dividends for		245,000
Total insurance capital,	5,750,000	
Total insurance dividend,	294,000	
Making an interest of . . . . 5.113 cents.		

MASSACHUSETTS.

SALEM.	No. of shares.	Dollars each.	Am't of capital.	Time and rate of dividend.		Am't. of dividend.
Banks.						
Salem,	2,500	100	250,000	April 2	Oct. 2	10,000
Mercantile,	2,000	100	200,000	April 3	Oct. 3	12,000
Merchants',	4,000	100	400,000	April 2½	Oct. 3	22,000
Exchange,	3,000	66 66⅔	200,000	$1.75 share.		5,250
Commercial,	3,000	66 66⅔	200,000	April 0	Oct. 3	6,000
Asiatic,	7,000	28 57	200,000	April 0	Oct. 2⅝	5,250
	21,500		1,450,000			60,500
Insurance Companies.						
Salem Marine,	1,000	200	200,000	June 4	Dec. 6	20,000
Union Marine,	2,500	40	100,000	April 0	Oct. 4	4,000
Commercial,	2,000	100	200,000	May 3	Nov. 4	14,000
Oriental,	2,000	100	200,000	April 0	Oct. 5	10,000
Mercantile,	1,500	100	150,000	none.		
	9,000		850,000			48,000

RECAPITULATION.

There are in this city six banks, whose total capital is	$1,450,000
And these have made dividends for making an interest of 4.172 cents. By the foregoing rule, there must have been paper discounted for	6,049,992
The Savings Bank in this city in October last had a capital of about	265,000
from about 1650 depositors, and their dividends are 4 per cent., amounting to	10,600

There are in this city five insurance companies, whose aggregate capitals are $860,000, and these have made dividends for $48,000. During the year, one of these, whose capital is $150,000, has made none, so that the dividend has arisen upon a capital of $700,000, making an interest of 6.857 cents.

MAINE.

PORTLAND.	No. of shares.	Dollars each.	Amount of capital.	Time and rate of dividend.		Am't of dividend.
Banks.						
United States Branch,						
Cumberland,	3,000	66⅔	200,000	April 0	Oct. 3	6,000
Bank of Portland,	2,000	100	200,000	April 3	Oct. 3	12,000
Casco Bank,	2,000	100	200,000	April 3	Oct. 3	12,000
Canal Bank,	3,000	100	300,000	April 0	Oct. 1	3,000
Merchants' Bank,	2,000	75	150,000	April 1⅓	Oct. 2⅔	6,000
	12,000		1,050,000			39,000
Insurance Companies.						
Cumberland Marine Insurance Co.,	1,000	100	100,000	Twelve per ct.		6,000

27 Of this there has been paid in $50,000.

Mutual Fire Insurance. The stock of this company consists of cash received for premiums, which are low, and a lien on all property insured to assess upon in case of loss above the amount of cash in hand. On the 1st of October last the amount of risk was $409,005; amount of cash in hand, $1,470.

RECAPITULATION.

There are in this city six banks, including the United States Branch, which has no fixed capital assigned to it. The five banks have an aggregate capital of	$1,050,000
And these have made dividends for	39,000
Making an interest of 3.7142 cents. By the foregoing rule, there must have been paper discounted for	3,919,968

NEW HAMPSHIRE.

PORTSMOUTH.

Banks.	*No. of shares*	*Doll's each.*	*Amount of capital.*	*Time and rate of dividend.*		*Am't of dividend.*
United States Branch,						
New Hampshire Union,	750	200	150,000	Jan. 2½	July 2½	7,500
New Hampshire,	330	500	165,000	Jan. 0	July 0	
Portsmouth,	2000	50	100,000	Jan. 3	July 3	6,000
Rockingham,	2000	50	100,000	Jan. 0	July 0	
Piscataqua,	1600	100	160,000	Jan. 3	July 3	9,600
Commercial,	2000	50	100,000	Jan. 0	July 0	
	8680		775,000			23,100

RECAPITULATION.

There are in this city six banks, whose aggregate capitals amount to . . . $775,000
And these have made dividends for . . . 23,100
The Branch Bank comes under the head of Philadelphia. During the year, three banks, whose capitals are . . . 365,000
have made no dividend; so that the above has arisen upon a capital of . . . 410,000
Making an interest of 5.633 cents.
By the foregoing rule, there must have been paper discounted for . . . 2,310,056
There are no other moneyed institutions in this city.

NEW JERSEY.

Banks, &c.	*No. of shares.*	*Doll's each.*	*Amount of capital.*	*Time and rate of dividend.*		*Am't of dividend.*
Trenton Banking and Insurance Co.,	20,000	25	500,000	6 per cent.		30,000
State Bank at Newark,	8,000	35	280,000	April 3	Oct. 3	16,800
Newark Banking and Insurance Co.,	7,000	50	350,000	Jan. 3	July 3	21,000
State Bank at Elizabethtown,	2,659	50	132,925	April 3	Oct. 3	7,975
	37,659		1,262,925			75,775
Insurance Companies.						
Mechanics' Fire Insurance Co. (Newark.)	4,000	50	200,000	Mar. 3½	Sept. 3½	14,000

Morris Canal and Banking Company, chartered in 1824, for 150 years, with banking privileges for 31 years. Capital, $2,000,000, half of which is for banking purposes. This canal connects with the Lehigh canal on the Delaware, at Easton; thence through the flourishing parts of New Jersey, connecting the iron regions of Dover to Newark. The latter part has been in operation since September last, and the whole will be in operation next spring. The canal appropriation is $1,000,000. This canal passes through Philipsburgh, New Village, Broadway, Washington, Andersontown, Hackettstown in the county of Warren, the Valley of the Musconeteong, by Saxton's Falls, Old Andover, Stanhope, to Brooklyn in Sussex county, which is called the summit, from thence to Drakesville, Suckasunny Plains, Dover, Rockaway, Powerville, Boonton, and Montville, in the county of Morris, which contain from 40 to 60 forges and rolling mills, and from thence to Mead's Basin, Little Falls, Paterson, Bloomfield, and Newark, where it discharges itself into the Passaic river. The counties of Bergen and Essex, contiguous to the canal, contain many cotton and woolen factories; and this canal will also introduce to the city of New York an immense quantity of Lehigh coal.

RECAPITULATION.

There are four banks, with a capital of . . . $1,262,925
And these have made dividends for . . . 75,775
Making an interest of 6 cents.
By the foregoing rule, there must have been paper discounted for . . . 7,577,492
There is a Mutual Insurance Company at Newark, the capital of which is made up from premiums and deposits, amounting to $45,000; of which nearly $20,000 is in shares of stock of $5 each, on which a dividend is made of 4 per cent. annually.
There is a Mutual Assurance Company at Elizabethtown, which commenced in 1829. The capital consists of premiums and interest thereon, amounting to $7,100.

PENNSYLVANIA.

PHILADELPHIA.

Banks.

	No. of shares	Doll's. each	Amount of capital.	Time and rate of dividend.				Amount of dividend.
United States—(Located in this city, with branches in the different states; commenced in 1816, to endure twenty years; capital, $35,000,000, of which the United States holds $7,000,000, and individuals $28,000,000; it divides this year 7 per cent.)—It is estimated to employ in banking operations in this city	15000	100	1,500,000	Jan.	3½	July	3½	105,000
North America,	2000	400	808,000	Jan.	2½	July	2½	40,000
Pennsylvania,	6250	400	2,500,000	Jan.	3	July	3	150,000
Philadelphia,	18000	100	1,800,000	May	2½	Nov.	2½	90,000
Commercial,	20000	50	1,000,000	May	3	Nov.	3	69,000
Mechanics',	11420	35	400,000	May	3½	Nov.	3½	28,000
Farmers' and Mechanics',	25000	50	1,250,000	May	3	Nov.	3½	81,250
Schuylkill,	20000	25	500,000	May	3½	Nov.	3½	35,000
Northern Liberties,	10000	20	200,000	May	15	Nov.	5	40,000
Southwark,	2500	100	250,000	May	5	Nov.	5	25,000
Kensington,	3700	25	92,000	May	5	Nov.	5	9,200
Camden,	5000	50	250,000	April	2	Oct.	2½	11,250
Penn Township,	5000	50	250,000	April	4	Oct.	3½	9,375
	143870		10,792,000					693,075

RECAPITULATION:

There are in this city thirteen banks, with an aggregate capital of	$10,792,000
And these have made dividends for	693,075
The Bank of Penn Township has $125,000 paid in, so that the dividend has arisen upon a capital of	10,667,000
Making an interest of 6.497 cents. By the foregoing rule there must have been paper discounted for	69,307,472
The United States Bank divides this year 7 per cent., which, added to its former dividends, is 70.10 cents from the commencement. From the capital deduct the different branches mentioned in this report, will leave to be used in all other places an aggregate capital of	22,400,000
The dividend on this, at 7 per cent., is	1,568,000
Paper discounted on this, per rule, is	156,799,968

Stephen Girard's bank, in this city, is one of great usefulness, and deservedly popular: but being an individual establishment, is not noticed in this report.

PENNSYLVANIA.

PHILADELPHIA.

	No. of Shares.	Doll's. each.	Amount of Capital.	Time and rate of dividend.				Am't of dividend
Marine Insurance.								
North America,	60000	10	600,000	Jan.	3	July	3	36000
Pennsylvania,	1250	400	500,000	Feb.	5	Aug.	6	60000
Delaware,	5000	40	200,000	June	4	Dec.	4	16000
United States,	8000	25	200,000	June	6	Dec.	6	24000
Atlantic,	3000	100	300,000	Jan.	10	July	6	48000
Philadelphia,	4000	100	400,000	June	6	Dec.	5	44000
Mutual,	5000	60	300,000	Jan.	5	July	5	30000
Union,	5000	60	300,000	Jan.	0	July	3	9000
Phœnix,	6000	80	480,000	June	4	Dec.	4	38400
	97,250		3,280,000					305,400
Fire Insurance.								
American,	5000	100	500,000	Apl.	4	Oct.	4	40000
Pennsylvania,	4000	100	400,000	Mar.	5	Sept.	0	20000
Pennsylvania Life and Fire,	5000	100	500,000	Jan.	3	July	3	30000
Franklin, (a new company,)	4000	50	200,000	Apl.	0	Oct.	0	
	18,000		1,600,000					90,000

RECAPITULATION.

There are in this city nine marine insurance companies with an aggregate capital of	$3,280,000
And these have made dividends for making an interest of 9.3109 cents.	305,400
There are also four fire insurance companies, with an aggregate capital of	1,600,000
And these have made dividends for	90,000
One of these, being a new company, makes no dividend; so that the dividend above has arisen upon making an interest of 6.428 cents.	1,400,000

MARYLAND.

BALTIMORE.

Banks.

	No. of shares.	Doll's each.	Amount of Capital.	Time and rate of dividend.		Amount of dividend.
United States Branch,	15,000	100	1,500,000	Jan. 3½	July 3½	105,000
Bank of Maryland,	1,000	300	300,000	Mar. 2	Sept 2	12,000
Union Bank of Maryland,	23,155	75	1,736,625	This year 2½		43,415
Bank of Baltimore,	4,000	300	1,200,000	June 3	Dec. 3	72,000
Commercial and Farmers',	18,000 17,420	20 33½	418,066	May 3	Nov. 3	25,083.96
Farmers' and Mechanics',	10,000	50	500,000	April 2½	Oct. 2½	25,000
Franklin,	24,000	25	600,000	April 3¾	Oct. 3½	43,500
Marine,	10,000	25	250,000	April 3	Oct. 3	15,000
Mechanics'	40,000	12—9	384,000	June 2½	Dec. 3	21,120
	162,575		6,888,691			362,118.96

RECAPITULATION.

There are in this city ten banks, with an aggregate capital of $6,888,691
And these have made dividends for 362,118.96
Being an interest of 5.256 cents.
By the foregoing rule, there must have been paper discounted for 36,211,864

MARYLAND.

BALTIMORE.

Marine Insurance.

	No. of Shares.	Doll's each.	Amount of Capital.	Time and rate of dividend.		Am't of Dividend.
Baltimore,	1,000	300	300,000	Feb. 3½	Aug. 5	25,000
Neptune,	2,000	100	200,000	Feb. 12	Aug. 9	42,000
American,	2,000	100	200,000	Feb. 9	Aug. 6	30,000
Maryland,	500	1000	500,000	20 per cent.		30,000
	5,500		1,200,000			127,000
Fire Insurance.						
Baltimore,	10,000	50	500,000	None this year.		
Firemen's,	21,000	20	420,000	Jan. 6¼	July 6¼	52,500
	31,000		920,000			52,500

RECAPITULATION.

There are in this city four marine insurance companies, with an aggregate capital of $1,200,000
And these have made dividends for 127,000
Of these the Maryland has $150,000, paid in, on which its dividend is made; so that the dividend has arisen upon a capital of 850,000
Making an interest of 14.941 cents.
One of the fire insurance companies makes no dividend; so that the dividend of this stock is 12½ per cent. The Baltimore Equitable is a mutual company, and excessively useful: each insurer deposits a certain sum, which is returned at the expiration of the policy, less a proportion of losses incurred for the time.

DISTRICT OF COLUMBIA.

Banks.	No. of Shares.	Dollars each.	Amount of Capital.	Time and rate of dividend.				Amount of dividend.
United States Branch,								
Bank of the Metropolis,	20,000	25	500,000	Jan.	3	July	3	30,000
Bank of Washington,	20,000 10,000	20 10	500,000	May	2½	Nov.	2½	25,000
Patriotic Bank,	25,000	10	250,000	Jan.	3	July	3½	16,250
Farmers' and Mechanics' Bank of Georgetown,	19,400	25	485,000	Jan.	2½	July	2½	24,250
Union Bank of Georgetown, Alexandria,	19,130	25	478,250	April	2½	Oct.	2½	23,922
Bank of Potomac,	5,000	100	500,000	May	2	Nov.	2	20,000
Mechanics' Bank,	37,200	10	372,000	Mar.	2	Sept.	2	14,880
Bank of Alexandria,	2,500	200	500,000	Jan.	2	July	2	20,000
Farmers' Bank of Alexandria,	6,200	50	310,000	Mar.	2	Sept.	2	12,400
	164,430		3,895,250					186,702
Insurance Companies.								
Franklin Insurance Co., Washington,	5,000	25	125,000	May	5	Nov.	5	12,500
Marine Insurance Co., Alexandria,	12,500	20	250,000	5 per cent.				12,500
Fire Insurance Co., Alexandria,	5,000	25	250,000	3 do.				7,500
	22,500		625,000					32,500

RECAPITULATION.

There are in this district nine banks, with an aggregate capital of	$3,895,250
The United States Branch comes under the parent bank, at Philadelphia:	
The above banks have made dividends for	186,702
Making an interest of 4.792 cents.	
By the foregoing rule, there must have been paper discounted for	18,670,184
There are in this district two marine insurance companies, with a capital of	375,000
And these have made dividends for	25,000
Making an interest of 6.666 cents.	
One fire company, with a capital of	250,000
And has made dividend for	7,500
Being an interest of 3 cents.	

VIRGINIA.

RICHMOND. Banks.	No. of Shares.	Dollars each.	Amount of Capital.	Time and rate of dividend.				Amount of dividend.
United States Branch,	10,000	100	1,000,000	Jan.	3½	July	3½	70,000
Branch of Bank of Virginia,	10,300	100	1,030,000	Jan.	3	July	2½	56,650
Branch of Farmers' Bank of Virginia,	4,875	100	487,500	Jan.	2½	July	2½	24,375
	25,175		2,517,500					151,025

RECAPITULATION:

There are three permanent banks in this city, whose aggregate capital is				$2,517,500
And these have made dividends for				151,025
Making an interest of 5.99335 cents. By the foregoing rule there must have been paper discounted to the amount of				15,102,452
In this city is located the Bank of Virginia, whose capital is distributed as follows, viz.:	Richmond,	$1,030,000		
	Norfolk,	460,000		
	Petersburg,	500,000		
	Fredericksburg,	300,000		
	Lynchburg,	300,000		
	Dansville,	150,000		
			2,740,000	
Deducting therefrom Richmond and Norfolk, will leave for the other branches an aggregate capital of				1,250,000
The dividend on this at 5.5 per cent.,				68,750
Paper discounted by the foregoing rule,				6,874,972
In this city is also located the Farmers' Bank of Virginia, whose capital is distributed as follows, viz.:				
	Richmond,	$487,500		
	Norfolk,	487,500		
	Petersburg,	243,750		
	Fredericksburg,	243,750		
	Dansville,	50,007		
	Lynchburg,	243,750		
	Winchester,	243,750		
			2,000,000	
Taking therefrom Richmond and Norfolk, will leave to be used in other branches an aggregate capital of				1,025,000
The dividend on this at 5 per cent. will be				51,250
The paper discounted by the foregoing rule,				5,124,964
In this city there are no marine or fire companies except agencies.				

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VIRGINIA.

NORFOLK.	No. of Shares.	Dollars each.	Amount of Capital.	Time and rate of dividend.		Amount of dividend.
Banks.						
United States Branch,	5000	100	500,000	Jan. 3½	July 3½	35000
Branch of Bank of Virginia,	5000	100	500,000	Jan. 2½	July 2½	25000
Branch Farmers' Bank of Virginia,	4600	100	460,000	Jan. 3	July 2½	25300
	14,600		1,460,000			85,300
Marine Insurance.						
One company	20000	20	400,000	May 3	Oct. 3	6000

Of this company $5 per share has been paid, on which the dividend has been paid—since which a further installment of $1 per share has been paid.

The Dismal Swamp Canal Company has 1440 shares of $250 each—capital		360,000
Of this stock, individuals hold	96,000	
" " " state of Virginia,	64,000	
" " " United States,	200,000	
The amount expended up to December, 1828, was		730,412

The tolls received up to the same period have been expended in the prosecution of the work. The tolls average now about $2,000 per month, and are expected to increase considerably in a short time.

RECAPITULATION.

There are three banks in this city, whose aggregate capitals are	1,460,000
And these have made dividends for	85,300
making an interest of 5.821 cents.	
By the foregoing rule, there must have been paper discounted for	9,240,816

The dividends of the last two banks are, exclusive of the contingent fund, 1 per cent. per annum.

SOUTH CAROLINA.

CHARLESTON.	No. of Shares.	Dollars each.	Amount of Capital.	Time and rate of dividend.		Amount of dividend.
Banks.						
United States Branch,	15000	100	1,500,000	Jan. 3½	July 3½	105000
State Bank,	8000	100	800,000	Jan. 2	July 2	32000
Bank of South Carolina,	15000	45	675,000	6⅔ per cent.		45000
Union Bank,	20000	50	1,000,000	Jan. 3	July 3½	65000
Planters' and Mechanics',	40000	25	1,000,000	Jan. 3½	July 3½	70000
	96,000		4,975,000			317,000
Insurance Companies.						
Union Insurance Company,	7500	60	450,000	Jan. $1½	July $2½	30000
Fire and Marine,	5000	60	300,000	Jan. 1½	July 2½	20000
	12,500		750,000			50,000

South Carolina Rail Road and Canal Company—6000 shares, each $100—capital, $600,000. This company has filled up its stock entire, and the work is nearly completed. It will be of vast commercial importance.

RECAPITULATION.

There are in this city five banks, whose collective capital is	$4,975,000
And these have made dividends for	317,000
Making an interest of 6.371½ cents.	
By the foregoing rule, there must have been paper discounted for	34,341,632
There are also in this city two insurance companies, whose capitals are	750,000
And these have made dividends for	50,000
making 6.666 cents.	

NORTH CAROLINA.

Banks.	*No. of Shares.*	*Dollars each.*	*Amount of capital.*	*Time and rate of dividend.*		*Amount of dividend.*
State Bank at Raleigh—with branches at Newbern, Salisbury, Wilmington, and Tarboro', - - - - - - - -	16000	100	1,600,000	June 2	Dec. 2	64000
Bank of Cape Fear—located at Wilmington, with a branch at Fayetteville, and agencies at Salem and Hillsboro', - - - -	8000	100	800,000	June 0	Dec. 0	
Bank of Newbern—with agencies at Raleigh, Milton, Charlotte, and Halifax, - - - - - - - - - -	8000	100	800,000	June 0	Dec. 0	
United States Branch Bank, at Fayetteville, - - - -	5000	100	500,000	Jan. 3½	July 3½	35000
	37,000		3,700,000			99,000

RECAPITULATION.

There are in this state four banks, including the United States Branch, with an aggregate capital of - - - - $3,700,000
And these have made dividends for - - - - - - - - - - - - - - - - - 99,000
During the year two of these, whose capitals amount to $1,600,000, have made none; so that the dividend has arisen upon a capital of - - - - - - - - - - - - - - - - - 2,100,000
Making an interest of 4.714 cents.
By the foregoing rule there must have been paper discounted to the amount of - - - - - - - - 9,899,968
The Newbern and Cape Fear banks pay a tax to the state of one per cent. on their capital. The state bank charters expire in 1835, and an act has been passed extending them to 1838.
There are no marine insurance companies in this state.

GEORGIA.

AUGUSTA. *Banks.*	*No. of Shares.*	*Doll's. each.*	*Amount of Capital.*	*Time and rate of dividend.*		*Amount of dividend.*
Bank of Augusta, - - - - - - - - -	6,000	100	600,000	May 4	Nov. 4	48,000
Merchants' and Planters' Bank, - - - - - -	3,000	100	300,000	June 4	Dec. 4	12,000
Augusta Insurance and Banking Co., - - - - -	5,000	100	500,000	None this year.		
	14,000		1,400,000			60,000

RECAPITULATION.

There are in this city three institutions, whose capitals amount to - - - - - - - - - - $1,400,000
And these have made dividends for - - - - - - - - - - - - - - - - - - 60,000
The Merchants' and Planters' Bank has paid in $150,000. The Augusta Insurance and Banking Company has also paid in $110,000, which makes no dividend, owing to previous losses. This institution is now doing a good business, and the stock sells at par; so that the dividend has arisen upon a capital of - - - - - - 750,000
Making an interest of 8 cents.
By the foregoing rule, there must have been paper discounted for - - - - - - - - - - - 5,999,968
In addition to the above, the State Bank has a branch in this city and other principal places in the state, which will be found under the head of Savannah.

GEORGIA.

SAVANNAH. Banks.	No. of Shares.	Dollars each.	Amount of Capital.	Time and rate of dividend.		Amount of dividend.
United States Branch,			no fixed.			
State Bank of Georgia,	15,000	100	1,500,000	April 3½	Oct. 3½	105,000
Planters' Bank,	7,000	100	700,000	June 3	Dec 3	33,600
Marine Fire Insurance Bank,	4,000	50	400,000	June $1	Dec. $1	8,000
	26,000		2,600,000			146,600

RECAPITULATION.

There are in this city four banks, including the United States Branch, which has no fixed capital assigned. The aggregate capital of the others is - - - - - - - - - - - - $2,600,000
And these have made dividends for - - - - - - - - - - - - - 146,600
Of these the Planters' Bank has paid in $560,000; the Marine has paid in $280,000; and on these sums the dividend has been made. So that the dividend has arisen upon a capital of - - - - - - - - 2,340,000
Making an interest of 6.265 cents.
By the foregoing rule, there must have been paper discounted for - - - - - - - 14,661,148
The State Bank located here has branches in other parts of the state, all of which are included in the one amount above.
The Marine Bank answers all the purposes of a marine and fire insurance company.

LOUISIANA.

NEW ORLEANS. Banks.	No. of Shares.	Am't of Shares.	Am't paid.	Amount of Capital.	Time and rate of dividend.		Am'nt of dividend
United States Branch,	20,000	100	100	1,000,000	Jan. 3½	July 3½	70,000
Louisiana State Bank,	20,000	100	62½	2,000,000	Feb. 4½	Aug. 4½	112,500
Bank of Louisiana,	40,000	100	100	4,000,000	Feb. 4	Aug. 4	320,000
Bank of Orleans,	5,000	100	100	500,000	Jan. 4	July 4	40,000
Consolidation of the Planters of Louisana,	25,000	100	100	2,500,000	none.		
	100,000			10,000,000.			542,500

RECAPITULATION.

There are in this city five banks, including the United States Branch, whose capitals amount to - - - - 10,000,000
And these have made dividends for - - - - - - - - - - - - - 542,500
During the year, one of these, whose capital amounts to 2,500,000, and has only 1,250,000 paid in, so that the dividend has arisen upon - - - - - - - - - - - - - - - 6,750,000
Making an interest of 8.037 cents.
By the foregoing rule, there must have been paper discounted for - - - - - - - 54,249,968

LOUISIANA.

NEW ORLEANS. *Insurance Companies.*	*No. of Shares.*	*Am't of Shares.*	*Am't paid.*	*Amount of Capital.*	*Time and rate of dividend.*				*Am'nt of dividend.*
Louisiana State Insurance Company,	400	1000	100	400,000	Jan.	50	July	125	70,000
Louisiana Insurance Company,	300	1000	100	300,000		none.			
Mississippi Marine and Fire,	600	500	50	300,000	Jan.	25	July	25	15,000
Orleans Insurance Company,	200	1000	100	200,000	Apl.	25	Oct.	25	10,000
Merchants',	1000	1000	300	1,000,000	Jan.	0	July	0	
Orleans Navigation Company,	2000	100	100	200,000	Jan.	10	July	10	40,000
	4500			2,400,000					135,000

RECAPITULATION.

There are in this city six insurance companies, whose capitals are - - - - - - - - - 2,400,000
And these have made dividends for - - - - - - - - - - - - - - - - 135,000
Two of these, whose nominal capitals amount to 1,300,000, have made none; and three others have but ten per cent. paid in, and on that the dividend has been made. So that the dividend has arisen upon a capital of - - 290,000
Making an interest of 46.551 cents.
The whole chartered capitals of the productive capitals amount to - - - - - - - - 1,100,000
And the dividend, if declared upon that, would be 12.272 cents.
The Louisiana State Insurance Company has made dividends for the last eighteen months to the amount of 225 per cent. on the capital paid in which if declared upon the amount of chartered capital will be 22½ per cent. for eighteen months, or 7½ per cent. each time, amounting for eighteen months to the sum of - - - - - 90,000
The Ponchartrain Rail Road Company is by charter 150,000, with liberty to increase to 250,000. Shares 100. The object not yet completed, and shares not all taken up.

GRAND RECAPITULATION OF STOCKS

IN NEW YORK AND TWENTY-FOUR OTHER CITIES OF THE UNITED STATES.

	Entire stock capital.	*Amount of capital silent.*	*Amt. capital paying dividend.*	*Am'nt of dividend declared.*	*Rate per ct. cents.*	*Whole amount discounted.*
NEW YORK CITY.						
Banks,	16,130,000	200,000	17,930,000	1,033,200	5.7875	103,769,952
Marine Insurance Companies,	3,050,000	450,000	2,600,000	403,000	15.572	
Fire Insurance Companies,	7,800,000	750,000	7,050,000	479,750	6.805	
Miscellaneous,	2,383,750	1,500,000	883,750	83,420	7.731	
BROOKLYN.						
Banks,	300,000		300,000	21,000	7.	2,099,968
Fire Insurance Companies,	102,000		102,000	4,080	4.	
ALBANY.						
Banks,	1,576,600	300,000	1,276,600	301,248	23.608	9,792,801
Insurance Companies,	550,000		550,000	45,500	8.272	
Water-works,	80,000		80,000	3,200	4.	
TROY.						
Banks,	1,018,000	300,000	718,000	61,840	8.612	6,183,996
Insurance Companies,	250,000		250,000	22,500	9.	
Savings Bank,	65,000		65,000	1,625	2.50	
HARTFORD.						
Banks,	2,859,000	250,000	2,609,000	159,540	6.114	15,952,964
Insurance Companies,	500,000	500,000				
NEW LONDON.						
Banks,	247,687		247,687	15,452	6.338	1,545,180
Insurance Companies,	100,000	100,000				

GRAND RECAPITULATION.

	Entire stock capital.	*Amount of capital silent.*	*Amt. capital paying dividend.*	*Amount dividend declared.*	*Rate per ct. cents.*	*Whole amt. discounted.*
NEWPORT.						
Banks,	595,000	100,000	495,000	19,450	3.919	1,939,964
PROVIDENCE.						
Banks,	4,324,950		4,324,950	276,662	6.3967	27,672,184
Insurance Companies,	260,000	260,000				
BOSTON.						
Banks,	13,900,000		13,900,000	695,500	5.061	69,550.000
Insurance Companies,	1,150,000	250,000	900,000	49,000	5.113	
Fire and Marine,	4,600,000	300,000	4,300,000	245,000		
PORTLAND.						
Banks,	1,050,000		1,050,000	39,000	3.7142	3,919,968
Insurance Companies,	100,000	50,000	50,000	6,000	12.	
DISTRICT OF COLUMBIA.						
Banks,	3,895,250		3,895,250	186,702	4.792	18,670,184
Marine Insurance Companies,	375,000		375,000	25,000	6.666	
Fire Insurance Companies,	250,000		250,000	7,500	3.	
RICHMOND.						
Banks,	2,517,500		2,517,500	151,025	5.9935	15,102,452
Branches Bank of Virginia,	1,250,000		1,250,000	68,750	5.50	6,874,972
Do. Planters'	1,025,000		1,025,000	51,250	5.	5,124,964
NORFOLK.						
Banks,	1,460,000		1,460,000	85,300	5.821	9,240,816
Insurance Companies,	400,000	300,000	100,000	6,000	6.	

GRAND RECAPITULATION.

	Entire stock capital.	*Amount of capital silent.*	*Amt. capital paying dividend.*	*Amount dividend declared.*	*Rate per ct. cents.*	*Whole amount discounted.*
Canal Company,	360,000	360,000				
CHARLESTON.						
Banks,	4,975,000		4,975,000	317,000	6.371½	34,341,632
Insurance Companies,	750,000		750,000	50,000	6.666	
Railroad Company,	600,000	600,000				
SAVANNAH.						
Banks,	2,600,000	260,000	2,340,000	146,600	6.265	14,661,148
AUGUSTA.						
Banks,	1,400,000	650,000	750,000	60,000	8.	5,999,968
BALTIMORE.						
Banks,	6,888,691		6,888,691	362,118	5.256	36,211,864
Marine Insurance Companies,	1,200,000	350,000	850,000	127,000	14.941	
Fire Insurance Companies,	920,000	500,000	420,000	52,500	12.50	
PHILADELPHIA.						
Banks,	10,792,000	125,000	10,667,000	693,075	6.497	69,307,472
Branches of the U. States Bank not mentioned in this report,	22,400,000		22,400,000	1,568,000	7.	156,799,968
Marine Insurance Companies,	3,280,000		3,280,000	305,400	9.3109	
Fire Insurance Companies,	1,600,000	200,000	1,400,000	90,000	6.428	
NEW ORLEANS.						
Banks,	10,000,000	3,250,000	6,750,000	542,500	8.037	54,249,988
Insurance Companies,	2,400,000	2,110,000	290,000	135,000	46.551	

GRAND RECAPITULATION.

	Entire stock capital.	*Amount of capital silent.*	*Amt. capital paying dividend.*	*Amount dividend declared.*	*Rate per ct. cents.*	*Whole amount discounted.*
NORTH CAROLINA.						
Banks,	3,700,000	1,600,000	2,100,000	99,000	4.714	9,899,963
NEW HAVEN.						
Banks,	840,000	500,000	340,000	27,200	8.	2,720,016
Marine Insurance Companies,	110,000	50,000	60,000	3,600	6.	
PORTSMOUTH.						
Banks,	775,000	365,000	410,000	23,100	5.633	2,310,056
SALEM.						
Banks,	1,450,000		1,450,000	60,500	4.172	6.049.992
Savings Bank,	265,000		265,000	10,600	4.	
Insurance Companies,	850,000	150,000	700,000	48,000	6.857	
NEW JERSEY.						
Banks,	1,262,925		1,262,925	75,775	6.	7,577,492
Insurance Companies,	200,000		200,000	14,000	7.	
Morris Canal and Banking Company,	2,000,000	2,000,000				
Entire capital,	$157,823,353					
Capital silent,		$18,580,000				
Capital paying dividend,			$139,243,353			
Amount of dividend,				$8,320,912		
Total amount of paper discounted,						$658,309,927

☞ **Thus the whole dividend to the total amount of productive capital of every sort in the above different cities of the United States, gives 5.975 cents.**

ELEMENTS OF EXCHANGE:

WITH THE REGULATION OF

BILLS AND PROMISSORY NOTES,

IN ENGLAND AND THE UNITED STATES.

FROM KELLY'S CAMBIST.

ELEMENTS OF EXCHANGE.

1.—BILLS OF EXCHANGE.

A BILL of exchange is a written order for the payment of a certain sum of money at an appointed time. It is a mercantile contract, in which four persons are mostly concerned, viz.

1.—The *drawer*, who receives the value, and is also called the *maker* and *seller* of the bill.

2.—His debtor in a distant place, upon whom the bill is drawn, and who is called the *drawee*. He is also called the *acceptor*, when he accepts the bill, which is an engagement to pay it when due.

3.—The person who gives value for the bill, who is called the *buyer*, *taker*, and *remitter*.

4.—The person to whom it is ordered to be paid, who is called the *payee*, and who may, by indorsement, pass it to any other person.

Most mercantile payments are made in bills of exchange, which generally pass from hand to hand, until due, like any other circulating medium; and the person who at any time has a bill in his possession, is called the *holder*.

When the holder of a bill disposes of it he writes his name on the back, which is called *indorsing*; and the payee should be the first indorser. If the bill be indorsed in favor of any particular person, it is called a *special indorsement*, and the person to whom it is thus made payable is called the *indorsee*, who must also indorse the bill if he negotiates it. Any person may indorse a bill, and every indorser (as well as the acceptor or payee) is a security for the bill, and may therefore be sued for payment.

The *term* of a bill varies, according to the agreement between the parties, or the custom of countries. Some bills are drawn at sight; others at a certain number of days or months after sight or after date; and some at *usance*, which is the customary or usual term between different places.

Days of grace are a certain number of days granted to the acceptor after the term of a bill is expired. In the British dominions three days are allowed.

In reckoning when a bill, payable after *date*, becomes due, the day on which it is dated is not included; and if it be a bill payable after *sight*, the day of presentment is not included. When the term is expressed in months, calendar months are understood; and when a month is longer than the succeeding, it is a rule not to go, in the computation, into a third month. Thus, if a bill be dated the 28th, 29th, 30th, or 31st of January, and payable one month after date, the term equally expires on the last day of February, to which the days of grace must, of course, be added; and, therefore the bill becomes due on the 3d of March.

No bill of exchange drawn in Great Britain or Ireland can be negotiated, presented for payment, or in any way admitted as good in these countries, that is not written on a proper stamp; and any person drawing, accepting, or paying such a bill, is liable to a penalty.

LAWS OF EXCHANGE.

The following laws have been selected from the first legal authorities, and likewise examined and approved by several experienced merchants, bankers, and notaries; and though these laws apply chiefly to the British dominions, yet they do not differ essentially from the regulations of other commercial countries, with respect to *accepting indorsing*, *paying*, *protesting*, and *recovering*, *bills*.

ACCEPTING BILLS.

When a bill is presented for acceptance, it is generally left until the next day, and the common way of accepting is, for the drawee to write his name at the bottom, or across the body of the bill, with the word *accepted*. An acceptance however, in a slighter way, has been heretofore deemed binding; thus, had the drawee written his name upon any part of the bill, or the initials of his name, or the day of the month, or merely the word *accepted*, he was considered liable; but, by an act of parliament, passed in 1819, it was declared, "that no person shall be bound or charged as acceptor of an inland or foreign bill of exchange, otherwise than by an acceptance of such bill of exchange written thereon, or on some one part of such bill, if the same shall consist of more than one part."

When two or more persons are in partnership, the acceptance of one binds all the others, if the bill concerns their joint trade; but if it should be made known to the person who recives the bill, that it concerns the acceptor only in a distinct interest, he alone, as acceptor, can be sued.

A clerk, or servant, may accept a bill for his master, when he has authority for that purpose, or if he usually transacts business of this nature for him; and his acceptance binds the master.

But if the bill be drawn nominally on the servant, directing him to place it to the account of his master, and if the servant should accept it generally, without specifying that he does it for his master's account, the acceptance binds the servant only, and not his employer.

When a bill is drawn for the account of a third person, and is accepted as such, and he fails without making provision for its payment, the acceptor must discharge the bill, and can have no recourse against the drawer.

A bill may be accepted to be paid at a longer period than is mentioned in the bill, or to pay a part of the sum only: such an acceptance is binding on him who makes it; but the

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holder is at liberty to take it as it is offered, or to act as if acceptance had been entirely refused.

The acceptance may direct payment to be made at a place different from that mentioned in the bill, as at the house of a banker; in which case, if the holder should neglect to demand payment within a reasonable time, and the banker should afterwards fail, the holder must sustain the loss.

When a bill has been once accepted, the acceptance cannot be revoked, though the drawer should be found to have failed before the date of the acceptance.

INDORSING BILLS.

Bills payable to bearer are transferred by simple delivery, and without any indorsement; but in order to transfer a bill payable to order, the holder must express his order of paying to another person, which is always done by an indorsement.

An indorsement may be blank or special. A *blank indorsement* consists only of the indorser's name, and the bill then becomes transferable by simple delivery; a *special indorsement* orders the money to be paid to some particular person, or to his order: a blank indorsement may always be filled up with any person's name, so as to make it special.

An indorsement may take place at any time after the bill is issued, even after the day of payment is elapsed.

A person who receives a bill with a blank indorsement may take it as indorsee, negotiate it again, or demand payment on his own account, or he may receive the money as agent, or for the account of the indorser; and the latter, notwithstanding his indorsement, may still appear as holder in an action against the drawer or acceptor.

A special indorsement need not contain the words, *to order*, and the bill is negotiable; it may also be restrictive, giving authority to the indorsee, to receive the money for the indorser, but not transfer the bill again to another.

An indorsement for part of the money only is not valid, except with regard to him who makes it; the drawer and acceptor are not bound by it.

When the holder of a bill dies, his executors may indorse it; but, by so doing, they become answerable to their indorsee personally, and not as executors.

PAYING BILLS.

Bills should be presented for payment, as well as for acceptance, during the usual hours of business, which are generally considered to be from nine o'clock in the morning till six in the evening. The common mode of payment among merchants is by a draft on a banker for the exact amount of the bill, and signed by the drawee; but any paper whatever may be refused, except Bank of England notes: and the Bank receives no other.

PROTESTING BILLS.

When acceptance or payment has been refused, the holder of the bill should give regular and immediate notice to all the parties to whom he intends to resort for payment; and if, on account of unnecessary delay, a loss should be incurred by the failure of any of the parties, the holder must bear the loss.

With respect to the manner in which notices of non-acceptance or non-payment are to be given, a difference exists between inland and foreign bills.

For foreign bills a protest is indispensably necessary: thus a public notary is to appear with the bill, and to demand either acceptance or payment; and on being refused, he is to draw up an instrument, called a protest, expressing that acceptance or payment has been demanded and refused, and that the holder of the bill intends to recover any damages which he may sustain in consequence. This instrument is admitted, in foreign countries, as a legal proof of the fact.

The protest on a foreign bill should be made in time to be sent off on the next post day to the place where it was drawn or negotiated; and if it be for non-payment, the bill must be sent with the protest.

As to inland bills, a protest is not absolutely necessary to entitle the holder to recover the amount of the bill from the drawer or indorsee: it is sufficient that he give notice, by letter or otherwise, that acceptance or payment has been refused, and that he does not mean to give credit to the drawee.

According to the practice of the London merchants, a protest is hardly ever made for non-acceptance of an inland bill; it is only noted, and, if not paid when it becomes due, it is then protested for non-payment. Notice, however, must be given of the non-acceptance and noting, otherwise the holder takes the risk upon himself: and if the protest for non-payment should be omitted, the holder cannot recover either damages or interest, but merely the amount of the bill.

If the person who is to accept has absconded, or cannot be found at the place mentioned in the bill, protest is to be made in the same manner as if acceptance had been refused.

When an original bill is lost, and another cannot be had of the drawer, a protest may be made on a copy; but if a bill left for acceptance be lost, the person with whom it was left must bind himself to payment, or else a protest may be made out immediately.

It is customary, as a precaution against accident or miscarriage, to draw three copies of a foreign bill, and to send them by different posts. They are denominated the *first*, *second*, and *third of exchange;* and when any one of them is paid, the rest become void, and of no value.

When the acceptor of a bill becomes insolvent, or absconds before the term of payment is expired, the holder may cause a notary to demand better security, and, on that being refused, to protest the bill for want of it. In such cases, however, the most general practice is to wait the regular time till the bill becomes due.

The damages incurred by non-acceptance and non-payment, besides interest, consist usually of the exchange, re-exchange, commission, and postage, together with the expenses of protest and interest. The exchange is reckoned according to the course at sight, from the place where the protest is made to the place where the bill is to be paid by the drawer; and if it be not paid there, the re-exchange is then reckoned from the same place to that where the bill is paid, and also double commission. The interest commences from the day when the demand was made.

After a bill has been protested it is sometimes accepted by a third person, to save the reputation of the drawer, or of an indorser; such an acceptance is called an acceptance *supra protest*. The acceptor then must appear in person, with witnesses, before a notary, and declare that he accepts it for the honor of such a person, and subscribe the bill thus—Accepted, *supra protest*, in honor of, &c.

The same may happen when the person on whom a bill is drawn, having doubts about the drawer, protests it, but afterwards accepts it for the honor of one of the indorsers; in this case the protest must be sent to the said indorser without delay.

The person for whose honor a bill was accepted, must reimburse the acceptor the amount of the bill, commission, and other charges, even though the acceptance should have taken place without his knowledge. If such a person approves of the acceptance, the bill may be paid without any further protest; but if he should return no answer, or express his disapprobation of the acceptance, the bill must be formally protested for non-payment against him to whom the bill was directed; and, on his persisting to refuse payment, the acceptor may safely pay it for his account, as he can recover the amount.

RECOVERING BILLS.

The drawer, acceptor, and every indorser of a bill, are equally liable to the payment of it; and though the holder can have but one satisfaction, yet, until such satisfaction is actually had, he may sue any of them, or all of them, either at the same time or in succession, and obtain judgment against them all till satisfaction be made. Proceedings cannot be staid in any action, but on payment of the debt and of the costs, not only in that action, but in all the others in which judgment has not been obtained; and though the principal sum should be paid by one of the parties, still costs may be recovered in the several actions against the others.

When acceptance is refused, and the bill is returned by protest, an action may be commenced immediately against the drawer, though the regular time of payment be not arrived. His debt, in such a case, is considered as contracted the moment the bill is drawn: thus, if before the bill is returned, the drawer should become a bankrupt, the debt was contracted before the commission of bankruptcy took place.

Nothing will discharge an indorser from his engagement but the absolute payment of the money; not even a judgment recovered against the drawer, or any previous indorser, or an execution against any of them, unless the money be paid in consequence.

The holder of a bill, in order to entitle himself to recover against an indorser, needs not show that he has made a previous attempt to recover from the drawer, and this holds good with regard to inland as well as foreign bills.

If any bill happens to be lost within the time limited for payment, the drawer is to give another of the same tenor with the first; the person, however, to whom this new bill is delivered, must give security to indemnify the drawer against all persons whatsoever, in case the lost bill should be found.

When a person has indorsed a bill, and it is re-indorsed to him, he cannot maintain an action against the person to whom he indorsed it.

He that has accepted and duly paid a bill, without having in his hands any effects of the drawer, may recover in an action for money paid and laid out for the use of the drawer.

In an action against the acceptor of a bill, it is a general rule that the drawer's handwriting is admitted, because the acceptor is always supposed to be acquainted with the handwriting of the person whose bill he accepts. But if the same bill has been indorsed, the handwriting of the indorser or indorsers must be proved; in case of a blank indorsement, however, the handwriting of the first indorser is sufficient. The same takes place in an action by an indorser against the drawer.

Proof of the signature of a servant is sufficient to bind the master, when it is proved that the servant has authority to draw, accept, or indorse bills in his master's name; and a subsequent assent is considered as evidence of such authority. A general custom of the servant's signature and the payment of the master is likewise a sufficient proof of the general authority; and this will continue to bind the master until his determination to the contrary can be generally known.

PROMISSORY NOTES.

Promissory notes are, in general, considered in the same light as inland bills of exchange; the resemblance between them is greatest when a promissory note is indorsed; for such an indorsement is an order to the maker of the note to pay the sum mentioned in it to a third person. Thus the first indorser of the note corresponds to the drawer of the bill, and the maker to the acceptor; and in that sense all the laws relating to bills of exchange may be applied to promissory notes; and they have the same allowance of three days grace for payment.

When the form of a bill or promissory note is incontestably good, the law is the same for both; yet a note may be valid in some cases when a bill of exchange is not so; thus a promissory note can be made payable out of a particular fund, then within the power of the drawer; neither is it necessary that the time of payment of a note should be absolutely fixed; thus, notes have been held to be good which were payable at a certain person's death, or after such a ship should be paid off; in short, at the period of an event physically or morally certain; but should the payment depend on a contingency which may never happen, as if it were payable when such person should marry, the note cannot be accounted good.

BONDS.

A bond for money is a higher security than a bill of exchange or a promissory note, as it binds the giver, his heirs, and lands, in the first instance; whereas bills and notes attach only on personals; and, in case of death, a bond, as a specialty under seal, is paid before simple contract debts, which bills and notes are considered to be.

A bond may be transferred by a deed of assignment, but not by indorsement, and therefore it is not deemed a negotiable security, like a bill of exchange or a promissory note. In foreign countries, however, bills of exchange only are binding, as before noticed.

BILLS, BONDS, AND NOTES, HOW VOID.

It should be observed that the foregoing laws apply only to debts legally contracted. For no bill, note, or bond, made by a bankrupt, or by an insane person, can be valid; neither by a minor, nor a married woman, except in a few particular cases. Neither is any bill, note, or bond binding when the whole, or any part of the consideration shall be for money, or other valuable thing, won by gaming or betting, or lent knowingly for such purposes; or for money lent on usury; that is at more than the legal interest, which is five per cent. per annum.

DRAFTS ON BANKERS.

Drafts and checks on bankers are generally received by merchants as ready cash; and if the party receiving them should not, within a reasonable time, demand payment, he must bear the loss in case the banker or drawer should fail in the interim: but what shall be deemed a reasonable time has not been precisely fixed, as it must depend on situation; and, therefore, whenever it becomes a question of law, it is left to the jury, or court, to decide according to the circumstances of the case. The general practice is to present checks for payment on the day they are received or dated, and during the hours of banking business, which are from nine o'clock in the morning to five in the afternoon.

If a check on a banker be refused payment, he who gave it is bound to make it good; and if it be lost, he must also make it good, on receiving a satisfactory security that the lost draft will not appear against him.

As a precaution against loss, it is customary to write across a draft, as soon as received, the firm of the house into which it is to be paid; by which may be understood that it will not be paid to any other house or person without proper inquiry. This practice is also useful in clearing.

Clearing is a method adopted by London bankers for exchanging drafts and bills on each other's houses, as they become due, and settling the differences. This important operation is performed daily, at an office called the Clearing House, with great correctness and dispatch, and with such method, that bills and drafts to the amouut of £5,000,000 on an average are canceled at each clearing, with less than one twentieth part of that sum in Bank of England notes.

Clearing, though of modern adoption in England, has been long practiced in other countries, particularly in settling bills of exchange, and other documents of credit, at the great fairs on the continent. The invention of this method is ascribed to the Florentines, but the practice has been greatly improved by the London bankers.

PRINCIPLES OF EXCHANGE.

INLAND EXCHANGE.

By inland exchange is understood the act of remitting bills to places in the same country; by which means debts are discharged more conveniently than by cash remittances.

Suppose for example, A, of London, is creditor to B, of Edinburgh, £100; and C, of London, debtor to D, of Edinburgh, £100; both these debts may be discharged by means of one bill. Thus, A draws for this sum on B, and sells his bill to C, who remits it to D, and the latter receives the amount when due from B. Here, by a transfer of claims, the London debtor pays the London creditor, and the Edinburgh debtor the Edinburgh creditor, and no money is sent from one place to the other. The same would take place if D, of Edinburgh, drew on C, of London, and sold his bill to B, of Edinburgh, who should send it to A, of London; the effect, in either case, being merely a transfer of debtors and creditors.*

By the foregoing example, it appears that reciprocal and equal debts, due between two places, may be discharged without remitting specie; and it may be supposed, that such an operation is of equal convenience to all parties concerned: but when the debts are unequal the advantage must be different, as the obligation of remittance is no longer mutual, because the debtor place must pay its balance either by sending cash or bills; and as the latter mode is generally preferred, an increased demand for bills must be the consequence, which enhances their price, as it would that of any other article of sale or purchase.

This is the plain principle of exchange, and is constantly exemplified in the premium paid for inland bills on London,

* In this operation A is the *drawer* and *seller*, B the *drawee* and *acceptor*, C, the *buyer* and *remitter*, and D, the *payee*, if his name be mentioned in the bill, and he is the holder when he receives the bill from A. When D, or any other holder presents the bill for acceptance or payment, he is called the *presenter*.

which is the grand emporium of commerce that furnishes most other places in the kingdom with foreign merchandise; and being also the seat of government, to which the revenue is transmitted, and the residence of numerous landlords, whose rents must be remitted to them from the country, it has generally a large balance of debt in its favor; and as this balance is usually paid in bills, a demand for them is created, and therefore a premium is the consequence.

The premium on inland bills is mostly commuted for time; that is, for a certain number of days after date or after sight, which varies according to circumstances. Thus, the general term for bills from Edinburgh on London is forty days' date, which is valued at about $\frac{1}{2}$ per cent., and is called the *par date.* A similar premium, or date, is allowed for bills on London drawn in all other distant parts of Great Britain; but bills at sight, on any of those places, may be generally had in London without any premium. Thus, the inland exchange is constantly in favor of the capital; and the date term varies according to the greater or less demand for bills.

FOREIGN EXCHANGE.

The principle of foreign exchange is the same as that of inland, with respect to settling accounts by a transfer of claims, and also by the premium or price of bills being regulated by the proportion which exists between the demand and supply: but the manner of paying the premium for foreign bills differs, and the operation is more complex, owing to the denominations of money not being the same: for, in this case, the value of bills is estimated by the comparative rate of moneys; and the date is, besides, taken into consideration.

In foreign exchange one place always gives another a fixed sum or piece of money for a variable price; the former is called the *certain price*, and the latter the *uncertain price*, that is, the £ sterling for a variable number of francs; and to Spain the *uncertain* for the *certain*, that is, a variable number of pence sterling for the dollar of exchange. The uncertain price, as quoted at any time, is called the *rate*, or *course of exchange*.

When the demand in London for bills on Paris is great, a smaller number of francs is given for the pound sterling; and the contrary: and when there is a demand for bills on Spain, a greater number of pence sterling must be given for the dollar; and the contrary.

Again, if the course of exchange between London and Paris be twenty-four francs for the pound sterling, and if this number of francs contains the same quantity of pure silver as twenty shillings sterling, then the exchange is considered *at par;* but if Paris should give a higher price, the exchange is said to be against France and in favor of England. This is the general mode of judging whether the exchange is favorable or unfavorable, though it is not always that on which merchants act, or speculate. But before any further explanation is given of the *course of exchange*, or the causes of its fluctuations, it may be necessary to state more fully what is to be understood by the *par of exchange*, a subject on which there has been much difference of opinion.

PAR OF EXCHANGE.

The par of exchange may be considered under two general heads, viz. the *intrinsic par* and the *commercial par*, each of which admits of subordinate divisions and distinctions.

The *intrinsic par* is the value of the money of one country compared with that of another, with respect both to weight and fineness.

The *commercial par* is the comparative value of the moneys of different countries, according to the weight, fineness, and market prices of the metals.

Thus two sums of different countries are *intrinsically* at par when they *contain* an equal quantity of the same kind of pure metal; and two sums of different countries are *commercially* at par when they can *purchase* an equal quantity of the same kind of pure metal.

This latter equivalence is variously denominated. It has been called by different authors the *current*, the *momentary*, the *rational*, and the *eventual par;* and though each of these terms seems to convey a correct idea of its fluctuating and ephemeral nature, yet the word *commercial* is here adopted as being equally appropriate, and perhaps more generally understood.

There are other pars occasionally noticed by merchants, such as the *nominal* or *estimate par*, which, though not accurate, is commonly referred to; the *monetary par*, in which the current value, fixed by authority, is considered; the *proportional par*, which is the equality of two sums of different countries, compared with the rate of exchange of a third place, and which is also called the *arbitrated price* and the *political par*. There is, besides, a *medium par*, sometimes reckoned; that is, a mean taken between the pars of gold and silver coins.

The intrinsic par of exchange is, in effect, the par of coins, or the metallic par; for though the moneys of exchange are, for the most part, imaginary, their value is ascertained by that of the coins which they represent, or to which they have a known relation, or established proportion.

An approximate or average par, may, however, be computed from the relative proportions between gold and silver, as taken from the mint regulations of the places in question; and it may be further observed, that the mint proportions are considered the best constituted when deduced from the market prices of the precious metals, taken from an average of several years.

Here the important question comes to be considered, "Whether the par of exchange should be computed from gold or from silver coins?" Messrs. Locke, Harris, and other authors of the last century, agree, that "the equality of silver expressed by different denominations of coins should constitute the par of exchange between any two countries;" but Lord Liverpool, in his "*Treatise on the Coins of the Realm*," maintains, that the proper measure of value should be of that metal in which the principal payments are made, and therefore, that in some countries the par should be computed from gold, and in others from silver, according to the kind of money in which bills of exchange are paid. In England, however, gold has been made the standard of value, by a law of 1816, which enacts that no payment in silver, above two pounds, is a legal tender.

A difference of opinion has also existed as to the correctness of establishing a par between gold coins and silver coins, as these two metals are liable to continual fluctuation in their relative prices. It is however obvious, that the intrinsic par of exchange can be determined only between places which pay their bills in the same kind of metal. It should be even remarked, that the value of the same metal differs considerably in different countries, which must be always the case between two places, where one possesses mines, and supplies the other with materials of coinage, as between Spain and France, or between Portugal and England. The difference in such cases is estimated, in ordinary times, according to the expenses of transporting the precious metals; and thus, from the intrinsic par, and the various charges and prices, the commercial equivalence is computed.

In determining the intrinsic par of exchange, another question occurs; namely, whether the computation should be made from *mint regulations*, or from *assays*? The objection to the first is, that all mints do not keep strictly to their own laws; and to the second, that there can be no assurance that the coins to be assayed are proper average specimens. The latter is, perhaps, the least objectionable, and therefore a calculation from accredited assays is generally preferred. In the present work the computations are made according to both methods.

COURSE OF EXCHANGE.

The course of exchange is the variable price of the money of one country which is given for a fixed sum of the money of another country; the latter is called the *certain*, and the former the *uncertain* price, as before stated.

When London merchants want to draw or remit foreign bills, they meet upon the Royal Exchange, where this kind of business must be transacted. They are distinguished into two classes, called *drawers* and *remitters*; the former are also called *sellers* of bills, and the latter *buyers* or *takers*, and like buyers or sellers of all other articles, their interests are opposite. The market is constantly attended by exchange brokers, who generally bring the parties together, and settle the price of exchange for the day, when they have learned how the market stands with respect to the wants or offers of buyers and sellers. It should be observed, that the prices of bullion and exchange reciprocally determine, or at least influence each other.

When the market price of foreign bills is above par, the exchange is said to be favorable to the place that gives the certain for the uncertain, and the contrary; thus, if the par between London and Hamburgh be computed at thirty-five shillings Flemish for one pound sterling, and the course of exchange is at thirty-six shillings, the exchange is said to be in favor of London, and against Hamburgh; and the contrary of course takes place if the price be under par.

It should however be recollected, that when the exchange is favorable to a place, it is only so to the buyers and remitters of bills, but it is unfavorable to the drawers and sellers.

Thus the interest of the remitter is identified with that of the place where he purchases the bill, and the interest of the drawer with that of the place where his funds are established, and on which he draws.

It is natural to inquire why such prices are considered favorable or unfavorable, if the drawers and remitters, whose interests are opposite, are natives of the same country? The usual answer is, that when the exchange is against a place, it becomes the interest of remitters to pay their foreign debts in specie or bullion instead of bills; and the exportation of the precious metals is often considered a national disadvantage.

The fluctuations of exchange are occasioned by various circumstances, both political and commercial. The principal cause is generally stated to be the balance of trade: that is, the difference between the commercial exports and imports of any one country with respect to another. Experience however shows, that the exchange may be unfavorable to a country when the balance of trade is greatly in its favor; for the demand for bills must chiefly depend on the balance of such debts as come into immediate liquidation: that is to say, on the *balance of payments.*

Besides, it does not follow that large exports are always successful, or quick in their returns; and even should it be the case, the balance of payments may be still unfavorable from political causes: such as foreign loans, subsidies, expeditions, or colonial establishments. Rich countries are often liable to have the exchange turned against them, by the sums which they may have to remit to less opulent states on account of their importations of luxuries.

When any alterations take place in the coin or currency of a country, the exchange will of course vary, so as to keep pace or correspond with such alteration. This, however, cannot be considered a change in the price of bills but in the money in which they are bought or sold.

In times of peace the course of exchange seldom remains long unfavorable to any country, at least beyond the expenses that might be incurred by the transportation of the precious metals; for bullion is considered the universal currency of merchants, and exchange gives it circulation, and thus tends to maintain the level of money throughout the commercial world.

DESCRIPTION OF BRITISH STOCKS,

COLLATED FROM

VARIOUS AUTHENTIC SOURCES,

AND REDUCED TO THE

MONEY OF THE UNITED STATES.

DESCRIPTION OF BRITISH STOCKS.

NAVY Five per cent. Annuities: produced from about 50 millions of stock, partly formed on navy bills, converted, in 1784, into stock bearing interest at 5 per cent.; whence the name. $222,222,222.22

Four per cent. Consolidated Annuities: produced from about the same quantity of stock as the last, bearing interest at 4 per cent., as the title indicates. These annuities are called consols, or consolidated, from the stock having been formed by the consolidation of several debts of government.

Three per cent. Reduced Annuities: produced by about 170 millions of stock, formed from several debts, that originally bore higher rate of interest; but which, on various conditions, has been reduced to the rate which the name of the stock expresses. $755,555,555.55

Three per cent. Consolidated Annuities: produced by about 400 millions of stock, in part formed by the consolidation of several stocks, bearing interest at 3 per cent. N. B. When the word consols is indefinitely used, it is always understood to mean these annuities. $1,777,777,777.77

Three per cent. Imperial Annuities: produced by about 8 millions of stock created by loans to the emperor of Germany, with security for the interest's being paid by the government of this country, when the emperor should fail in his engagement. $35,555,555.55

Five per cent. Irish Annuities: produced by about two millions of stock, formed by loans for the use of Ireland before the union. $8,888,888.88

Bank Stock is a capital of nearly twelve millions, $59,333,333.33, from which the company of the Bank of England has accommodated government with various loans, and with which they carry on the banking business, purchase bullion, &c. The dividends on bank stock are now ten per cent.; so that the profits of the company are nearly £1,200,000 per annum. $5,333,333.33

India Stock forms the trading capital of the East India Company. This stock, (six millions,) $40,000,000.00, produces a dividend of 10½ per cent. per annum. $4,200,000.00.

South Sea Stock Annuities consist of a capital of nearly twenty millions, $88,888,888.88, or they are produced from it. The greater part of this was lent to government, for which the South Sea Company receive 3 per cent. but from the increase of other profits, the dividends to the proprietors are 3½ per cent. $3,111,111.11

The terminable annuities are:

Bank Long Annuities: so called, from the annual payments being, from their origin, made payable at the bank, and from their being granted for a greater length of time than other terminable annuities. These annuities extend to the beginning of the year 1860, and the annual payments are about 1,100,000 pounds. $4,888,888.88

Imperial Short Annuities: formed in the same manner, and upon the same conditions as the Imperial Three per cent. Annuities. They extend to May, 1819, and amount to upwards of £320,000 per annum. $1,422,222.22

Besides the permanent loans to government, which have created the perpetual and terminable annuities, various sums have been raised from time to time as temporary loans, which are called Exchequer bills, from their being made payable at the treasury of the exchequer.

Exchequer bills are issued for different hundreds or thousands of pounds, and bear an interest of 2½*d.* per cent. per diem, from the day of their date, to the time when they are advertised to be paid off.

Navy bills are merely bills of exchange, drawn at 90 days' date, and are given by the commissioners of the navy for the amount of supplies for the use of that department; and the interest upon these, amounts to 3*d.* per cent. per diem.

Omnium is a term denoting the different stocks formed by a loan, while any part of the loan remains unpaid. For example, suppose 20 millions of money are to be raised, and for every £100 in money, are to be given £100 stock in the 3 per cents., £50 stock in the 4 per cents., and 6*s.* 3*d.* per cent. in the long annuities; then, if any person engages to advance £10,000 in money, upon paying the first installment (for the money is usually advanced at the rate of about 10 per cent. per month, until the whole is paid) he will receive receipts which separately contain an engagement to transfer to the person possessing them, £10,000 stock in the 3 per cents., £5,000 stock in the 4 per cents., and £31 10*s.* stock in the long annuities, upon the whole of the installments being paid, at or before the appointed time. While these three receipts are sold together, and before the whole of the installments have been paid, they are called Omnium, as they are made up of all, or of several of the stocks.

Scrip is a term given to each of the receipts of the omnium, when they are sold separately; thus in the foregoing supposition, if the receipt containing the engagement to transfer the £10,000 in the 3 per cents., be sold without the other two receipts, this could be called a sale of scrip. Immediately upon the whole of the installments upon any scrips being paid, the transfer of the stock is made to the person who buys it, and here is usually a discount allowed for prompt payment.

The prices of the stocks, &c., are exhibited in the lists that are published in this manner.—The value of any perpetual annuity, thus:

Three per cent. Consols, $63\frac{1}{8}$, $64\frac{3}{4}$, $64\frac{1}{2}$, signifies that the value of £100 stock of these annuities, sold on the day this price was given, was £63 2*s.* 6*d.* in money at the beginning of the market, that this stock rose to £64 15*s.*, and left off £64 10*s.*

The value of any terminable annuity, thus:

Bank Long Annuities, $16\frac{1}{8}$—$16\frac{1}{8}$: signifying, that any annual payment of these annuities was worth $16\frac{1}{8}$ years' purchase at the beginning, and left off at $16\frac{1}{6}$ years' purchase at the end of the market.

Exchequer bills 2, 4 premium; or India bonds, 1 or 2 discount. This signifies, that every £100 in exchequer bills, bore premium of 2*s.* at the beginning, and advanced to 4*s.* in the end of that day; and that every £100 in India bonds sold at first at 1*s.* premium, and afterwards sold at 2 discount. The value of Omnium is expressed thus:

Omnium $3\frac{1}{2}$ premium, $5\frac{1}{2}$ discount: and signifies that every £100 of Omnium, brought a premium of £3 10*s.*, or sold at a loss of £5 10*s.* on the government receipts, for £100, transferred on that day on the stock exchange.