

10th CONGRESS.]

No. 298.

[2d SESSION.]

BANK OF THE UNITED STATES.

COMMUNICATED TO THE SENATE, ON THE 3D OF MARCH, 1809.

The Secretary of the Treasury, to whom was referred the memorial of the stockholders of the Bank of the United States, praying for a renewal of their charter, which will expire on the 14th day of March, 1811, respectfully submits the following report:

The Bank of the United States was incorporated by act of March 2d, 1791, with a capital of ten millions of dollars, divided into 25,000 shares, of 400 dollars each. Two millions of dollars were subscribed by the United States, and paid in ten equal annual instalments. Of the eight millions of dollars subscribed by individuals, two millions were paid in specie and six millions in six per cent. stock of the United States. Two thousand four hundred and ninety-three of the shares belonging to Government were sold in the years 1796 and 1797, at an advance of 25 per cent.; two hundred and eighty-seven were sold in the year 1797, at an advance of 20 per cent., and the other two thousand two hundred and twenty shares in the year 1802, at an advance of 45 per cent.; making together, exclusively of the dividends, a profit of 671,860 dollars to the United States. The greater part of the six per cent. stock, originally paid by the stockholders, has since been sold by the bank: a portion has been redeemed by Government, by the operation of the annual reimbursement, and the bank retains, at present, only a sum of 2,231,598 dollars, in six per cent. stock.

About eighteen thousand shares of the bank stock are held by persons residing abroad, who are, by the charter, excluded from the right of voting. The stockholders resident within the United States, and who have the exclusive control over the institution, hold only seven thousand shares, or little more than one fourth part of its capital. They appoint annually twenty-five directors of the bank itself, which is established at Philadelphia; and those directors have the entire management of the discounts and other transactions of the institution in that city, and the general superintendence and appointment of the directors and cashiers of the offices of discount and deposite, established in other places. There are at present eight of those offices, viz: at Boston, New York, Baltimore, Norfolk, Charleston, Savannah, the city of Washington, and New Orleans. The two last were established at the request of the Secretary of the Treasury.

The profits of a bank arise from the interest received on the loans made, either to Government or to individuals; and they exceed six per cent., or the rate of interest at which the loans are made, because every bank lends, not only the whole of its capital, but, also, a portion of the moneys deposited for safe keeping in its vaults, either by Government or by individuals. For every sum of money thus deposited, the party making that deposite either receives the amount in bank notes, or obtains a credit on the books of the bank. In either case he has the same right, at any time, to withdraw his deposite; in the first case, on presentation and surrender of the bank notes; in the other case, by drawing on the bank for the amount. Bank notes and credits on the books of the bank, arise, therefore, equally from deposites, although the credits alone are, in common parlance, called deposites; and the aggregate of those credits, and of the bank notes issued, constitutes the circulating medium substituted by the banking operations to money; for payments from one individual to another are equally made by drafts on the bank, or by the delivery of bank notes. Experience has taught the directors what portion of the money thus deposited they may lend, or, in other words, how far they may, with safety, extend their discounts beyond the capital of the bank, and what amount of specie it is necessary they should keep in their vaults. The profits, and, therefore, the dividends of a bank, will increase in proportion as the directors will increase loans of the moneys deposited, and suffer the amount of specie on hand to diminish. Moderate dividends, when not produced by some particular cause, which checks the circulation of bank paper, are the best evidence of the safety of the institution, and of the wisdom of its direction.

The annexed table of all the dividends made by the Bank of the United States, since its establishment, shows that they have, on an average, been at the rate of $8\frac{3}{4}$ (precisely $8\frac{3}{4}$) per cent. a year, and proves, that the bank has not, in any considerable degree, used the public deposites for the purpose of extending its discounts.

From what has been premised, it appears that the property of a bank in full operation consists of three general items, viz: 1st. outstanding debts, consisting principally of the notes payable at sixty days, which have been discounted at the bank; 2dly, specie in the vaults; 3dly, buildings necessary for the institution. On the other hand, the bank owes, 1st. to the stockholders, the amount of the capital stock originally subscribed, payable only in case of the dissolution of the institution; 2dly, to Government or individuals, the whole amount of moneys deposited, payable on demand, and including both the credits on the bank books, commonly called deposites, and the bank notes in circulation. The account is balanced by the amount of undivided profits and accruing discounts, which constitute the fund for defraying current expenses, for paying subsequent dividends, and for covering contingent losses.

The following statement of the situation of the Bank of the United States, including its branches, exhibits the true amount of public stock, which is still held by the institution, of the cost of its buildings, and lots of ground, and of the undivided surplus or contingent fund, subsequent to the dividend made in January last. But the amount of loans to individuals, or discounts, of specie in the vaults, and of moneys deposited, including both the credits on the bank books, commonly called deposites, and the bank notes in circulation, is taken on a medium; and, so far as relates, on the credit side of the account, to specie on hand, and, on the debit side, to deposites, is several millions of dollars less than it happens to be at this moment; both having been swelled much beyond the average by the embargo, and by the unusually large balance in the treasury, which is principally deposited in the bank. Some minor items, arising from accidental circumstances, are omitted, for the sake of perspicuity.

[NOTE.—For memorial, see No. 283.]

Cr.	
I. Debts due to the bank, viz:	
1. Six per cent. stock of the United States, being the residue of that part of the original subscription paid in public stocks, which is still held by the bank,	\$2,230,000
2. Loans to individuals, consisting chiefly of discounted notes, payable at sixty days, and, in some instances, of bonds and mortgages taken in order to secure doubtful debts,	15,000,000
3. Due by banks incorporated by the States,	800,000
	\$18,030,000
II. Specie in the vaults,	5,000,000
III. Cost of lots of ground and buildings erected,	480,000
	\$23,510,000
Dr.	
I. Capital stock of the bank, payable to the stockholders, whenever the institution may be dissolved,	
	\$10,000,000
II. Moneys deposited, viz:	
1. Credits on the bank books, commonly called deposits, including the deposits both by Government and by individuals,	8,500,000
2. Bank notes in circulation,	4,500,000
	13,000,000
	\$23,000,000
Balance, being the amount of undivided profits, commonly called the "contingent fund," and applicable to cover losses which may arise from bad debts or other contingencies, and to extra dividends,	\$510,000

It sufficiently appears, from that general view, that the affairs of the Bank of the United States, considered as a moneyed institution, have been wisely and skilfully managed.

The advantages derived by Government from the bank, are nearly of the same nature with those obtained by individuals, who transact business with similar institutions, and may be reduced to the following heads:

1. *Safe-keeping of the public moneys.*—This applies not only to moneys already in the treasury, but, also, to those in the hands of the principal collectors, of the commissioners of loans, and of several other officers, and affords one of the best securities against delinquencies.

2. *Transmission of public moneys.*—As the collectors will always, in various quarters of the extensive territory of the Union, either exceed or fall short of the expenditures in the same places, a perpetual transmission of money, or purchases of remittances at the risk and expense of the United States, would become necessary, in order to meet those demands; but this is done by the bank, at its own risk and expense, for every place where one of its branches is established, which embraces all payments of any importance.

3. *Collection of the revenue.*—The punctuality of payments introduced by the banking system, and the facilities afforded by the bank to the importers indebted for revenue bonds, are amongst the causes which have enabled the United States to collect, with so great facility, and with so few losses, the large revenue derived from the impost.

4. *Loans.*—Although the prosperity of past years has enabled Government, during the present administration, to meet all the public demands without recurring to loans, the bank had, heretofore, been eminently useful in making the advances, which, under different circumstances, were necessary. There was a time, when, exclusively of the six per cent. stock held by the institution, as part of the original subscription, the loans obtained by Government from the bank, amounted to 6,200,000 dollars. And a similar disposition has been repeatedly evinced, whenever the aspect of public affairs has rendered it proper to ascertain whether new loans might, if wanted, be obtained.

The numerous banks now established, under the authority of the several States, might, it is true, afford considerable assistance to Government in its fiscal operations. There is none, however, which could effect the transmission of public moneys with the same facility, and to the same extent, as the Bank of the United States is enabled to do, through its several branches. The superior capital of that institution offers, also, a greater security against any possible losses, and greater resources in relation to loans. Nor is it eligible, that the General Government should, in respect to its own operations, be entirely dependent on institutions over which it has no control whatever. A National Bank, deriving its charter from the National Legislature, will, at all times, and under every emergency, feel stronger inducements, both from interest and from a sense of duty, to afford to the Union every assistance within its power.

The strongest objection against the renewal of the charter seems to arise from the great portion of the bank stock held by foreigners—not on account of any influence it gives them over the institution, since they have no vote—but of the high rate of interest payable by America to foreign countries, on the portion thus held. If the charter is not renewed, the principal of that portion, amounting to about 7,200,000 dollars, must, at once, be remitted abroad; but, if the charter is renewed, dividends, equal to an interest of about 8½ per cent. a year, must be annually remitted in the same manner. The renewal of the charter will, in that respect, operate, in a national point of view, as a foreign loan, bearing an interest of 8½ per cent. a year.

That inconvenience might, perhaps, be removed, by a modification in the charter, providing for the repayment of that portion of the principal by a new subscription to the same amount, in favor of citizens; but it does not, at all events, appear sufficient to outweigh the manifest public advantages derived from a renewal of the charter.

The conditions in favor of the public, on which this should be granted, are the next subject of consideration.

The nett profit annually derived by the stockholders, from a renewal of the charter, is equal to the difference between the annual dividends and the market rate of interest. Supposing this to continue at six per cent. during the period granted by the extension of the charter, and the dividends to be on an average at the rate of 8½ per cent., that profit will be 2½ per cent. a year. If the charter be extended twenty years, the value of the privilege will be equal to an annuity of 2½ per cent. on the capital, that is to say, 250,000 dollars, for twenty years; and such annuity being payable semi-annually, is worth almost 2,890,000 dollars. This, however, would be much more than any bank would give for a charter, as it would leave it nothing but the right of dividing at the rate of six per cent. a year, which the stockholders have without a charter. It is believed, that they would not be willing to give even half that sum for the extension; and that about 1,250,000 dollars may be considered as the maximum, which could be obtained, if it was thought eligible to sell the renewal of the charter for a fixed sum of money.

It is, however, presumed, that the decision on the conditions, which may be annexed to an extension of the charter, will be directed by considerations of a much greater importance than the payment of such sum into the treasury. The object will, undoubtedly, be to give to the institution all the public utility of which it is susceptible, and to derive from it permanent and solid advantages, rather than mere temporary aid. Under these impressions, the following suggestions are respectfully submitted:

I. That the bank should pay interest to the United States, on the public deposits, whenever they shall exceed a certain sum, which might perhaps be fixed at about three millions of dollars.

II. That the bank should be bound, whenever required, to lend to the United States a sum not exceeding three-fifths of its capital, at a rate of interest not exceeding six per cent.; the amount of such loan or loans to be paid by the bank in instalments, not exceeding a certain sum, monthly, and to be reimbursed at the pleasure of Government.

III. That the capital stock of the bank should be increased to thirty millions of dollars, in the following manner, viz:

1. Five millions of dollars to be subscribed by citizens of the United States, under such regulations as would make an equitable apportionment amongst the several States and territories.

2. Fifteen millions to be subscribed by such States as may desire it, and under such equitable apportionment amongst the several States as may be provided by law; and a branch to be established in each subscribing State, if applied for by the State.

3. The payments, either by individuals or States, to be either in specie or in public stock of the United States, at such rates as may be provided by law.

4. The subscribing States to pay their subscription in ten annual instalments, or sooner if it suits their convenience, but to receive dividends in proportion only to the amount of subscription actually paid; and their shares of bank stock not to be transferable.

IV. That some share should be given in the direction to the General and State Governments, the General Government appointing a few directors in the general direction, and the Government of each subscribing State appointing a few directors in the direction of the branch established in such State.

The result of that plan would be, 1st., that the United States, receiving an interest on the public deposits, might, without inconvenience, accumulate, during years of peace and prosperity, a treasure sufficient to meet periods of war and calamity, and, thereby, avoid the necessity of adding, by increased taxes, to the distresses of such periods. Secondly, that they might rely on a loan of eighteen millions of dollars, on any sudden emergency. Thirdly, that the payment of the greater part of the proposed increase of capital, being made in ten annual instalments, that increase would be gradual, and not more rapid than may be required by the progressive state of the country. Fourthly, that the bank itself would form an additional bond of common interest and union, amongst the several States.

All which is respectfully submitted.

ALBERT GALLATIN.

TREASURY DEPARTMENT, *March 2d*, 1809.

Dividends on United States' Bank Stock.

No.			Rate per cent	No.			Rate per cent.
1.	July,	1792	4	18.	January,	1801	6
2.	January,	1793	4	19.	July,	"	4
3.	July,	"	3 $\frac{5}{8}$	20.	January,	1802	4 $\frac{1}{2}$
4.	January,	1794	3 $\frac{7}{8}$	21.	July,	"	4 $\frac{1}{2}$
5.	July,	"	4	22.	January,	1803	4 $\frac{1}{2}$
6.	January,	1795	4	23.	July,	"	4
7.	July,	"	4	24.	January,	1804	4 $\frac{1}{2}$
8.	January,	1796	4	25.	July,	"	4
9.	July,	"	4	26.	January,	1805	4
10.	January,	1797	4	27.	July,	"	4
11.	July,	"	4	28.	January,	1806	4
12.	January,	1798	5	29.	July,	"	4
13.	July,	"	4	30.	January,	1807	6
14.	January,	1799	4	31.	July,	"	4
15.	July,	"	4	32.	January,	1808	4
16.	January,	1800	4	33.	July,	"	4
17.	July,	"	4	34.	January,	1809	4

10th CONGRESS.]

No. 299.

[2d SESSION.]

MINT.

COMMUNICATED TO THE HOUSE OF REPRESENTATIVES, MARCH 3, 1809.

TREASURY DEPARTMENT, *March 2*, 1809.

SIR:

I have the honor to transmit, herewith, a letter from the Comptroller of the Treasury, accompanied with sundry statements, which have been prepared in obedience to the act, entitled "An act establishing a mint, and regulating the coins of the United States," passed on the 2d of April, 1792.

I have the honor to be, very respectfully, sir, your obedient servant,

ALBERT GALLATIN.

The Honorable the SPEAKER of the House of Representatives.

TREASURY DEPARTMENT, *Comptroller's Office*, *March 1st*, 1809.

SIR:

The statements accompanying this, marked A, B, and C, have been prepared pursuant to the seventh section of an act of Congress, passed on the 2d day of April, 1792, entitled "An act estblishing a mint, and regulating the coins of the United States." They contain all the information relative to the transactions of the mint, which the settlements made at the treasury enable me to give.

I have the honor to be, with great respect, sir, your obedient servant,

G. DUVALL.

ALBERT GALLATIN, Esq.