

The very professions of gratitude, which he says I made to him, would apply with much more force and propriety to a period after than before the confirmation of my nomination; and from the nature of the case they would seem to have been predicated upon a disinterestedness on his part, which was the more highly appreciated because it overlooked the circumstances of his friendship and my hostility to Mr. Crawford, which is at war with the whole statement he has made concerning my opinion of the conduct of that gentleman.

That Mr. Noble may have misunderstood me I will not attempt to gainsay; but, as I hope for future happiness, I never did intend to have expressed myself to him, or any other person, so as to have conveyed the opinions and sentiments which he has imputed to me; nor can I account by anything within my own knowledge for such great misapprehensions.

My object, however, is not now to present an argument upon the case, but simply to request the committee to accept of this as my denial of Mr. Noble's testimony, and to have it printed with my other communications to the committee.

NINIAN EDWARDS.

18TH CONGRESS.]

No. 713.

[2D SESSION.]

# SEVEN MILLIONS LOAN BY THE BANK OF THE UNITED STATES.

COMMUNICATED TO THE HOUSE OF REPRESENTATIVES DECEMBER 15, 1824.

TREASURY DEPARTMENT, *December 14, 1824.*

SIR: In obedience to a resolution of the House of Representatives of the 12th of May, 1824, requiring the Secretary of the Treasury to ascertain and report to Congress the rate of interest at which the Bank of the United States will continue the loan of seven millions of dollars, I have the honor to state that the bank declines making any change in the terms on which that loan was originally made. Two letters from the President of that institution, exhibiting the views of the Directors on the subject, are herewith submitted.

I remain, with respect, your most obedient servant,

WH. H. CRAWFORD.

Hon. H. CLAY, *Speaker of the House of Representatives.*

BANK OF THE UNITED STATES, *December 3, 1824.*

SIR: I had the honor, on the 12th of July last, to acknowledge the receipt of your letter of the 9th of that month, enclosing a resolution of the House of Representatives, passed on the 12th of May last, by which the Secretary of the Treasury was directed to "ascertain and report to Congress at its next session the rate of interest at which the Bank of the United States will continue the United States loan of seven millions;" and requesting "that the reply of the Board might be communicated in time to be submitted to the House during the first week of the next session of Congress."

In conformity to this request, I have this day been instructed by the Board of Directors to inform you that, after a very deliberate and respectful examination of the subject, they do not deem it consistent with their duty to the institution committed to their charge to propose any variation of the terms on which this subscription to the capital of the bank was originally made on behalf of the United States.

I have the honor to be, very respectfully, yours,

N. BIDDLE, *President.*

Hon. WM. H. CRAWFORD, *Secretary of the Treasury.*

BANK OF THE UNITED STATES, *December 6, 1824.*

SIR: In communicating the decision of the Board in relation to the rate of interest on the seven millions subscribed to the bank, I venture to add a few suggestions explanatory of their views, which you will, I am persuaded, duly appreciate, and can use in any manner of which you may deem them worthy.

The question proposed being simply at what rate of interest the loan would be continued, without any specific offer to change its terms, and without intimating any modification which would be more acceptable than its present form, the Board felt themselves constrained to confine their reply to a general expression of their unwillingness to vary its present situation. Should the subject be resumed it will naturally present for consideration the expediency of either proposing to the bank to commute the subscription, now redeemable at pleasure, into a more permanent stock, at a lower rate of interest, or paying it off from the proceeds of a new loan. To that inquiry the following observations may not be inapplicable.

The Government, in establishing by the charter its connexion with the bank, prescribed that its subscription to the capital should be "paid either in gold or silver coin, or in stock of the United States, bearing interest at the rate of five per centum per annum." The latter course, as being obviously for the interest of the Government, at a time when the six per cents were received in subscription at par, was naturally adopted, and this five per cent. stock given in exchange for shares in the bank, on which a much higher rate of dividend was anticipated. This choice was proportionally disadvantageous to the bank, and combined with the other engagements of the charter, the bonus of one million five hundred

thousand dollars, the assumption of the duties of the Loan Office, and the obligation to distribute, without charge, the public revenue, imposed on the institution at its commencement some inequality in the burdens of the connexion. For a time the early expectation of large dividends from the bank was realized, until its misfortunes compelled it to reduce them; but now, and for some years past, the dividends equal the interest on the subscription by the Government. The stock thus subscribed is "redeemable in any sums and at any periods which the Government shall deem fit," a phraseology which, though it certainly does not require, seemed to imply, and naturally suggested, the expectation that this reimbursement would be gradually effected from the surpluses of the revenue, whenever its abundance would furnish disposable means for that purpose. The contingency of a temporary reduction of the rate of interest, during which a new debt to others might be created to pay off the existing debt to the bank, was not anticipated, and the expediency of that measure, blended as it is with general views of the relation between that institution and the finances of the country, must, of course, be decided exclusively by those whom such considerations cannot escape. To them it is cheerfully left, with the single remark, which, unless outweighed by some decisive temptation to a change, should not be without its influence, that this stock procures to the Government an income equal to the sum which is paid on account of it, and that the shares of the bank for which it was exchanged bear a much higher value than the stock itself. Without enlarging on these topics it will be a more appropriate duty in those who are charged with the administration of the bank to suggest, as is now done, very respectfully, that it would probably benefit neither the bank nor the Government to vary the terms of the original subscription.

1st. In relation to the bank itself, the change from the present to a lower rate of interest is, of course, an obvious loss; but its remote effects, though not so apparent, would not be less disadvantageous. The true interests of the bank are inseparably connected with those of the community, whose general business, whose transactions and exchanges, it is at once its duty and its inclination to encourage and facilitate. When, by any concurrence of circumstances, that business, and with it the demand for banking accommodation, diminishes, the bank naturally seeks to place its funds, no longer required for that purpose, in investments, which, though yielding small profits, are readily convertible, and from which it can immediately disengage them at any moment, when the reviving business of the community may demand their more active and useful employment. It would be alike injurious to that community and to the bank that any change in the circumstances of the country, that any of the various contingencies which might give fresh animation to commerce, should find the means of the institution absorbed in stocks from which it could not extricate them without loss to itself, and where it could not leave them without diminishing its usefulness to the public. The board, therefore, would see with reluctance so large a proportion of the original capital of the bank invested in a stock which, bearing a lower interest than has hitherto been known in the United States, would be the first to feel the depreciation attendant on an active demand for capital. On the other hand, to throw back on the bank such an amount of its capital, for which no employment in the necessary course of business could now be found, would either condemn it to the disadvantage of suffering its funds to remain useless and unproductive, or else expose it to the hazard of extending its loans; of which the first effect would be to stimulate into a distempered energy the spirit of speculation, and the last might be reaction, disastrous alike to the community and to the institution; nor—

2d. Is the advantage to the Government from any change either clear or important. This stock may now be redeemed in any portions and at any time which may be convenient, and the first excess of revenue may be applied to its reduction. To convert it into a stock bearing a lower rate of interest, yet still redeemable at pleasure, would be impracticable, as the only compensation which could be offered for the reduction of the interest must be found in the prolonged and fixed duration of the capital. It is, therefore, worthy of consideration whether it is not better to retain a five per cent. stock, reimbursable at pleasure, rather than convert it into a four and a half per cent. stock, irredeemable for years, and thus permanently added to the mass of the national debt.

Again: It is probable, from present appearances, that the surplus revenue of 1825 will, during the first and part of the second quarter, be absorbed in the reimbursement of the \$7,652,815 49 of six per cents redeemable in that year, and that to redeem the nineteen millions of six per cents, payable on the 1st of January, 1826, it may be necessary to borrow eight or ten millions towards the close of 1825. If, then, the Government were, in addition to the five millions of four and a half per cents for which proposals are now issued, to open a new loan of seven millions, these would probably so absorb the floating capital of the country as to leave neither the means nor the disposition to make the necessary advances at that low rate of interest to extinguish the sixes reimbursable on the 1st of January, 1826. Would it not then be advisable to employ that disposable capital in the redemption of a six per cent. stock rather than to exhaust it in the exchange for a five per cent. stock?

The last consideration is, whether, in fact, any change of this stock could be so advantageous to the Government as its present form. It may be assumed that if these seven millions were repaid to the bank they could not be employed either usefully or profitably, and that the Government in its character of a stockholder would proportionably suffer in its interests. Now, these seven millions bear an interest of \$350,000, but the Government, as proprietor of one-fifth of the bank, receives in the shape of dividends on its shares one-fifth of this sum, making the sum actually disbursed by the Government \$280,000, which is only four per cent., so that, in fact, this stock is a four per cent. stock, redeemable at pleasure. Now, a four per cent. stock, redeemable at pleasure, would not be purchased by individuals at par. A four and a half per cent. stock thus redeemable could not be procured, nor even if it could would it be so advantageous to the Government as the present, which, though nominally five, is actually only four per cent. In short, it is believed that no four and a half per cent. loan could be obtained unless for a length of time which would render it less convenient to the Government than the terms on which the subscription now stands, uniting as it does the advantages of a low rate of interest with the privilege of immediate reimbursement.

Under these impressions, the Board deem it for the mutual advantage of both parties that the original subscription should remain in its present form; and more particularly they do not feel themselves at liberty to make any voluntary offer for its conversion into a stock bearing a different rate of interest.

You will readily perceive from the frankness and fullness of this explanation that its sole purpose is to present distinctly the views which have influenced the decision of the Board.

I have the honor to be, very respectfully, yours,

N. BIDDLE, *President.*

Hon. WILLIAM H. CRAWFORD, *Secretary of the Treasury.*