20TH CONGRESS.] No. 921. [1ST SESSION.

AVERAGE ANNUAL AMOUNT OF PUBLIC MONEYS IN THE BANK OF THE UNITED STATES FROM 1817 TO 1827.

COMMUNICATED TO THE SENATE MAY 13, 1828.

Mr. SMITH, of Maryland, from the Committee on Finance, to whom was referred the following report from the Secretary of the Treasury—

TREASURY DEPARTMENT, *March* 21, 1828.

SIR: In obedience to a resolution of the Senate of the 12th instant, "directing the Secretary of the Treasury to report to the Senate the average annual amount of public moneys in the Bank of the United States and its branches from the year 1817 to 1827, inclusive," I have the honor to submit a communication of the Treasurer of the United States, which contains the information required.

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

RICHARD RUSH.

Hon. the PRESIDENT *of the Senate.*

TREASURER'S OFFICE, *March* 20, 1828.

SIR: I have the honor, in compliance with your reference to this office of the resolution of the Senate of the 12th instant, to report that the average annual amount of public money in the Bank of the United States and its branches from 1817 to 1827, inclusive, as ascertained by the accounts settled quarterly at the Treasury, was $3,554,756 50.

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

MICHAEL NOURSE,
Acting Treasurer of the United States.

Hon. RICHARD RUSH, *Secretary of the Treasury.*

Reported: That the committee deemed it proper to call on the Secretary of the Treasury for a more specified view of the subject, and have received from him the document A, which is herewith submitted.

That document shows that the average deposits of the Treasury in the Bank of the United States from 1819 to 1827, inclusive, amounts to the sum of $2,633,584, and on which it may be supposed that the bank might, with propriety, operate as if it were so much of capital, this being believed to be the calculation of banks generally in their operations.

It may be presumed that the report has been referred to the Committee on Finance that they might consider whether any legislative act could be bottomed thereon. For a full understanding of the subject the committee submit the 15th, 16th, and 20th sections of the "act to incorporate the Bank of the United States," being the sections most applicable to the subject before them.

"SEC. 15. *And be it further enacted,* That during the continuance of this act, and whenever required by the Secretary of the Treasury, the said corporation shall give the necessary facilities for transferring the public funds from place to place within the United States or the territories thereof, and for distributing the same in payment of the public creditors, without charging commissions or claiming allowance on account of difference of exchange; and shall also do and perform the several and respective duties of the Commissioners of Loans for the several States, or of any one or more of them, whenever required by law.

"SEC. 16. *And be it further enacted,* That the deposits of the money of the United States, in places in which the said bank and branches thereof may be established, shall be made in said bank or branches thereof, unless the Secretary of the Treasury shall, at any time, otherwise order and direct; in which case the Secretary of the Treasury shall immediately lay before Congress, if in session, and if not, immediately after the commencement of the next session, the reasons of such order or direction.

"SEC. 20. *And be it further enacted,* That, in consideration of the exclusive privileges and benefits conferred by this act upon the said bank, the president, directors, and company thereof shall pay to the United States, out of the corporate funds thereof, the sum of one million and five hundred thousand dollars, in three equal payments; that is to say, five hundred thousand dollars at the expiration of two years; five hundred thousand dollars at the expiration of three years; and five hundred thousand dollars at the expiration of four years after the said bank shall be organized and commence its operations in the manner herein before provided."

The 16th section directs "that the deposits of the money of the United States shall be made in the bank and its branches." No change can be made therein without a direct violation of the charter, which the faith of the nation is bound to sustain; no view of that kind could be contemplated by any person, and none, it is presumed, has been contemplated. There was no obligation of deposit in the charter of the old bank, but Congress thought proper to direct, by law, that the custom-house bonds should be deposited in it and its branches, being more secure in every point of view, especially as a check on the Collectors of the Customs, who, prior to that act, had all the receipts at their disposal, and who might have been tempted to lend the public money to their friends, by which, and incorrect conduct in some of them, much of the public money might have been lost.

The 15th section compels the bank to transfer the money received in any one part of the United States to any other without charge of commission or allowance for any difference of exchange that may exist between the different parts of the Union, and to perform the duties of Commissioners of Loans in the several States and Territories without any charge or allowance therefor. The transfer of the money of the United States by the Treasury from one part to another would be attended with great risk and some expense. In the transfer, time is lost on a part, so that so much thereof thus passing and repassing cannot be considered by the bank as that kind of deposit on which it could with safety operate as a fund to justify discounts thereon. It may and probably does lessen the operative deposits at least half a million of dollars annually, for the bank could not extend their discounts on money in transitu as if it were actually in their vaults. The bank is bound to draw the money of the United States from any one part of the Union to any other without any allowance for loss of exchange. This, it is presumed, is a considerable saving to the United States in the exchange, and a security against the risk of transport and fraudulent agents. For example, there is collected annually in New Orleans, of public money, an amount probably not wanted in that part of the Union; the balance must be transferred to some of the Atlantic States where the public debt, the expenditures for the Navy, Army, and civil list, are to be paid. The exchange almost always is in favor of New Orleans; the difference of exchange is believed to be from two to four, and sometimes five per cent., which is a saving to the United States; not a positive loss to the bank, because it may, and probably does, save itself by the purchase of bills of exchange on Europe, which it can sell in the Atlantic States without loss, an operation which would be very difficult and expensive (and perhaps dangerous from bad agents) for the Treasury to perform. The bank is also obliged to perform the duties of Commissioners of Loans without charge. The old bank was not compelled to do those duties; and Commissioners of Loans were appointed by Government. What were their duties? To pay the principal and interest of the public debt, and also to pay all the pensioners of the nation; for this latter service they were allowed a commission of two per cent. on the amount paid by each, and a similar commission is now paid to agents employed where there is no branch of the bank. The document B shows that the annual average amount for the last three years paid by the bank to pensioners without charge is $995,672, which, at two per cent., is a saving of $19,813 44 per annum to the Treasury. Document C shows the annual payments made to the Commissioners of Loans for salaries and contingencies, when the amount paid to pensioners was inconsiderable. If the Commissioners had continued to perform the duties, their salaries and contingencies must have amounted at the least to $40,000 per annum, which is so much saved to the Treasury in consequence of the duties being performed gratis by the bank. It is no small advantage that bad agencies are completely avoided by the present mode, and that it lessens the number of officers and makes the accounts more clear and easier to be understood.

The 20th section says: "That, in consideration of the exclusive privileges and benefits conferred upon the bank, there shall be paid to the Treasury, out of the corporate funds of the bank, the sum of $1,500,000 in three annual payments, commencing after the expiration of the second year." The benefits can be reduced to calculation: they are, it is believed, considered to be the profit derived to the bank from the Treasury deposits. What is the pecuniary advantage?

That derived from the deposits of the Treasury on the annual average of..................	$2,633,584
From which might fairly be deducted a half million on account of the money in transitu, which cannot be considered a deposit on which the bank could operate.	
The annual interest on $2,633,584 at 6 per cent. is......................................	158,015
For which the bank has paid $1,500,000 as a bonus, which sum divided into 17 years (per document E) amounts annually to..	$88,235
Average annual interest thereon from the time the instalments on account of the bonus were actually paid until the expiration of the charter, amounts (per same document) to......	85,682
Duties of Commissioners of Loans, performed by the bank gratis, would have cost, as already shown..	40,000
	213,917

If this statement be correct, and it is believed to be, then the bank (in a pecuniary point of view) has not been a gainer; the United States have (it would appear) been *amply* paid for all the advantages derived from the deposits of their funds in the bank and its branches.

The committee ask leave to take a more extensive view of the subject that it may be more fully understood by Senators who have not particularly turned their attention to the subject.

The bank was chartered on the 10th of April, 1816; its capital thirty-five millions of dollars, of which the United States were to hold one-fifth or seven millions, which seven millions was to be paid by a deposit of stock paying an interest of only five per cent. The subscribers were bound to pay one-quarter of their subscription in specie, and the other three-quarters in specie or in stock of the United States, bearing an interest of six per cent., when the Government made its payment in stock only, and that bearing an interest of one per cent. per annum less than that paid in by individuals or corporations. The charter authorized the Government to redeem the stock paid by individuals at par at any time it thought proper, although such stock would not have been redeemable until other such stocks should have become payable. The object of the subscribers in paying with stock above par at the time was that, bearing an interest, it would enable the bank to make dividends until it could get into complete operation. The subscribers were completely and quickly deprived of that advantage; for the act of Congress, dated March 3, 1817, immediately after the bank had commenced business, authorized and directed the Commissioners of the Sinking Fund to redeem the public debt held by the bank, and they did so, by which the bank suffered an actual loss of $251,641, estimated at the then value of such stock in the market.—*(See Document D.)*

The exclusive privilege given to the bank was highly important to that institution. Without the security given by the charter, "that no other bank should be established during its term," it is not probable that a sufficient number of subscribers could have been obtained. The provision was also useful to the nation: it prevented all application to Congress for other banks, and effectually prevented it from granting other charters. The example furnished by the States show how difficult it would have been to have resisted such applications.

What facilities does the bank give to the Treasury as compensation for the exclusive privilege? It collects all the custom-house bonds; it receives and keeps safe the receipts for public lands, wherever it has a branch; it tranfers the money of the nation from any one part of the Union to any other where it may be required; it makes those transfers without any charge for a difference of exchange, which would be no little expense to the Treasury; it pays the public debt, by which it is subjected to large drains of specie highly injurious to its other operations, inasmuch as those drains compel the bank to lessen its discounts. It is peculiarly so at the present time, when the principal of the public debt is paying off rapidly; nearly one-third thereof is owned by foreigners, who, finding it difficult to reinvest, do probably draw the specie for remittance in preference to remit in exchange at its present high rate. The bank also pays off almost all the pensioners, which is a saving, as already shown, of nearly $20,000 per annum; and all those acts are performed by it free of any charge whatever to the Treasury. In addition, it is considered a safe deposit for the public funds, by which losses similar to those heretofore incurred by the deposit of the public money in State banks to the amount of a million of dollars is completely avoided.

It has not been deemed proper to include the deposits of 1817 and 1818 in the average; they were incidentally large, arising from a variety of causes such as cannot happen again; one of them was, the bank had agreed with the Treasury to assume and account for the debts due by some of the State banks to the Treasury, which were immediately charged to the bank, and which could not be drawn immediately from those institutions without endangering them; and some of them have not yet repaid all that the bank had assumed to pay for them. But if those years had been included, the general result would still have shown that the bank had amply paid for the benefit derived from the Treasury deposits.

From the preceding view, and the committee believe it to be correct, it has appeared to them "that there is no necessity for legislating on the subject."

A.

TREASURER'S OFFICE, *March* 29, 1828.

SIR: I have the honor, in compliance with your reference to this office of Mr. Smith's letter of the 28th instant, to state that the annual average amount of public moneys in the Bank of the United States and its branches during the years 1819 to 1827, inclusive, was $2,633,584 04; that the average quarterly amounts for each year from 1817 to 1827, inclusive, were as follow:

For 1817	$10,153,589 53
1818	5,246,475 82
1819	742,766 14
1820	1,130,936 08
1821	199,427 88
1822	1,510,352 21
1823	5,415,252 34
1824	3,762,335 47
1825	3,642,546 06
1826	3,546,913 12
1827	3,751,726 94
Total for 11 years	39,102,321 59
Average per annum	3,544,756 50

With reference to the report from this office of the 20th instant, permit me to observe that the average annual amount of deposits for the years 1817 to 1827, therein exhibited, was predicated upon the quarterly average amounts as stated above, by adding the whole together and dividing by 11, the number of years embraced in the period called for.

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

MICHAEL NOURSE, *Acting Treasurer.*

B.

TREASURY DEPARTMENT, *Third Auditor's Office, April* 26, 1828.

SIR: In pursuance of your reference to this office of that part of the last paragraph of the letter of the Hon. S. Smith, chairman of the Committee on Finance of the Senate of the United States, which relates to it, I have ascertained the amount of pensions paid by the Bank of the United States and its branches for the last three years as far as the accounts have been rendered; and where they have not been rendered, the amount has been averaged according to former payments, viz:

Amount paid in 1825	$1,057,160 35
Do. in 1826	1,003,514 50
Do. in 1827	926,343 70
Total	2,987,018 65

The rate of commissions allowed for paying pensions, where any are allowed to agents or institutions other than the Bank of the United States and its branches, is two per cent. At this rate the annual amount of commissions would be as follows, viz:

In 1825	$21,143 20
1826	20,070 29
1827	18,526 87

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

PETER HAGNER, *Auditor.*

Hon. RICHARD RUSH, *Secretary of the Treasury.*

C.

Statement of the amount annually paid to the loan officers of the United States for salaries and contingencies, from the year 1790 to 1818, inclusive.

1790	$373 63	1806	$27,325 32
1791	13,285 03	1807	26,565 33
1792	32,396 74	1808	26,692 19
1793	46,580 24	1809	24,197 16
1794	36,110 72	1810	26,675 63
1795	23,195 25	1811	26,101 70
1796	32,455 96	1812	26,703 11
1797	26,530 41	1813	26,620 50
1798	23,209 72	1814	26,578 01
1799	26,567 38	1815	31,584 51
1800	27,197 40	1816	31,345 21
1801	26,129 51	1817	30,675 80
1802	26,914 64	1818	2,042 30
1803	26,999 95		
1804	26,552 16	Total	755,022 00
1805	27,416 49		

JOSEPH NOURSE, *Register.*

TREASURY DEPARTMENT, *Register's Office, April* 10, 1828.

D.

Statement exhibiting the amount of the several denominations of the public debt purchased at par of the Bank of the United States during the second quarter of the year 1817; showing also the periods at which the stocks would have become redeemable under the laws by which they were created; the value of the several stocks in the market at the time of purchase; and the difference between that value and the amount received by the bank.

Stocks.	Amount.	Periods at which the stocks were redeemable by the creating acts.	Market value, per New York price current of July 9, 1817.	Difference between the market value and the amount received by the bank
Old 6 per cent	$34,082 4	Annually, by payments of 8 per cent. on account of interest and principal.	Par	
Deferred 6 per cent	73,834 61	....do....do	Par	
3 per cent	1,464,593 94	At pleasure of Government	65 per cent	
6 per cent. of 1812	1,727,435 61	January 1, 1825	2 per cent. advanced	$34,548 71
6 per cent. Treasury notes	25,258 42			505 16
6 per cent. of 1813	4,005,684 51	January 1, 1826	2¼ per cent	90,127 90
6 per cent. of 1814	2,815,134 33	January 1, 1827	2¼ per cent	63,340 52
6 per cent. of 1815	2,524,752 37	January 1, 1828	2¼ per cent	63,118 80
Louisiana 6 per cent	373,000 00	In 1818, 1819, and 1820	Par	
	13,043,776 13			251,641 09

JOSEPH NOURSE, *Register.*

TREASURY DEPARTMENT, *Register's Office, May* 2, 1828.

E.

Statement showing the annual amount that would have been paid to the Government by the Bank of the United States had the bonus of $1,500,000 been divided into seventeen annual payments; exhibiting also the average annual amount of interest on the bonus from the time the instalments were actually paid.

Had the bonus paid by the bank been divided and made in seventeen equal annual payments, the annual payment would have been	$88,235 29
And the average annual interest from the time the instalments on account of the bonus were actually paid until the expiration of the charter amounts to	85,682 35
	173,917 64

JOSEPH NOURSE, *Register.*

TREASURY DEPARTMENT, *Register's Office, April* 24, 1828.