

OUTLINE OF A PLAN

FOR A

NATIONAL BANK,

WITH INCIDENTAL REMARKS

ON THE

BANK OF THE UNITED STATES.

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EXTRACT from the proceedings of an adjourned Meeting of merchants and others interested in the commerce of the City of **NEW-YORK**, convened on the 20th of February, 1833, for the purpose of receiving a Report from the Committee appointed at a former meeting and to whom was referred a **PLAN FOR A NEW NATIONAL BANK.**

PRESERVED FISH resumed the chair, and **HENRY W. HICKS** was again appointed Secretary.

The Committee, consisting of **ISAAC BRONSON**, **GEORGE GRISWOLD**, D. Jackson, and **JOHN BOLTON**, then presented the following Report:—

“The Committee to whom was referred the outline of a plan for a National Bank, with introductory and explanatory remarks, having maturely considered the same, Report,

“That they have introduced some amendments, and made some alterations in the original draft, which they now beg leave to submit as the

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WHEN, at the Triennial Meeting of the Stockholders of the Bank of the United States, held on the 1st September, 1831, the communication made by the Board of Directors was referred to a committee of seven, to report thereon, that committee, among other resolutions, offered to the adoption of the meeting the following :

“ Resolved, that an administration, by which the interests of the Stockholders and public are successfully blended, is that system which is properly characteristic of the Bank of the United States ; and that to the present able administration of the Bank, the Stockholders and the public are indebted for the full, efficient and profitable development of such a system.”

The above resolution, with others recommendatory of the renewal of the charter, having been adopted by the Stockholders on the occasion referred to, and ordered by them to be given to the public, the time has certainly arrived for the public to discern for themselves not only the actual condition of this Institution, represented to be “ greater and more stable than at any former epoch,” but also to judge for themselves of the expediency of that renewal of the charter so strongly advocated by the committee in question.

When we consider how much the stability of mercantile credit depends on the soundness of our monetary system, and the prejudicial changes that may be wrought on the general and individual interests of the country, by the continuance or introduction of a vicious or imperfect system, the subject assumes a character of the deepest interest, inasmuch as it is a subject, in the investigation of which, every single member of the community is more or less concerned.

Whatever views may be now taken of the existing charter, it must

be admitted that its principles and provisions were, at the time of its enactment, deemed alike just and adequate. In some of its parts, however, it seems in practice to have proved defective; for in speaking of the formidable difficulties they have had to encounter, the Directors particularly advert to "an interesting and hazardous experiment" they were compelled to resort to in self-defence, or rather in counteraction of a certain "disabling provision of the charter."

It has been asked whether the counteraction thus alluded to has not involved the Directors in the discharge of duties somewhat incompatible and contradictory, in regard to the discrimination of what was due to the public, and what they felt bound to perform for their own body; but be this as it may, if all their experiments have succeeded without endangering the stability of the Bank—if the privileges exercised by this Institution have had no tendency, as some have apprehended, to render the interests of the many secondary to the few—if, in short, we have been entrusting our monied system to able and faithful hands, it might indeed be questionable, whether it would be consistent with sound policy to disturb its administration.

But were the merits of the system, to which the committee have paid so flattering a tribute, admitted by all, it would not follow that one more perfect would be less desirable, nor would it furnish grounds for supposing that an improved one was no where to be found. At any rate, the experience this and other countries have acquired upon the subject of banking has been purchased too dearly, to be lightly thrown away, and the time has now arrived for every practical man to contribute his mite. Men of letters being usually men of theory, have no opportunity of measuring the opinions which they have adopted upon hypothetical reasoning by the standard of experiment.

To have this subject, therefore, safely dealt with or properly

judged of, an appeal must be made to the feelings and intelligence of the really practical men of business. Discussion must be invited; some may hold back, in consequence of the tendency of human nature to realize the old adage, and to get rid of trouble by transferring the business of every body to nobody—but if projects are brought forward—if measures are proposed, those who are likely to be affected by them will be excited accordingly, and however ill-digested or ill-conceived they may be found, no harm can at any rate ensue. On the contrary, the excitement they are not unlikely to produce, is precisely that excitement which, at such a time and on such a subject, is required.

Nevertheless, as a national Bank should stand insulated, and be set apart from all political influence, even discussions upon such a subject are not to be desired, unless kept free from *political* excitement. A national Bank should belong to the *whole* community, or its own expressive appellation is disregarded. It is an Institution which should benefit the country at large, not confined in its operation to a part nor limited to any sect or party.

After the numerous evils which have arisen from the instability of our currency, it is believed, the public were never better disposed than at present to countenance and give consideration to any plans which may be brought forward with a view to lessen the injurious effects of the great fluctuations constantly occurring in the value of money—without entering, therefore, upon any lengthened disquisitions on banking systems, these remarks will be restricted to what is thought to be the real object of inquiry by the nation at large, namely, what better plans can be devised than now exists for the attainment of a sound currency; or in other words, can any improved principles be suggested for the basis of a national Bank? To meet this inquiry the following outline of a plan is respectfully submitted.

1st. That a Bank of the United States be established by a new act of incorporation, for the term of twenty years, with a capital of thirty-seven and a half millions of dollars, whereof

Ten millions to be subscribed by the Government of the United States, and

Twelve and a half millions by the several States, in the rates of their electoral votes, (subject to modifications introduced into Sec. 11th.) in a Stock bearing four per cent interest, payable half yearly, and subject to the restrictions hereinafter specified.

The remaining fifteen millions of capital to be subscribed by individuals or corporate bodies, and paid for in money.

The Stock, in which the subscriptions of the Government and the States, are to be made, to be irredeemable during the existence of the charter, and inalienable as regards the Bank; except with the consent of the government, under circumstances of imperious necessity, and then only in hypothecation, for money borrowed for the term of one, two or three years.

The object contemplated by making this stock irredeemable and inalienable, is that of permanent security to the creditors of the Bank. It is well known that the whole of the original capital, as well as that which has been added to it from surplus profits of the Bank of England, is invested in government stocks. Thus, it is obvious, that its business is conducted without monied capital, and exclusively on means arising from its credit. The English system would be feasible to the Bank of the United States, yet it may be expedient to yield in some degree to that which is prevalent here; this plan, therefore, embraces a portion of monied capital, and fixes the amount at fifteen millions, and assuming, with a view to illustration, an aggregate of forty millions of dollars, as constituting the amount of circulation, deposits and cash capital, on which the Bank is to derive a profit of 6 per cent, the yearly realization of profit will amount to

\$2,400,000

To which add interest on twenty-two and a half millions at 4 per cent payable annually by the general state governments

900,000

\$3,300,000

Deduct 6 per cent dividend on capital of thirty-seven and a half millions

2,250,000

There would then be left

\$1,050,000

to meet losses, cover expenses and provide a contingent fund.

In reference to the constitution and practice of the present Bank, one amongst the most objectionable features that have been recognized and felt, is that which renders the whole capital of thirty-five millions available to the Institution in *money*.

In its anxiety to employ capital, wholly disengaged from investment, the temptation to encourage overtrading must necessarily be induced, while the only security that can be furnished to the public are the debts due by individuals to the Institution.

The further regulations applicable to the subscriptions in Stock are as follows :

The Bank Stock subscribed by the general and State governments not to be sold during the existence of the Charter.

The dividends of Bank Stock owned by the general and State governments, and the interest on the 4 per cent. Stock subscribed by them, in payment of their Bank Stock, to be made payable at one and the same period, at the Bank.

The excess of dividends over the interest payable by the United States and the several States, may be considered an ample substitute for bonus to the former, and for taxes on the part of the latter.

2. *The United States to appoint eight Directors, and the States to elect ten Directors, but not more than two of those appointed by the United States, nor more than one of those elected by the States, to be residents of the same State.*

** The money stockholders to elect twelve Directors, each stockholder being a citizen of the United States, to vote in person, and no votes by proxy to be allowed, excepting those of Trustees, Guardians, Executors and Administrators, who may delegate their power to one of their associates—and excepting also corporate bodies who may authorize one of their officers or a Director to vote on their behalf. At the annual election, one fourth of the Directors elected by the government, and by the money stockholders who shall then be in office, to retire from the board; and of the Directors elected by*

the States, two to go out of office the first election, three the second, two the third, and three the fourth election.

Stockholders residing out of the State in which the Bank is located may lodge their votes at an office, on a certain day to be specified, or may forward the same by mail, addressed to the Cashier of the Bank under a sealed envelope, on which shall be written the number of shares which they respectively hold, bearing their own signatures written across the seal of said envelope. The votes thus sealed, if lodged in the offices of the Bank, to be forwarded by the cashiers thereof, accompanied by a statement and a list of the stockholders and number of shares then on the books of the respective offices, and which are not to be opened until the close of the polls at the Bank.

Each subscribing State, in which an Office is established, may appoint two Directors of such Office. Other Directors of Offices to be appointed by the board of the Bank.

The preceding regulations concerning votes are suggested from circumstances believed to have occurred early in the establishment of the existing Bank, when the accumulation of votes in the hands of an individual became a frequent subject of complaint. The disadvantages attending the system are sufficiently obvious; not one of the least is, that the Directors hold their places at the will of an individual—a tenure repugnant to men the best qualified to serve, and under which they are almost necessarily excluded. It is believed, that the rejection of proxy votes is indispensable to the election of high-minded, independent men, who would be able advisers of the President, and would feel in the acceptance and discharge of such a trust that they had active and not merely passive duties to perform.

It will certainly be admitted, that the person most competent to discharge the duties which devolve upon the President of a Bank, is the one whose views upon commercial subjects, and whose opinions respecting money and its uses, have been practically and not theo-

retically formed. Errors in judgment may even then occur, hence the importance of diffusing the great responsibility connected with the management of a national Bank among the Directors of the Institution, and of selecting for the direction, men whose habits of life have led them to a knowledge of the *real* wants of a commercial and industrious people, in a country where the production of national wealth is in such rapid and progressive activity. The President of a Bank should be assisted in the greater difficulties of his department by a certain number of Directors formed into an Executive Committee. It would be the duty of this Committee, or any one of them, to animadvert without reserve on such measures as emanated from the presidency which were at all indicative of hasty, ill-judged, or imperfect views; and as the success of the provisions in view would call for rotation and not permanency of office, it is recommended that "*At the first meeting of the Board of Directors (after an election) a President, a Vice President and an Executive Committee of five members be appointed for the term of one year, of which Committee the President and Vice President should also be members ex officio.*"

The President and Vice President of the Bank to be re-eligible as Directors; the office of President, however, not to be held by the same individual two years in succession, but to be filled by the Vice President or a member of the Executive Committee.

3. *The Bank to be located in New-York.*

4. *An Office of Discount and Deposit also to be established in the same city, for the management of its local business, with a specific capital assigned therefor.*

The advantages that would accrue to government, and to the commerce of the country at large, from the establishment of the Bank at New-York, are too obvious to need elucidation. The experience of Europe is conclusively in favor of the establishment of a common centre in each country, for monied operations, and

the advantages derivable from the system are found to be greatly enhanced by establishing it in the chief emporium of commerce. That New-York stands in that position to the United States, and from this circumstance, possesses paramount advantages, none will question.

As regards the establishment of an office in the same city in which the Bank is located, the plan is deemed essential to an impartial appropriation of the capital and means of the Institution, and is designed to effect that separation which ought to exist between the mere local and the more general business of the country. Under the existing system, the same men who manage the local business of the Bank in Philadelphia direct and control the operations of the different Branches ; thus the former almost inevitably becomes an object of primary attraction, and the latter secondary in importance, or what is worse, may be made subservient to the interests of the city, within the narrow bounds of which are concentrated the views and feelings and pecuniary concerns of the Directors themselves, at least of a majority of those who are residents of the city, and on whom, from that circumstance, the chief direction of the affairs and business of the Bank devolves.

As well might the legislature of a single State be called upon to legislate for the whole Union, as the Directors of the Bank of the United States, whose appropriate duties apply to the superintendence and control of the great monied concerns of the nation, be appointed to perform those appertaining to the local business of a city. In both cases the attraction of local influence and the preference of local interests would be alike exemplified. To expect, indeed, that the duties of the one would be applicable to, or made compatible with the other, would be to overlook the inferences suggested by common sense, and to expect men to be what nature has not made them.

Besides, in divesting the general board of all direct concern in

the local business of the city, the station would become more honorable, and would be filled with men of higher qualifications, and of more liberal and national views than are requisite or perhaps even desirable in those who necessarily mingle in the active, daily business of the place, and who are consequently best fitted for a safe and judicious management of strictly local business.

An Office of Discount and Deposit to be established in each State, but it shall not be obligatory on the corporation to place an Office in a non-subscribing State, unless required by the Government of the United States so to do.

The Directors of the Bank to have the same, but no other control, over the Office in New-York than is exercised over other Offices.

Capitals to be assigned to each Office, and varied at pleasure.

5. The Notes or Bills issued by the Bank to be made receivable at any and all the Offices in payment of debts due the Bank or Offices, and also in payment of Government Revenue.

It would be a salutary restraint on the issues of the Bank, to make the notes receivable at all the Offices in payment of debts due, whether by State Banks or by individuals, and it would have an equally good effect in checking excessive loans, and restricting the credit afforded on them; besides which it would extinguish the chief and fruitful source of difficulty and dissatisfaction existing between the State Banks and the Offices, and arising from the demands of the latter for specie. Now, it is a case of common occurrence, that the State Banks are called upon for balances in specie, whilst the same Bank, and at the same period, have in their possession a much larger amount, in notes of the Bank, payable at the Bank, or at the distant offices.

Finally, these provisions would have the effect of producing a more equal distribution of business, and of superseding that exclusive control of our monied operations now possessed and irresistably acquired by the Bank of the United States. The State

Banks and the National Bank would mutually check each other. Indeed all experience shows a constant tendency to excess in the issues and loans of our Banking Institutions, and the same experience proves that this tendency is not less operative on the Bank of the United States than it is on the State Banks.

6. *No note or bill to be issued under twenty dollars. Cheques or Drafts not to bear the similitude of current Bank Notes.*

This restriction on the Bank will give the small circulation to the State Banks, and operate as a check on excessive issues of the former. It will also have a beneficial effect on, by imparting stability to the currency, and as, generally speaking, the notes of the local Banks, especially those of a smaller denomination, are confined in their circulation to their own States respectively, a demand will be created for gold and silver for the various items of small expenditure, which will at the same time serve to retain those coins in circulation. By the adoption, moreover, of a higher value for gold, and the introduction of small gold pieces, travellers may supply themselves with coin in lieu of the five dollar notes and cheques now issued by the Bank of the United States. Specie would thus become more generally distributed, and by transferring a portion of the treasure of the Banks to the pockets of the community, more time would be required to collect it for remittances abroad. Now, the basis of our circulating medium, from its being chiefly in the vaults of Banks at the seaports, is liable to sudden and extensive reduction, often compelling the Banks to extensive and equally sudden reductions in their discounts and circulation, whereas that portion of the specie which is distributed over the country would, in the event of foreign demand, gradually come in to replenish the Banks, and, in its operation, be productive of the same effect on prices.

7. *No note or bill having more than ninety days to run to be discounted either directly or indirectly, nor any loan to be made for*

a longer period than ninety days by the Bank or any of its Offices ; and every note, bill or other obligation to be bonâ fide paid as they respectively become due ; nor is any renewal to be granted unless the essential interests of the Bank should require it, and then only with additional security, and by the affirmative vote of three fourths of the Board.

It should be a primary object in the administration of a Bank of the United States, so to regulate its operations as to give ample facilities to the real business of the country, without presenting any allurements to overtrading.

It is believed that the discounting by the Banks of what is termed long paper has more effect than any other measure in producing excess in the operations of merchants, and more especially of business not based on capital.

The true and legitimate purposes of Banking Institutions are fulfilled by enabling the merchant who sells his goods on credit promptly to realize the amount of sales, and not by furnishing capital to trade upon, and thereby involving the Banks in the results of such trading. It was the wide departure of the United States Bank, and the State Banks from this safe rule in 1830 and 31, that produced in the latter year, the disastrous reaction of that period, and the pressure on the money market subsequently and very seriously felt in 1832. The Bank of England, it is understood, discounts no paper of a longer term than sixty-five days, and it was a standing rule of the first Bank of the United States and its Offices to give a preference to paper not exceeding sixty days, when the amount offered exceeded the amount appropriated on the day for discount.

If it be objected, that the limitation of ninety days will turn over to the State Banks a larger share of business than they now enjoy, it will be admitted that the Bank of the United States will thereby be prevented from taking the lead in promoting operations which

necessarily increase the hazards of business, and invariably result in disastrous excess and reaction.

Had this restriction been incorporated in the charter of the present Bank, the excess of importations from Europe and Canton in 1831-2 would not have occurred, and our most enterprising merchants would not have had to lament the loss of their earnings for several years previous to 1832, and in many cases, the entire loss of property, besides the involment of their friends.

8. *The whole amount of profits to be divided half yearly, excepting only a reasonable sum to provide for losses; but the fund thus reserved not to exceed two millions of dollars at any one time.*

9. *The Bank not to charge over the rate of 6 per cent. per annum on loans or discounts, not to deal in Foreign Exchange, but to have this privilege in Domestic bills of Exchange and in gold and silver bullion.*

The privilege of dealing in foreign exchanges requires, to say the least, a very discreet and skilful exercise, and the expediency of conferring it on any incorporated body has long been questioned. It is believed the regulation of foreign exchange had better be left to the actual operations of trade, and therefore relinquished into the hands of those whom it most concerns, and whom, it is presumed, will prove the best guardians of their own interests.

In promoting the particular views of the Bank, the interests of the mercantile community must often be lost sight of; the very combinations which the Bank, with a view to its own temporary conveniences, or supposed advantages, may occasionally set on foot, may as often produce injurious fluctuations in the rates of exchange, which, if undisturbed by schemes purely artificial, they would not be exposed to.

Left to its natural operation, the course of exchange would serve as an indication of the relative amount of imports and exports, forewarning the merchant of any accruing mass of the former, and

guarding him in season against the effect of specie shipments, to make up the deficient value of property exported; but while the Bank, wielding its enormous means and credit, nearly monopolizes that branch of business, the merchant is deprived of that sure and faithful monitor, and, as the victim, is obliged to yield his skill, his intelligence and his interests to those who are empowered to dispense and unwilling to entrust him with the exercise or use of either.

10. *The amount of Discounts and loans not to exceed forty millions of dollars; but, if from the aggregate statements of the Bank and its Offices it be at any time found that this sum has been exceeded, the excess in that case to be reduced within ninety days.*

11. *The Stock of the Bank appropriated to any one State not to be less than 200,000 dollars, whether entitled by its number of Electors to this amount or not, but after assigning this minimum to the States that may be thus restricted; the remainder of the twelve and a half millions to be apportioned among the other States according to the provisions of the first article, and the capital may be increased, on the admission of each new State into the Union, to the extent of \$200,000, if desired by such new States.*

12. *If the capital assigned to an Office be more than double the amount of Bank Stock appointed to the State in which such Office is located, the excess may be taxed at the same rate as State Banks in the same State.*

This provision is introduced on the presumption that the Bank will pay dividends at the rate of 6 per cent. per annum, which being 2 per cent. more than the interest on the State Stock issued in payment of the Stock of the Bank, will yield to the States an equivalent for the highest rate of tax imposed upon double the amount of the capital of the State Banks.

13. *The Bank to render the same services to Government in the collection and distribution of its funds, and on the same terms prescribed and provided for in the charter of the existing Bank.*

Such provisions, in the existing charter of the Bank of the United States, as have not been alluded to in these remarks are those which, if necessary, would, it is believed require no essential modification to render them suitable for the adoption of any new Bank.

The allusions made to the present Institution have certainly proceeded from no improper feeling, but have been unavoidable in pursuing to their results the actual operations in which it has been engaged.

While, therefore, it is admitted that many circumstances connected with the Bank of the United States, and affecting its course of policy, may have existed, of which no account has been taken in the arguments submitted with the foregoing plan, they cannot, it is thought, be arraigned on the score of prejudice, whether personal or political; the most scrupulous endeavors having been made to confine the reasoning upon this important subject to events known to have occurred.

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After reading and discussing the foregoing plan, and introducing some amendments adopted by the meeting, the following Resolutions, proposed by the Committee, were unanimously passed.

RESOLVED, that this meeting, approving of the Plan for a National Bank, as amended and reported by the Committee appointed for its examination, hereby recommend the same to their fellow citizens of the United States; and in submitting the Plan to their consideration, invite them to join in an application to the Congress of the United States for an act of incorporation of a Bank based on the principles contained in such Report.

RESOLVED, that 1000 copies of this Report be printed for distribution to the public.