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ABSTRACT OF ADDRESS
BY
HON. C. S. HAMLIN, GOVERNOR OF THE FEDERAL RESERVE BOARD,
BEFORE THE ROBERT MORRIS CLUB, PITTSBURGH, PA.,
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Mr. Hamlin, in opening, referred to the old Treasury Board prior to the adoption of the Constitution of the United States, and to the work done by Robert Morris as Superintendent of Finance. He then took up financial affairs after the adoption of the Constitution and spoke of the first bank of the United States with its capital of ten millions of dollars, of which the Government subscribed one-fifth. Branches were permitted at the will of the directors in any part of the United States. Its charter was for twenty years, and the central bank was located in Philadelphia, while branches were established at Boston, Washington, New York, Baltimore, Norfolk, Charleston, Savannah and New Orleans. The Government finally sold its holdings of stock in this bank at a large profit. It is a curious fact that a majority of the stock was held by foreigners, who had no voting power. Finally Congress, largely influenced by the opposition of the State banks, refused to recharter the bank.

Mr. Hamlin then considered the second bank of the United States, founded in 1816. Its capital was thirty-five millions, of which the Government subscribed seven millions. It had twenty-five directors, of which five were appointed by the President. Its notes were limited to the amount of its capital stock and were payable in specie. The bank paid to the Government the sum of four and one-half million dollars in return for its charter, and the Government agreed to establish no other bank, except in the District of Columbia. The majority of the stock of this bank also was owned by foreigners, but no voting power was permitted to them.

At first the bank was badly managed and the Baltimore branch collapsed. Later it was well and conservatively managed and rendered valuable assistance to the Government and the people. President Jackson, as you will remember, finally ceased to deposit in the bank, and its subsequent history is known to all.

Mr. Hamlin then took up the history of the State banks and their circulation. They can be grouped roughly into two classes: First, those whose notes were based on the general assets of the bank; the New England banks furnished a good example in this: The second system was the so-called "safety fund system", of which the New York banks furnished a good example.

Mr. Hamlin also called attention to the fact that in the year 1835 the National debt had been entirely paid.

Mr. Hamlin then took up the independent treasury system which was first established in 1840, but repealed in 1841, and re-established in 1846.

Mr. Hamlin then briefly traced the history of the greenbacks during the Civil War, when gold reached an enormous premium.

Passing from that he took up the history of the National Bank Act, which was first enacted in 1863, and amended in 1864. Under this Act National bank depositaries were authorized and banks were obliged to redeem their notes at agencies as well as over their own counter. In 1865 a tax was imposed upon State bank notes which drove them out of circulation.

He then called attention to the fact that customs duties during the war had to be paid in coin, which meant, in practice, in gold, and he pointed out that the Government, during the suspension of specie payments, sold 526 millions of gold in the open market at an average premium of 20%.

In 1875 the Resumption Act was passed and took effect in 1879.

He then traced briefly the history of silver legislation.

He then took up the various plans which had been proposed for an asset currency, so-called; considering in detail the Baltimore plan; Secretary Carlisle's plan, and many others, and gave some attention to the Gold Act of 1900, under which gold was made the standard of value and a trust fund of 150 millions of dollars was established for the redemption of greenbacks. National bank notes were permitted under this Act to be issued up to par of the bonds pledged; also long term bonds were refunded into 2%'s, and power was given to the Treasury to issue bonds payable in gold.

He called attention, however, to the fact that this Act of 1900 gave no power to the Secretary of the Treasury to issue bonds for maintaining the parity of all forms of money, the duty to maintain which parity, however, being placed upon the Secretary of the Treasury. This defect was remedied by the Federal Reserve Act, which gave full power to the Secretary of the Treasury to issue gold bonds for the express purpose of maintaining the parity of all forms of money issued by the United States.

He then traced briefly the history of the Aldrich-Vreeland Act and the work of the Monetary Commission. He showed that the bill presented by the Monetary Commission provided for one central bank in Washington, with fifteen branches, but the control was vested in the bankers, very limited provision being made for public control.

He pointed out the difference between the Federal Reserve Act and the Aldrich plan, and showed how carefully the latter Act had provided for control in the public interest.

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