

New Light on the First Bank of the United States

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The Pennsylvania Magazine of History and Biography
Vol. 61, No. 3 (Jul., 1937), pp. 263-285 (23 pages)

Published by: University of Pennsylvania Press

[James O. Wettereau. (Jul. 01, 1937). New Light on the First Bank of the United States, Vol. 61, No. 3, pp. 263-285 (23 pages). The Pennsylvania Magazine of History and Biography, UPenn Press. Source: <https://www.jstor.org/stable/20087054?read-now=1&refreqid=excelsior%3A46f8b574f91fcdf3c76f1548807f4b4&seq=1>]

NEW LIGHT ON THE FIRST BANK OF THE UNITED STATES¹

THE FIRST Bank of the United States, although semi-public in character, has always remained an obscure element in our early national history. Established by Congress in 1791 on the recommendation of Alexander Hamilton, the Bank constituted an integral and essential part of the system proposed by that brilliant statesman of industrial capitalism for the revival and support of public credit and for the promotion of business enterprise.² For twenty years, until its non-recharter and dissolution in 1811, it functioned and flourished, not merely as "an indispensable engine in the administration of the finances," as Hamilton pronounced it, but also as the mainspring and regulator of the whole American business world. It was likewise an important political issue between Federalists and Democratic-Republicans on several occasions.

Yet little is known of its inner history. Historians and economists alike have regretted the scantiness of data relating to its operations. With the exception of a few reports on Treasury deposits, the general public and even the Federal legislature had no knowledge of its condition until just prior to the expiration of the charter when Secretary Gallatin submitted several statements to Congress. No suspension of specie payments, no really catastrophic financial panic, no failure to pay dividends occurred to cause a demand for throwing the spotlight of "pitiless publicity" upon the institution. The career of the second Bank of the United States was a sharp contrast in this respect.³ But despite its shroud of secrecy, the first Bank seems to have had nothing to conceal. The political history of the Bank, although needing more thorough and critical treatment than it has as yet received, is relatively familiar to students of the period.⁴ The three-

¹ This article reproduces the substance of a paper read before the joint session of the American Historical Association and the Business Historical Society at Providence, Rhode Island, on December 29, 1936.

² John T. Holdsworth, *The First Bank of the United States* (Washington, 1910); and Charles A. Beard, *Economic Origins of Jeffersonian Democracy* (New York, 1915).

³ Ralph C. H. Catterall, *The Second Bank of the United States* (Chicago, 1903); Davis R. Dewey, *The Second United States Bank* (Washington, 1910); and Carl B. Swisher, *Roger B. Taney* (New York, 1935).

⁴ The Democratic-Republican "war" on the Bank during the years 1792-96 has been strangely neglected in many of its ramifications.

fold purpose of the present paper is to describe some new documentary material which the author has discovered; to summarize briefly the fiscal services rendered by the Bank to the United States Government; and to analyze the control, management, problems and policies of the Bank as a business corporation.

I

No complete set of the Bank's own records has as yet been brought to light, although there is a strong probability of their having been preserved. Nevertheless, considerable information about the Bank may be obtained from other sources.

In the charter of incorporation it was stipulated that:

The officer at the head of the Treasury Department of the United States shall be furnished, as often as he may require, not exceeding once a week, with statements of the amount of the capital stock of the said corporation and of the debts due to the same; of the moneys deposited therein; of the notes in circulation, and of the cash in hand; and shall have a right to inspect such general accounts in the books of the bank as shall relate to the said statements: *Provided*, That this shall not be construed to imply a right of inspecting the account of any private individual or individuals with the bank.

In 1892, Professor Charles F. Dunbar presented indisputable evidence that the Bank made regular reports to the Treasury Department in compliance with this requirement.⁵ Yet it has generally been believed that there were only six Bank statements extant, namely:

1. A defective rearrangement of data in a letter from President Jefferson to Secretary Gallatin, dated November 11, 1801.⁶

2. A very generalized averaged balance sheet in Secretary Gallatin's report to the Senate, dated March 2, 1809.⁷

3. A special statement of the capital and discounts of the Bank and its branches in Gallatin's report to the Senate, dated April 3, 1810.⁸

4. A statement of the debts due from individuals and banks to the Bank of the United States and its branches, of the note circulation, and of Treasury deposits, in Gallatin's report to the House of Representatives, dated January 9, 1811.⁹

5. The fairly complete and detailed report annexed to Gallatin's report to the House of Representatives, dated January 23, 1811.

6. A tabular statement, or rather a group of tabular statements, of the discounts, specie, public and private deposits, and note circulation of the Bank

⁵ C. F. Dunbar, "Accounts of the First Bank of the United States," in *Quarterly Journal of Economics* (July, 1892), reprinted in his *Economic Essays*, edited by O. M. W. Sprague (New York, 1904), 168-71.

⁶ Henry Adams, *The Writings of Albert Gallatin* (Philadelphia, 1879), I. 59.

⁷ *American State Papers: Finance*, II. 351-53.

⁸ *Ibid.*, 417-18.

⁹ *Ibid.*, 460-63.

and its branches as of January 1, March 1, and September 1, 1811 and March 1, 1812—furnished in December, 1833 by the cashier of the Trustees to Congressional champions of the *second* Bank of the United States during the struggle over the removal of the public deposits from that institution.¹⁰

At the Treasury Department itself no reports apparently survive. They were probably destroyed in the great Treasury fire of March, 1833. (It may be noted that there are three volumes of private statements of the second Bank of the United States, covering the years 1833-36.) The same conflagration also swept away the Secretary's files for the years prior to 1833, thereby depriving the student of the opportunity of examining the correspondence between the Secretary of the Treasury and the officers of the Bank. By consulting the private papers of the successive Secretaries of the Treasury, however, the present writer has discovered much valuable unexploited material.

The Alexander Hamilton Papers, in the Library of Congress, include no reports by the Bank. But they do contain scattered important letters and interesting preliminary drafts of his Report on a National Bank and of his Opinion on the Constitutionality of a National Bank.¹¹

The Oliver Wolcott Papers,¹² in the Connecticut Historical Society, offer a particularly rich mine of information. They include rough drafts of most of his official letters and much of his voluminous private correspondence. Most important of all are the transcripts or duplicates of 40 selected weekly reports of the main Bank of the United States and 139 reports of the individual branches for the period 1792-1800. There are also 2 balance sheets as of February 4, 1812, and September 1, 1813, which illuminate the process of liquidation. The first-mentioned 170 balance sheets embody a reasonably

¹⁰ *Ibid.*, 468-70; *Reports of Committees, 23d Congress, 1st Session, House of Representatives, Report no. 313, p. 33.*

¹¹ The final draft of Hamilton's Opinion on the Constitutionality of a National Bank is in the possession of Mr. John R. Dillard of Philadelphia.

¹² George Gibbs, *Memoirs of the Administrations of Washington and Adams, edited from the Papers of Oliver Wolcott, Secretary of the Treasury*, 2 vols. (New York, 1846), omits many of the most valuable documents. Wolcott, while Comptroller of the Treasury, drafted the plan for the organization of branches of the Bank of the United States in 1791 and was seriously considered for the presidency of the institution a few months later. He succeeded Hamilton as Secretary of the Treasury and served from February 2, 1795, until December 31, 1800. In 1806 he was appointed a director of the New York branch, and subsequently, in 1810-11, of the main Bank in Philadelphia. He headed the group of New York stockholders who secured a charter for the famous Bank of America in 1812 as a state successor to the national Bank. J. O. Wettereau, "Oliver Wolcott, Jr.," in *Dictionary of American Biography*.

systematic record of the operations of the Bank during the first decade of its existence.¹³ For certain years they are supplemented by a Dutch collection to be mentioned later. The Wolcott Papers also contain a complete collection of the original weekly cash returns by the Treasurer of the United States to the Secretary of the Treasury showing the amount of Treasury deposits in all banks for the six years 1795-1800 inclusive. These weekly statements make possible a more accurate picture of fluctuating Treasury balances than can be derived from the quarterly statements in the Treasurer's accounts as periodically submitted to Congress and contemporaneously published.

To proceed with the roster of Secretaries—no collection of the papers of Samuel Dexter¹⁴ has been examined by the writer. The Albert Gallatin Papers in the New York Historical Society apparently contain, in addition to sundry letters, only three general tabulations of data compiled from the balance sheets transmitted by the Bank. These tabulations are defective in being undated, or in lacking precise notations of the individual branches referred to, or in some other way. However, when used in conjunction with two items in the Thomas Jefferson Papers in the Library of Congress, they have afforded relatively complete summaries of the Bank's condition in May, 1801; November, 1801; and February, 1809.¹⁵ It will be remembered that a detailed statement for January, 1811, has always been available. Thus the only significant remaining gap in the statistical record of the Bank's operations is the period from November, 1801 until February, 1809.

Had President Jefferson had his way there would have been no such gap. Early in November, 1801, Secretary Gallatin submitted the current weekly bank statements for his inspection. Jefferson thereupon ascertained and recorded in a memorandum¹⁶ the consolidated specie resources, discounts, deposits, note circulation, and so forth of the Bank of the United States and of the five branches then in opera-

¹³ See the writer's forthcoming *Statistical Records of the First Bank of the United States, 1791-1811*.

¹⁴ Dexter was Secretary of the Treasury from January 1 to May 6, 1801. One wonders whether or not he still owned the stock in the Bank for which he had subscribed in July, 1791. The writer would be grateful for information concerning any surviving collection of his papers.

¹⁵ The statements for May, 1801, and February, 1809, are thus dated through internal evidence; while a collation of dated documents for November, 1801, produces a fairly detailed statement.

¹⁶ Notes in Thomas Jefferson Papers, Library of Congress, dated November 10, 1801.

tion. Next he made a tabulation in which to these consolidated items he proceeded to add (for a second time) the corresponding items for each individual branch, so that the figures at which he arrived as final totals were preposterous. Quite appropriately, in a note to Gallatin¹⁷ reproducing this table, he observed:

The bank statements are new to me and present curious information: to obtain a general idea I have brought them together as above, very inaccurately, omitting some items I did not understand, lumping others perhaps ill understood; but such an abstract accurately made would be interesting. For this purpose it would require in the first place a judicious form to be devised, and that sent to all the banks with a request they would put their statements into that form. It would then be easy to generalize every set of returns, and at the end of the year to make an average from the whole. And why should not the bottom line of the yearly average be presented to Congress? It would give us the benefit of their and of the public observations; and betray no secret as to any particular bank.

This suggestion of an annual publication of generalized bank data was essentially sound and progressive, however deficient Jefferson's understanding of the technicalities of balance sheets. While no formal written reply by Gallatin seems to have been made, the Secretary did compile rough tabulations¹⁸ of data from the bank statements of November 19 and November 26, on the basis of which he prepared an oversimplified consolidated balance sheet for the President.¹⁹ It likewise presented "curious information." For example, among the liabilities of the Bank of the United States was included \$400,000 as the "next dividend," although the next semi-annual dividend would not be declared by the directors until January, 1802, and when declared, actually amounted to \$450,000. Surely Secretary Gallatin could not have intended that such a hypothetical item be published. In any event, the Federalist policy of keeping the bank statements confidential was continued by the Treasury during the Jefferson Administration. Even when, in March, 1809, Gallatin submitted his report²⁰ to the Senate advocating recharter (with modifications), he did not present a detailed statement of the actual current condition of the Bank, but constructed another over-simplified and averaged balance sheet.

¹⁷ Jefferson to Gallatin, November 11, 1801; Henry Adams, *The Writings of Albert Gallatin*, I. 59.

¹⁸ Albert Gallatin Papers, New York Historical Society.

¹⁹ "State Bank U. States, 26th Nov^r 1801"; Thomas Jefferson Papers, Library of Congress.

²⁰ *American State Papers: Finance*, II. 351-53.

He explained that:

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 deposits, 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 deposits, 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.

Publicly, Gallatin stated that the total specie holdings of the Bank and its branches averaged \$5,000,000 and that the total public and private deposits (excluding note circulation which he customarily linked with deposits) averaged \$8,500,000. *Privately*, he calculated²¹ that at that time the specie actually aggregated \$15,310,653 and the deposits \$17,323,477. The discrepancy certainly exceeded "several millions of dollars!" Perhaps the Secretary, being sincerely desirous of having the Bank's charter extended, feared the political effect of complete publicity in this instance. But the policy of secrecy proved unfortunate for the Bank itself in the long run. During the bitter struggle over recharter in 1810-11, its enemies, in Congress and out, made extravagant charges of concealed profits and mysterious operations.²² On the other hand, friends of the institution were hampered in their defense and advocacy by the absence of precise data regarding its condition.²³ Secretary Gallatin's really detailed reports in January, 1811, were made only under pressure and appeared too late to influence the legislative decision favorably.

²¹ Undated tabular statement and simplified consolidated balance sheet of the main Bank and all eight branches, which internal evidence indicates must have been prepared in late February, 1809; Albert Gallatin Papers, bundle: "Trade & Tariff," New York Historical Society.

²² See, for example, a speech by John Love, of Alexandria, Virginia, in the House of Representatives, April 13, 1810, reprinted in M. St. Clair Clarke and D. A. Hall, *Legislative and Documentary History of the Bank of the United States* (Washington, 1832), 451-57. Also, an editorial: "I guess!" in the *Philadelphia Aurora*, January 22, 1811, and numerous other articles in the same paper.

²³ One of the ablest pro-Bank pamphleteers, Mathew Carey, complained that he "labored under a most distressing destitution of material and documents"; *Nine Letters to Dr. Adam Seybert . . . on the subject of the Renewal of the Charter of the Bank of the United States* (Philadelphia, 1811), v.

Another interesting source of information relating to the condition of the Bank remains to be considered. It is well known that European capitalists were keenly interested in American investment opportunities during the 1790's. In May, 1795, foreigners held \$20,288,637.71 of the funded domestic debt of the United States, and by September, 1801, the total had reached \$33,041,135.59—in addition to the foreign debt proper which Hamilton had largely refunded by floating new loans in Amsterdam and Antwerp.²⁴ Quite naturally, therefore, foreigners also acquired extensive holdings of stock in the Bank of the United States; and, indeed, in January, 1798,²⁵ it was estimated that they owned 13,000 of the 25,000 shares. By March, 1809, their shares aggregated 18,000, decreasing thereafter to 11,000 in March, 1812²⁶—just before the first liquidating dividend was declared. Moreover, the Bank itself borrowed \$746,000 in Amsterdam²⁷ during the years 1793-95 by hypothecating United States Government six per cent stock. It is not certain whether the Bank furnished statements of its condition during the negotiation of this loan or whether they reached the Dutch capitalists indirectly as important stockholders with influential connections. Nevertheless, a significant

²⁴ "Schedule of the . . . Funded Stock on the books of the Treasury . . . made up to 11th May, 1795"; Oliver Wolcott Papers, vol. 48; and, also, "Schedule of the funded debt of the U.S. Sep. 30, 1801"; notes dated November 10, 1801, Thomas Jefferson Papers. For Hamilton's flotation of foreign loans see the definitive account in P. J. Van Winter, *Het Aandeel van den Amsterdamschen Handel aan den Opbouw van het Amerikaansche Gemeenebest* (The Hague, 1933), II, chapter V: "Hamilton's Leeningen in Amsterdam."

²⁵ Memorandum by Theophile Cazenove, January 1798; Van Eeghen Collection: "Banks of the United States," Library of the University of Amsterdam. Photostats of this and other documents in the same collection were courteously furnished to the writer by the Assistant Librarian.

²⁶ Gallatin's Report to the Senate, dated March 2, 1809; *American State Papers: Finance*, II, 351-53; and Thomas M. Willing to Alexander J. Dallas, March 22, 1812; Albert Gallatin Papers, VIII, "Letters Received, 1812-13," p. 37.

²⁷ The borrowing of money in Amsterdam was "strongly advocated" by William Bingham, and, early in 1793, the directors authorized negotiations for a loan of 3,750,000 guilders (\$1,500,000) through the agency of Wilhem and Jan Willink and Nicholas and Jacob van Staphorst and Hubbard. As arranged the loan was to bear interest at 5 per cent and to run nominally from June 1, 1793, for a term of 15 years, repayment being optional after 10 years, in full or in five equal annual installments. As security, \$1,500,000 of United States 6 per cent stock was deposited with the agents as trustees. In July, 1795, the directors expressed dissatisfaction with the "exorbitant" charges and commissions exacted and the loan was left uncompleted at 1,865,000 guilders (\$746,000), restitution being subsequently made of the excess security. The loan was paid off in 1803. See P. J. van Winter, *op. cit.*, II, 177-78, 369, 472-73; William Bingham to the Willinks, Philadelphia, April 11, 1793; Bingham Letter Book, 1791-93, H. S. P.; *Minutes of Board of Directors*, July 3, 1795; and the balance sheets of the Bank of the United States.

group of documents is preserved in the Van Eeghen Collection in the library of the University of Amsterdam. This material includes eleven balance sheets for the first six weeks of the Bank's operations (December, 1791-January, 1792), as well as a half dozen for later years in the 1790's.

The new statistical material thus far described is, of course, indispensable for an accurate understanding of the Bank's career. More interesting to most people, however, would be a collection of rough drafts of minutes of the board of directors of the main Bank preserved in the archives of The Historical Society of Pennsylvania. These minutes are only scattered and fragmentary, relating chiefly to the year 1795 and the first half of 1800, but they do illuminate the process of bank management and the formulation of policy. They include dozens of letters, committee reports, resolutions of the board, and a half-dozen periodical vault inventory statements. Finally, mention should be made of hundreds of private letters relating to the political and financial history of the Bank, which the writer has garnered from printed sources and from manuscript collections in libraries and historical societies throughout the eastern United States.

II

The Bank of the United States, as is well known,²⁸ was intimately connected with the fiscal operations of the United States Government. At the outset three-fifths of the \$10,000,000 capital stock was made up of government securities. In January, 1795, a gradual liquidation of these securities began—in part by sales and in part by the Treasury's annual reimbursement of 2 per cent of the principal of all six per cent stocks. By October 2, 1795, the Bank's holdings had been reduced to \$3,615,956.81; by February, 1809, to \$2,231,598; by April, 1810, to \$1,411,627; and by January 15, 1811, to \$14,338.

In addition, the Government itself subscribed for \$2,000,000 or one-fifth of the stock. These 5,000 shares were disposed of between 1796 and 1802 at premiums ranging from 20 to 45 per cent.²⁹ Fourteen successive loans were made by the Bank to the Treasury for an aggregate amount of \$13,650,000³⁰—the largest amount outstanding

²⁸ Holdsworth, *op. cit.*

²⁹ *Ibid.*, 48-49.

³⁰ Rafael A. Bayley, *History of the National Loans of the United States from July 4, 1776, to June 30, 1880*, 35-48, 112-22, omits the informal temporary loan of \$1,200,000 mentioned in note 33.

at any one time being \$6,000,000.³¹ The Bank acted as agent for the payment of interest on the funded domestic debt, not only officially in the United States but also unofficially (for the accommodation of foreign investors) in London and Amsterdam.³² It acted as agent for receiving subscriptions to new government loans,³³ and in sinking fund operations.³⁴ It acted as agent for paying the salaries of government officials³⁵ and also certain claims against the Government.³⁶ It facilitated the incessant and complicated foreign exchange operations of the Treasury.³⁷ It acted to prevent excessive drains of specie from the United States,³⁸ and cooperated with the United States Mint by handing over bullion and foreign coins from time to time.³⁹ The Bank's circulating notes were receivable for all payments due to the Government.⁴⁰ It aided in the collection of customs bonds.⁴¹ It was

³¹ Holdsworth, *op. cit.*, 45, gives \$6,200,000 as the maximum, but this sum really includes \$200,000 loaned by the Bank of New York.

³² *Minutes of the Board of Directors*, July 17, 1795, and April 18, 1800; Albert Gallatin to Thomas Jefferson, Treasury Department, Oct. 26, 1802; Adams, *Writings of Gallatin*, I. 102-03.

³³ The Bank of the United States and its four branches, as well as various State banks, received subscriptions to the five million dollar loan authorized by the act of July 16, 1798. This loan bore 8 per cent interest and on the single day (Feb. 28, 1799) that the books remained open, the offerings aggregated "upwards of fourteen millions."

Another loan of \$1,500,000 at 8 per cent was floated under authority of the act of May 7, 1800. The Bank of the United States, by a contract with the Treasury, dated June 25 [?], 1800, advanced \$1,200,000 as a temporary accommodation to the Government to be reimbursed out of the proceeds of the loan, for the marketing of which it again acted as agent. Upon advice of a committee of the board of directors the Secretary of the Treasury instructed that the new stock be disposed of only at an advance of at least 5 per cent. The sales totalled \$1,481,700.

For these transactions see numerous letters in the Wolcott Papers, "Rough Drafts of Treasury Letters," vols. 36 and 38.

also *American State Papers: Finance*, I-II.

³⁴ Printed Circular Letter, dated Treas. Depart., March 30, 1793. Oliver Wolcott Papers, vol. 39. For details see annual volumes on *Receipts and Expenditures of the United States*; also the accounts of the Treasurer of the United States as submitted to Congress.

³⁵ *E.g.* the claims assumed by the United States Government under the Louisiana Purchase agreements.

³⁶ For details see annual volumes on *Receipts and Expenditures of the United States*; also *American State Papers: Finance*, vols. I-II.

³⁷ See Albert Gallatin to Thomas Willing, Treas. Depart., Nov. 8, 1802; Gratz Collection, H. S. P.; also Gallatin to George Simpson, cashier of the Bank of U.S., April 25, 1804 in same collection; Resolution of board of directors of the Bank of U.S. Feb. 12, 1805; photostat in Thomas Willing Papers, H. S. P.

³⁸ Holdsworth, *op. cit.*, 53-54; also occasional items in the minutes of the board of directors.

³⁹ *Ibid.*, 49-52. ⁴⁰ *Ibid.*, 63-66; also many unpublished letters in Wolcott Papers.

the main, though not exclusive, depository for Treasury funds, and transmitted them from place to place without charge.⁴² Several of its branches were established at the special request of Secretary Gallatin.⁴³ It rendered weekly reports of its condition to the Secretary of the Treasury. It cooperated with the Treasury in relieving occasional stresses and strains in the chief money markets.⁴⁴

And yet the Bank was not a mere tool of the Government. Its directors were almost invariably ready to cooperate, but they remained singularly independent of Treasury dictation. Hamilton occasionally sought to bend the directors to his purposes, but the Bank acted contrary to his views in several important instances, notably in the original decision to establish branches, and in the later consideration of a Virginia branch. Gallatin evinced an extremely cordial attitude toward the Bank and carefully refrained from interfering in its management.⁴⁵

Nevertheless, it may be asseverated that the cautious and conservative general policy of the Bank resulted from its directors remaining aware of the responsibilities of its position as a public agency.⁴⁶ They fairly steadily subordinated the earning of swollen profits to the maintenance of stability in public and private finance.

III

In his Report on a National Bank, dated December 13, 1790, Secretary Hamilton admitted that: "Public utility is more truly the object of public banks than private profit." Nevertheless, he urged that the public, while reserving to itself a right of ascertaining, as often as necessary, the state of the Bank, "ought not to desire any participation in the direction of it, and therefore ought not to own the whole or any principal part of the stock." Public ownership and operation appeared to him "liable to insuperable objections." He argued that:

⁴² Holdsworth, *op. cit.*, 58-63, 69-70. The writer has much unpublished material upon this subject.

⁴³ The branches at Washington and New Orleans.

⁴⁴ For an interesting and significant instance see Albert Gallatin to Thomas Willing, Feb. 4, 1805; Willing to Gallatin, Feb. 12, 1805; and Resolution of Board of Directors, Feb. 12, 1805.

⁴⁵ All of Gallatin's letters to the Bank and to President Jefferson bear out this statement.

⁴⁶ Committee draft of letter to branches "on the present state of banking operations"; Minutes, October 27, 1795, Etting Collection, H. S. P.

. . . To attach full confidence to an institution of this nature, it appears to be an essential ingredient in its structure, that it shall be under a *private* not a *public* direction—under the guidance of *individual interest*, not of *public policy*; which would be supposed to be, and, in certain emergencies, under a feeble or too sanguine administration, would really be, liable to being too much influenced by *public necessity*. . . . It would, indeed, be little less than a miracle, should the credit of the bank be at the disposal of the Government, if, in a long series of time, there was not experienced a calamitous abuse of it. It is true, that it would be the real interest of the Government not to abuse it; its genuine policy, to husband and cherish it with the most guarded circumspection, as an inestimable treasure. But what government ever uniformly consulted its true interests in opposition to the temptations of momentary exigencies? What nation was ever blessed with a constant succession of upright and wise administrators?

The keen, steady, and, as it were, magnetic sense of their own interest, as proprietors, in the directors of a bank, is the only security that can always be relied upon for a careful and prudent administration. It is, therefore, the only basis on which an enlightened, unqualified, and permanent confidence can be expected to be erected and maintained.⁴⁷

This philosophy of enlightened self-interest, or rugged individualism, made an irresistible appeal to the astute Federalist business men who dominated the First Congress; and, despite the opposition of Southern planters, the Bank of the United States was given a charter shaped in strict accordance with the principles laid down by Hamilton.⁴⁸

Proceeding to an analysis of the control, management, problems and policies of the Bank as a private business corporation, it must be observed that the following comments are of a tentative nature. The available information is not sufficiently complete to enable the writer to make definitive statements. On the other hand, many interesting illustrative or qualifying details are omitted because of limitations of space.

Of the \$10,000,000 in authorized capital stock, \$8,000,000 were open to subscription by "any person, copartnership, or body politic."⁴⁹ This sum was heavily oversubscribed within one hour after the books were opened at Philadelphia on July 4, 1791. Offerings had to be cut down *pro rata* and many would-be subscribers were entirely excluded.⁵⁰ Secretary Hamilton, by manipulating the machinery of

⁴⁷ *American State Papers: Finance*, I. 67-76.

⁴⁸ Beard, *Economic Origins of Jeffersonian Democracy*, 152-59.

⁴⁹ Act of Incorporation, February 25, 1791, conveniently reprinted in Holdsworth, *op. cit.*, 126-32.

⁵⁰ Estimates of the time vary from fifteen minutes to three hours. The over-subscription amounted to 4,600 shares. By a mutual agreement, arrived at the next day, deductions were made as follows: from subscriptions of 5 to 9 shares, *one*; from 9 to 15, *two*; from

inter-city remittances, was able to influence the general distribution of control.⁵¹ The shares were originally owned chiefly in Boston, New York, Philadelphia, Baltimore, and Charleston; although there were scattered important holdings elsewhere.⁵² The subscribers were wealthy merchants and professional men, influential politicians, including at least 30 members of Congress⁵³ and Secretary of War Henry Knox,⁵⁴ and, above all, prominent speculators in public securities during the recent struggles over the adoption of the Constitution and Hamilton's funding system.⁵⁵ Several individuals were reputed to hold as many as 400 shares. Harvard College appears to have subscribed,⁵⁶ as did also the Massachusetts Bank.⁵⁷ The State of New York subscribed;⁵⁸ New Hampshire authorized a heavy subscription,

15 to 19, *three*; from 19 to 24, *four*; from 24 to 28, *five*; and from 28 to 30, *six*. (This scale is inconsistent—the successive groups overlap). *New York Daily Advertiser*, July 8, 1791.

⁵¹ William Seton (cashier of Bank of New York) to Hamilton, June 20, 1791; Hamilton Papers, XI. 1518; L. Bronson to William Duer, Philadelphia, June 27, 1791; Duer Papers, "Miscellaneous," Box 2, N.Y. Hist. Soc.; Thomas Randall to Henry Knox, New York, June 20, 1791; Knox Papers, vol. 28, p. 154, Mass. Hist. Soc.; "The thing as it has turned out, though good in the main, has certainly some ill sides. There have also been faults in the detail which are not favourable to a complete satisfaction. But what shall we do? 'Tis the lot of everything human to mingle a portion of ill with good." Hamilton to Rufus King; C. R. King, *Life and Correspondence of Rufus King*, I. 399-400. July 8, 1791.

⁵² The exact distribution is unknown, and the available evidence is fragmentary and contradictory. See Jefferson to Madison, Philadelphia, July 6, July 10, in Ford, *Writings of Jefferson*, V. 349-51; Madison to Jefferson, New York, July 13, 1791, *Works of Madison* (Congress edition), I. 539-40; Oliver Wolcott to Jeremiah Wadsworth, Philadelphia, July 5, 1791; Wadsworth Papers, Conn. Hist. Soc.

⁵³ These include all of the leading champions of the Bank bill in both branches. "Of all the shameful circumstances of this business, it is among the greatest to see the members of the Legislature who were most active in pushing this job openly grasping its emoluments," wrote James Madison to Thomas Jefferson from New York on July 10, 1791; *Works of Madison* (Congress Edition), I. 538.

⁵⁴ Knox was an avid speculator both in securities and lands. See J. S. Davis, *Essays in the Earlier History of American Corporations*, I. 265-70, 321-25, also many unpublished letters in the two collections of Knox Papers in the Mass. Hist. Soc. and the Maine Hist. Soc.

⁵⁵ These include such men as Joseph Barrell, Andrew Craigie, Christopher Gore, Richard Platt, William Bingham, Robert Morris and many others.

⁵⁶ The college held 80 shares (\$32,000 par) in 1812. See J. Davis, Treasurer, to Oliver Wolcott, June 19, 1812; Wolcott Papers, "Correspondence July, 1811-Dec. 1812."

⁵⁷ Massachusetts Bank Records, Baker Library, Harvard University.

⁵⁸ An act of March 24, 1791, directed the Treasurer of the State, Gerard Bancker, to subscribe 190 shares (\$76,000). But subscriptions were cut down *pro rata* and the Treasurer secured only 152 shares (\$60,800 par value) which were still being held for the State in 1811.

but her agents acted too late;⁵⁹ and the Massachusetts Legislature voted down a proposition to subscribe 400 shares (\$160,000).⁶⁰

The bank scrip bubble of August, 1791—when \$25 subscription certificates soared to over \$300 and the coffee houses were “in an eternal buzz with the gamblers”—produced an immense turnover of shares before the Bank was organized.⁶¹ Just as the bull market in scrip reached its zenith Secretary Hamilton intervened with a few words of warning to extreme speculators.⁶² Prices sank rapidly—though according to Rufus King “the most timid have had an opportunity to retire with something less money, & much more wisdom, than they brought into the market.”⁶³ Active speculation was resumed within a few weeks and continued for months, being a major factor in the New York stock market panic of March, 1792.⁶⁴ During the following years there took place a steady gravitation of shares to European ownership, as already noted.⁶⁵ Even the Jefferson Administration sold the remaining 2,220 shares belonging to the United States Government to Alexander Baring in 1802.⁶⁶ National bank stock became a standard fiduciary investment for the funds of widows and orphans,⁶⁷ charitable institutions,⁶⁸ and the President of the United States as trustee for Indian tribes.⁶⁹

⁵⁹ Urged thereto by a letter of January 7, 1791, from Senator John Langdon, the New Hampshire Legislature authorized a subscription of 150 shares (\$60,000). But her agents acted too late. *State Papers of New Hampshire*, XVIII. 823-25, 834-35, 837-38; XXII. 275, 291, 301, 302, 336, 357-58, 359-60.

⁶⁰ Christopher Gore to Rufus King, *King Correspondence*, I. 399; *Columbian Centinel* (Boston), June 15, 1791.

⁶¹ J. S. Davis, *op. cit.*, I. 202-12.

⁶² *Ibid.*; also an admonitory article either written by Hamilton or inspired by him, and signed “A Real Friend to Public Credit,” *Gazette of the United States*, August 13, 1791.

⁶³ King to Hamilton, August 15, 1791, quoted by Davis, *op. cit.* I. 207.

⁶⁴ Davis, *op. cit.*, I. 278-15.

⁶⁵ Only residents of the United States could vote by proxy in Bank elections; and directors had to be citizens of the United States; but the predominance of foreign stockholders afforded an opportunity for enemies of the Bank to denounce it as un-American, the British Bank, etc.

⁶⁶ *American State Papers: Finance*, II. 5-9, 23-29. This measure stirred up an acrimonious discussion in newspapers and pamphlets.

⁶⁷ *E.g.*, Mrs. Jane Lee of Cambridge, Mass., who died September 27, 1805, left 63 shares (\$25,200 par); Peter Roe Dalton to Henry Kuhl, Boston, Dec. 5, 1805; Dalton Papers, Mass. Hist. Soc. Other examples might be given.

⁶⁸ *E.g.* “The Society for the Relief of Poor, Aged and Infirm Masters of Ships, Their Widows and Orphans” (Philadelphia).

⁶⁹ In 1798 some 205 shares were purchased at a cost of \$99,873.05 to be held in trust

The first board of directors of the Bank was elected by the stockholders on October 21, 1791, and annually thereafter on the first Monday of January.⁷⁰ Certain important measures of policy were initiated in meetings of the stockholders, such as the momentous decision to establish branches; but, for the most part, the board of directors remained firmly in control. The board determined the duties and fixed the salaries of officers and clerks; passed on all applications for loans, both public and private; supervised the preparation of banknote paper and plates; authorized the printing of new notes; controlled the volume of note circulation; examined, counted and destroyed cancelled notes; systematically inspected the vaults at stated intervals; authorized drafts on other banks for specie; superintended the construction of banking buildings; supervised and controlled the general administration of the branches; and considered innumerable other points of policy. Almost all questions—serious and trivial—would be referred to committees for study and report; and many important letters would be drafted by the board for formal signature by the president.⁷¹ There was no presidential autocrat such as Nicholas Biddle became in the second Bank of the United States. When Thomas Willing,⁷² who had served continuously as president since the organization of the Bank, resigned on November 10, 1807, because of ill health, the directors expressed their satisfaction with the “impartial conduct” he had observed, “as well during their proceedings, as in coinciding to their decisions.”⁷³ The president was merely first among equals. There was a remarkable continuity of membership in the board, despite the charter stipulation designed to ensure some rotation;⁷⁴ and the policies of the Bank remained extraordinarily stable. Three Philadelphians—James C. Fisher, Archibald McCall, and Robert Smith—served the entire twenty years. Certain individual directors were of outstanding importance in shaping the policies of the Bank. Among these must be reckoned: William Bingham⁷⁵ of Phila-

for the Seneca Nation. Oliver Wolcott to Theophile Cazenove, March 26, 1798, Wolcott Papers, vol. 34.

⁷⁰ During the whole period 1791-1811 some 101 men served as directors of the main Bank of the United States.

⁷¹ Minutes of the Board of Directors; H. S. P.

⁷² James O. Wettereau, “Thomas Willing,” in *Dictionary of American Biography*.

⁷³ Philadelphia *Aurora*, November 12, 1807.

⁷⁴ Six directors out of the twenty-five were to be replaced annually.

⁷⁵ C. H. Lincoln, “William Bingham,” in *Dictionary of American Biography*, James

delphia (1791-1801), who was perhaps the ablest banker of the period; Isaac Wharton of Philadelphia (1792-1807); Rufus King⁷⁶ of New York (1791-93); and Samuel Breck⁷⁷ of Boston, who removed to Philadelphia, represented the New England interests, and became one of the most influential directors (1793-1809). The present writer has found no evidence to support Holdsworth's statement⁷⁸ that George Simpson, cashier from 1795 to 1812, was, "apparently, the real head of the Bank of the United States."

The operation of the first Bank of the United States through branches constituted a rather remarkable foreshadowing of the regionalism embodied in the present Federal Reserve System. The moneyed men of Boston and New York were jealous of a possible Philadelphia monopoly of a central bank.⁷⁹ Tentative overtures of state banks for merger or interlocking stock-ownership were rejected;⁸⁰ and, contrary to Hamilton's judgment, it was decided to establish branches. A plan for their organization was formulated by Oliver Wolcott, then Comptroller of the Treasury.⁸¹ The first four Offices of Discount and Deposit, as they were called, were opened in the spring of 1792 in Boston, New York, Baltimore, and Charleston. Numerous applications from other towns and cities for branches were turned down,⁸² but four additional branches were ultimately opened: in Norfolk, in May, 1800; in Washington, in January, 1802; in Savannah, in August, 1802; and in New Orleans in October, 1805.⁸³

O. Wettereau, "Letters from Two Business Men to Alexander Hamilton on Federal Fiscal Policy, November, 1789," in *Journal of Economic and Business History*, III. 667-86. Numerous items in the minutes of the directors attest Bingham's influence.

⁷⁶ "I anxiously wish you could be here to assist in the operations of the Bank of the U. States," wrote Secretary Hamilton to King, May 2, 1793; *King Correspondence*, I. 486-87.

⁷⁷ Numerous letters in Samuel Breck Papers, Ridgway Branch, Library Company of Philadelphia; Henry Knox Papers, Mass. Hist. Soc.; and Oliver Wolcott Papers.

⁷⁸ *Op. cit.*, 103.

⁷⁹ Christopher Gore to Rufus King, Boston, June 13, 1791; *King Correspondence*, I. 339; Fisher Ames to Alexander Hamilton, July 31, 1791; J. C. Hamilton, *Works of Alexander Hamilton*, V. 474-75; Ames to Hamilton, August 15, September 8, 1791; Wolcott Papers, vol. 10; and numerous other letters.

⁸⁰ Davis, *op. cit.*, II. 52-58.

⁸¹ Memorandum on the expediency of their establishment and also a plan for their organization, Wolcott Papers, vol. 21.

⁸² Including Hartford, Providence, Alexandria, Richmond, Natchez (1805), and Louisville (1806).

⁸³ The sources are too numerous for detailed citation. There was a ten year struggle

In contrast with the loose policy of the second Bank of the United States during its early years,⁸⁴ a definite or fixed capital was assigned to each branch, although it would usually be increased after each branch got well under way. The total capital apportioned to the branches increased steadily from 12.8 per cent in March, 1793; to 24 per cent in August, 1795; to 38.5 per cent in April, 1800; and, finally, to 53 per cent. The distribution by branches was as follows:

Branch	March—1793	August—1795	April—1800	February—1809
Boston	\$340,000	\$ 700,000	\$ 700,000	\$ 700,000
New York	550,000	1,000,000	1,800,000	1,800,000
Baltimore	200,000	400,000	600,000	600,000
Washington	—	—	—	200,000
Norfolk	—	—	150,000	600,000
Charleston	190,000	300,000	600,000	600,000
Savannah	—	—	—	500,000
New Orleans	—	—	—	300,000
<i>Total</i>	<u>\$1,280,000</u>	<u>\$2,400,000</u>	<u>\$3,850,000</u>	<u>\$5,300,000</u>

This table does not show all of the changes which were made; nor does it take into consideration the sums owed by or to the various branches in accounts current.⁸⁵

The board of directors of the main Bank appointed the directors⁸⁶ and cashiers of the branches,⁸⁷ fixed the limit of their discounts⁸⁸ and note circulation, transferred specie from one branch to another,⁸⁹ and received weekly statements of each branch's condition.⁹⁰ But a measurable amount of autonomy was allowed to the directors of the branches

over the establishment of a Virginia branch. The Bank maintained an agent (Tristram Dalton) at Washington for over a year before the establishment of the branch. The New Orleans branch question involved many complications.

⁸⁴ Dewey, *op. cit.*, 197-99.

⁸⁵ For example on September 30, 1800, the five branches owed the main Bank \$1,421,629 on account. Thus a desirable flexibility was joined with strict accountability.

⁸⁶ Annually in February; the principle of rotation was abandoned in appointing branch directors in 1804.

⁸⁷ The Bank was fortunate in its choice of cashiers, both of the main Bank and of the several branches. The few changes that occurred were caused by death.

⁸⁸ E.g., "On Motion Resolved, That the Directors of the Office of D. & D. at Charleston have liberty to increase the discounts to the Amount of Eighteen hundred thousand Dollars," Minutes of the Board of Directors, January 24, 1800; H. S. P.

⁸⁹ Minutes, *passim*.

⁹⁰ These weekly balance sheets of the branches were carefully examined. Copies or duplicates of the latest reports available would be transmitted weekly to the Secretary of the Treasury along with the main Bank's own statement.

in other matters. Moreover, Boston and New York stockholders always retained a certain number of seats on the main board at Philadelphia, and in a sense controlled the appointment of their own local boards.⁹¹

There was only limited operating capital available for private business during the years from 1792 to 1795 because of the Bank's heavy load of government obligations. With six million dollars of government securities in its portfolio, and loans to the Treasury steadily increasing until they aggregated six millions in 1796, the Bank's loans to private customers ranged only from about five to seven millions. The rapid multiplication of state banks during these years made it dangerous for the Bank of the United States to extend its discounts and note circulation unduly.⁹² To increase the operating capital, the directors borrowed in Amsterdam during 1793-95, as has been mentioned; and, beginning in January, 1795, likewise resorted to the sale of considerable portions of their public securities.⁹³ But it was not until the heavy loans to the Treasury were substantially liquidated from December, 1796, on, that more ample funds became available for private lending. Swelling government and private deposits also made possible an expansion.⁹⁴ As a result, between 1801 and 1811, the total discounts made by the Bank and its branches ranged between thirteen and sixteen millions of dollars. The following table may serve as a general illustration of these tendencies:

<i>Date of Report</i>	<i>Public Securities</i>	<i>Loans to Treasury</i>	<i>Total Deposits</i>	<i>Bills & Notes Discounted</i>
Dec. 27, 1793	\$5,999,700.00	\$2,800,000	\$ 3,301,585.27	\$ 5,343,711.53
Jan. 20, 1795	6,000,000.00	3,900,000	3,172,286.33	6,383,314.67
Jan. 1, 1796	3,595,956.81	6,000,000	2,981,687.48	7,019,116.98
Jan. 4, 1799	3,281,880.00	3,840,000	5,201,029.92	9,434,097.14
Nov. 26, 1801	3,090,756.86	2,940,000	8,478,446.00	13,322,558.00
Feb. 1809	2,231,598.00	—	17,317,205.00	14,568,938.00
Jan. 15, 1811	14,338.00	2,750,000	7,830,422.43	14,578,294.26

The discount policy of the institution was remarkably consistent on the whole. The charter prohibited the charging of a higher rate of

⁹¹ Unpublished letters too numerous for citation.

⁹² In December, 1791, there were 5 State banks in operation; by May, 1796, they numbered 23; by January, 1811, they had increased to 84.

⁹³ Minutes of Stockholders' Meeting, January 6, 1795; Minutes of Board of Directors, 1795, *passim*, H. S. P.

⁹⁴ Of course, increased deposits resulted from the expansion of discounts, because the Bank in passing upon applications for loans gave a decided preference to its best customers.

interest than six per cent; and, although some of the early directors favored discounting at five per cent to take business away from the state banks,⁹⁵ the rate was fixed at six per cent and remained at that level. Some control over the market was exercised by expanding or contracting the volume of paper accepted for discount.⁹⁶ The general policy was to discount only double name paper—notes or bills of exchange—having not longer than 60 days to run. During periods of business revulsion additional names might be required.⁹⁷ It is to be noted, however, that at the Boston branch loans were made on public stocks as collateral security to meet the competition of the state banks in that city.⁹⁸

An interesting suggestion by William Heth of Virginia to Alexander Hamilton (June 28, 1792)⁹⁹ that the Bank should lend to planters in that state on tobacco warehouse receipts does not seem to have been given serious consideration. Such a policy might have been politically expedient; for, simultaneously, we find Thomas Jefferson writing to James Madison (July 3, 1792)¹⁰⁰ that:

... It seems nearly settled with the Treasuro-bankites that a branch shall be established at Richmond; could not a counter-bank be set up to befriend the agricultural man by letting him have money on a deposit of tob[acco] notes, or even wheat, for *a short time*, and would not such a bank enlist the legislature in its favor, & against the Treasury bank?

But the main Bank disapproved of loans made on deposits of merchandise or commodities.¹⁰¹ To its credit, it engaged in no reckless policy of lending on the basis of its own stock as security as was done by the second Bank of the United States.¹⁰²

The customers of the Bank were chiefly wholesale merchants, man-

⁹⁵ E.g., Fisher Ames to Alexander Hamilton, July 31, 1791; J. C. Hamilton, *Works of Hamilton*, V. 474-75.

⁹⁶ Minutes of Board of Directors, Oct. 27, 1795; January 28, 1800, H. S. P.

⁹⁷ Committee Report: draft of letter to Baltimore Office, January 28, 1800; Minutes of Board of Directors, H. S. P.

⁹⁸ John Warren to Andrew Craigie, Boston, December 19, 1791; Andrew Craigie Papers, "Letters," II. 24; American Antiquarian Society; and George Cabot (Pres. of Boston Office) to David Lenox (Pres. Bank of U.S.), January 27, 1810; Gratz Collection, H. S. P.

⁹⁹ Hamilton Papers, Library of Congress, XVI. 2219.

¹⁰⁰ P. L. Ford, *Writings of Jefferson*, VI. 97-98. The Richmond branch, although resolved upon by the Bank at this time, was never actually established, owing to obstacles presented by several Virginia laws.

¹⁰¹ Committee draft of letter to Baltimore Office, January 28, 1800.

¹⁰² Dewey, *op. cit.*, 204-10.

ufacturers or master mechanics, and the more wealthy landowners. Nevertheless, there were fairly numerous loans to others, especially to politicians. Even Thomas Jefferson—the arch-enemy of the Bank—was “mortified,” to use his own expression, by being obliged to borrow money from the institution.¹⁰³

Much of the lending by the Bank, especially during its early years, was on accommodation paper. Many stockholders apparently completed payments on their shares with funds obtained in this way—the Bostonians being anxious for the early establishment of a branch for this reason.¹⁰⁴ In February, 1795, it was estimated by a well-informed observer that three-fourths of the \$2,100,000 of discounts by the main Bank were on accommodation paper. A year later, just before they dunned the United States Government for the repayment of its heavy loans, the directors resolved to cut down the volume of private accommodation loans.¹⁰⁵ Thenceforth they consistently urged the branches to give a decided preference to real business paper.¹⁰⁶ But accommodation loans continued to be important. For example, when the New Orleans branch opened in October, 1805, with a capital of \$300,000, its accommodation loans ranged as high as \$240,000 during the first year of operation.¹⁰⁷ In 1810, however, an agent of the Bank informed a committee of the House of Representatives¹⁰⁸ that

¹⁰³ While Secretary of State, Jefferson borrowed from the Bank in July and again in November, 1793, in anticipation of his salary which he received through the Bank's agency; Jefferson Papers, Library of Congress, vol. 90, under date of July 26, 1793; also Jefferson to John Kean, November 16, 1793, Writings, VI. 449.

Upon retiring from the Presidency in 1809, Jefferson had to borrow a substantial sum to settle outstanding accounts in the capital. The forms of the Bank requiring two indorsers for an absentee, he asked President Madison to be one; Jefferson to Madison, Monticello, May 22, June 16, 1809, *Writings*, IX. 241, note 1, and 256. In this connection, see also Jefferson to Abraham Venable, January 23, 1809, *Writings*, IX. 240-41; and Jefferson to John Brockenbrough, March 12, 1812, Jefferson Papers, vol. 195, for data relative to loans from the Bank of Virginia or its officers.

¹⁰⁴ Joseph Barrell, Christopher Gore, and Jonathan Mason, Jr., to the President and Directors of the Bank of the United States, Boston, January 28, 1792; Gratz Collection, H. S. P.

¹⁰⁵ Memoranda by Theophile Cazenove: “Bank U.S. 1 February 1795”; and “*Situation de la Banque des E.U. d’Amerique a Philadelphie, Le 2 Fevrier 1796*”; photostats from Van Eeghen Collection: “Banks of the United States,” Library of the University of Amsterdam.

¹⁰⁶ See, for example, the letter of instructions for the government of the Norfolk Office, Minutes of Board of Directors, April 22, 1800.

¹⁰⁷ Committee report, New Orleans Board of Directors, October 10, 1806; Manuscript Collection, Ridgway Branch, Library Company of Philadelphia.

¹⁰⁸ Clarke and Hall, *op. cit.*, 454.

the discounts of the Bank were to the amount of three-fourths on real paper.

It will be recalled that two types of notes were issued by the main Bank: first, ordinary demand notes of denominations of five dollars and upwards; and, secondly, post notes for varying amounts, payable at some future date, say 30 days, and transferable by endorsement. The branches issued only demand notes, signed and countersigned by the president and cashier of the main Bank.¹⁰⁹

The notes of the main Bank were receivable at the branches, and branch notes were ordinarily receivable at other branches; but the main Bank, except for one brief experiment, accepted notes of the branches only on account of the United States Treasury.¹¹⁰ Notes of state banks, operating in the same city as offices of the Bank of the United States, were receivable, with frequent exchanges and settlements being made between the banks. The Boston and New York branches originally accepted the notes of state banks outside of their respective cities, but the main Bank frowned upon the practice in October, 1795.¹¹¹ The New York branch, however, was permitted to receive deposits of New York State paper currency as long as it continued in circulation.¹¹² Gerard Bancker, as Treasurer of the State of New York, held 152 shares of stock in the Bank. He served for some years as a director of the New York branch; and his deposits of State funds in the branch were rather large between January, 1795 and April, 1797.

The total note issues by the Bank and its branches ranged between one and four millions of dollars in the 1790's. During the 1800's they increased to between five and six and one-half millions. Writing in 1831, Albert Gallatin estimated that on January 1, 1811, some 88 state banks had an aggregate note circulation of \$22,700,000 as compared with \$5,400,000 for the Bank of the United States. The worst days of caterpillar and wildcat state banking were yet to come!

¹⁰⁹ The writer may be in error here: the note circulation items in branch balance sheets sometimes list sums not multiples of five dollars and including cents.

¹¹⁰ The balance sheets of the main Bank contain the item: "Branch Notes on a/c Gov't." from December 30, 1796 on.

¹¹¹ Resolution of October 16, 1795, Minutes, H. S. P.

¹¹² The directors of the main Bank evinced some concern over the New York branch's acceptance of this paper at first. See John Kean (Cashier of Bk. U.S.) to Jonathan Burrall (Cashier N.Y. Office), May 19, 1792; Gratz Collection, H.S.P.

The following table is illustrative of the changes in note circulation:

<i>Date of Report</i>	<i>Demand Notes Issued</i>	<i>Post Notes Issued</i>	<i>Inter-Office Holdings</i>	<i>Notes of State Banks</i>	<i>New York Currency</i>
Jan. 31, 1792	\$ 356,360.00	\$530,323.87			
Jun. 22, 1792	1,097,690.00	137,111.98	\$ 27,160.00	\$ 2,310.00	\$ 6,865.62
Dec. 27, 1793	1,637,451.14	385,149.39	98,849.53	54,689.54	26,633.75
Jan. 30, 1795	2,749,191.50	928,613.05	171,798.15	61,023.16	48,499.37
Jan. 1, 1796	2,778,856.00	874,859.00	104,151.49	231,095.36	48,969.37
Jan. 4, 1799	3,180,474.50	898,816.00	245,761.29	135,036.09	19,055.00
Nov. 26, 1801	\$6,539,452.00		1,457,739.00		
Feb., — 1809	4,703,515.00		230,271.00		
Jan. 15, 1811	6,152,553.00		1,115,427.78	393,341.15	

The directors of the Bank of the United States found the protection of specie resources a perennial problem, especially during the first decade and, at times, even in the later period.¹¹³ Note circulation was deliberately restricted to guard specie. Heavy drafts were frequently made on state banks, serving to check over-expansion of their loans and note-issues.

The total holdings of specie by the Bank and its branches varied greatly from year to year. In December, 1793, they aggregated about \$1,200,000; in April, 1795, only half as much; in January, 1799, over three millions; and in November, 1801, five and a quarter millions. The depressed state of foreign trade during the next year swelled the Bank's holdings to over eight millions "& still on the increase."¹¹⁴ After the European war re-opened in 1803 and American merchants redoubled their activity in foreign ventures the bank was again drained of its specie which reached an alarmingly low figure in May, 1804, and February, 1805.¹¹⁵ This was caused in considerable measure by huge exportations to the Orient, and to Great Britain under the terms of the debts convention of January 8, 1802; although embarrassments also arose from interruptions of the flow of coin and bullion from Spanish America. By May, 1806, the specie problem was no longer acute, the supply on hand exceeding the total note circulation.¹¹⁶ The paralysis of American trade during the embargo pe-

¹¹³ See Kenneth W. Porter, *John Jacob Astor: Business Man* (Cambridge, 1931), II. 957-58.

¹¹⁴ Albert Gallatin to Thomas Willing, November 8, 1802; Gratz Collection, H. S. P.

¹¹⁵ Gallatin to Jefferson, May 3, 1804; Adams, *Writings of Gallatin*, I. 191; Thomas Willing to Gallatin, February 12, 1805, and committee report of same date; Correspondence of Albert Gallatin, Library of Congress.

¹¹⁶ Samuel Breck to Oliver Wolcott, May 28, 1806; Oliver Wolcott Papers, vol. 20, no. 119.

riod carried the specie holdings of the Bank to over fifteen millions of dollars. By January 1811 it was down to five millions once more, at which time the state banks held an estimated total of \$9,600,000.

<i>Date of Report</i>	<i>Specie</i>	<i>Date of Report</i>	<i>Specie</i>
Jan. 31, 1792	\$ 510,345.53	Nov. 11, 1800	\$ 5,671,948.84
June 22, 1792	948,761.09	May, 1801	4,076,085.
Dec. 27, 1793	1,201,884.42	Nov. 26, 1801	5,246,863.
April 3, 1795	597,019.92	Nov., 1802	(8,000,000)
Jan. 1, 1796	1,436,780.15	Feb., 1809	15,310,653.
Jan. 4, 1799	3,075,302.87	Jan. 15, 1811	5,009,567.10

The profits of the Bank of the United States were moderate, considering its opportunities. The directors, as has been observed, subordinated the profit motive to stability, and, in a measurable degree, to public service. "Arguments in favor of a Safe & Prudent Administration are paramount to all considerations of pecuniary Interest," urged the Board in its letter of instructions for the government of the Norfolk office in April, 1800.¹¹⁷ The dividends of the Bank for the whole period of its operation averaged about 8½ per cent annually. After the tribulations of its first four years, the Bank of the United States began to accumulate a reserve of undivided profits known as the "contingent fund," as insurance against bad debts and the depreciation of buildings. The amount of this fund was changed with each successive semi-annual dividend, being occasionally diminished, but usually increased—ranging upward from fifty thousand to half a million dollars.

In conclusion, the writer would like to express his agreement with the judgment of Secretary Gallatin¹¹⁸ that: ". . . the affairs of the Bank of the United States, *considered as a moneyed institution*, have been wisely and skilfully managed." On the other hand, it should be pointed out that the directors of the Bank manifested *political* ineptitude in various ways. They erred grievously in failing to make Congress and the general public better acquainted with the essentially sound financial situation of the Bank. Their neglect more generally "to befriend the agricultural man" and to propitiate the rapidly growing West by establishing interior branches beyond the Appalachians

¹¹⁷ Minutes of Board of Directors, April 22, 1800.

¹¹⁸ Report to the Senate, dated March 2, 1809; *American State Papers: Finance*, II. 351-53. (Italics inserted by the author.)

was politically unwise in an era of agrarian supremacy and manifest destiny. Paschall Hollingsworth, the Bank's chief lobbying agent in Washington in 1810-11, was tactless and uncompromising.¹¹⁹ Finally, the fact that the directorates of the main and subordinate offices were of an almost exclusively Federalist complexion, naturally aroused Democratic-Republican hostility and served inevitably to make the renewal of its charter "a party question."¹²⁰ Detailed discussion of these and other political aspects of the Bank's career, lies outside of the scope of the present paper.

In the last century and a quarter, technical knowledge of the principles of commercial banking has been expanded, and banking operations have developed an ever-increasing complexity; yet one may well question whether the fundamental standards of banking honor, wisdom, and integrity have ever risen above the high plane on which the first Bank of the United States was conducted.

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JAMES O. WETTEREAU

¹¹⁹ "He (Hollingsworth) is the worst-qualified man I ever knew for the management of a political affair. He understands the nature of a Bank institution no doubt, but in understanding and managing men he is worse than useless." James A. Bayard to Andrew Bayard, Washington, April 8, 1810; Elizabeth Donnan, ed., "The Papers of James A. Bayard, 1796-1815," *Ann. Rep. of Am. Hist. Assoc.* 1913, II. 181-82. "It was a mistake on the part of the agent of the former bank, Mr. Hollingsworth, to believe, when the discussion took place, that he could treat with Congress on equal terms." Albert Gallatin to Nicholas Biddle, August 14, 1830, Adams, *Writings of Gallatin*, II. 431-40.

¹²⁰ Clarke and Hall, *op. cit.*, 375, 417, 436, etc.