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[Ron Chernow. (2004).
Bank of New York
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A L E X A N D E R
H A M I L T O N

bind the New York legislature. At bottom, *Rutgers v. Waddington* addressed **fundamental questions of political power in the new country**. Would a treaty ratified by Congress trump state law? Could the judiciary override the legislature? And would America function as a true country or a loose federation of states? Hamilton left no doubt that states should bow to a central government: "It must be conceded that the legislature of one state cannot repeal the law of the United States."⁴⁶

When Duane delivered his verdict in mid-August, he commended Hamilton and the other lawyers, applauding the arguments on both sides as "elaborate and the authorities numerous."⁴⁷ He handed down a split verdict that required Waddington to pay back rent to Rutgers but only for the period *before* he started paying rent to the British Army in 1780. Given the pent-up emotion surrounding the case, Hamilton advised his client to negotiate a compromise with Rutgers, who settled for about eight hundred pounds—much less than the eight thousand pounds she had initially sought. It was a smashing triumph for Hamilton, who had upheld the law of nations. A mere nine months after Evacuation Day, he had won a real if **partial victory for a rich British subject** against a patriotic widow.

Hamilton knew the case would be a boon to his legal practice, which **went full throttle in defending Tories**. During the next three years, he handled **forty-five cases under the Trespass Act** and another **twenty under the Confiscation and Citation Acts**. His victory also brought predictable notoriety in its wake. The radical press fulminated against him for giving aid to "the most abandoned . . . scoundrels in the universe," and rumors floated about of a cabal intent upon assassinating him. The scandalmongering journalist James Cheetham later observed of Hamilton "that a great majority of the loyalists in the state of New York owe the restoration of their property solely to the exertions of this able orator."⁴⁸

The tone of politics had rapidly grown very harsh. Some poison was released into the American political atmosphere that was not put back into the bottle for a generation. As after any revolution, purists were vigilant for signs of ideological backsliding and departures from the one true faith. The 1780s and 1790s were to be especially rich in feverish witch hunts for traitors who allegedly sought to reverse the verdict of the war. For the radicals of the day, revolutionary purity meant a strong legislature that would overshadow a weak executive and judiciary. For Hamilton, this could only invite legislative tyranny. *Rutgers v. Waddington* represented his first major chance to expound the principle that the judiciary should enjoy coequal status with the other two branches of government.

If *Rutgers v. Waddington* made Hamilton a controversial figure in city politics in 1784, **the founding of the Bank of New York** cast him in a more conciliatory role. The **creation of New York's first bank** was a formative moment in the city's rise as a

world financial center. Banking was still a new phenomenon in America. The first such chartered institution, the Bank of North America, had been started in Philadelphia in 1781, and Hamilton had studied its affairs closely. It was the brainchild of Robert Morris, and its two biggest shareholders were Jeremiah Wadsworth and Hamilton's brother-in-law John B. Church. These two men now cast about for fresh outlets for their capital. In 1783, John Church sailed for Europe with Angelica and their four children to settle wartime accounts with the French government. In his absence, Church named Hamilton as his American business agent, a task that was to consume a good deal of his time in coming years.

When Church and Wadsworth deputized him to set up a private bank in New York, Hamilton warmed to it as a project that could help to rejuvenate New York commerce. He was stymied by a competing proposal from Robert R. Livingston to set up a "land bank"—so called because the initial capital would be pledged mostly in land, an idea Hamilton derided as a "wild and impracticable scheme."⁴⁹ Since land is not a liquid asset and cannot be converted into ready cash in an emergency, Hamilton favored a more conservative bank that would conduct business exclusively in notes and gold and silver coins.

When Livingston solicited the New York legislature for a charter, the tireless Hamilton swung into action and mobilized New York's merchants against the effort. He informed Church that he had lobbied "some of the most intelligent merchants, who presently saw the matter in a proper light and began to take measures to defeat the plan."⁵⁰ Hamilton was more persuasive than he realized, and a delegation of business leaders soon approached him to subscribe to a "money-bank" that would thwart Livingston's land bank. "I was a little embarrassed how to act," Hamilton confessed sheepishly to Church, "but upon the whole I concluded it best to fall in with them."⁵¹ Instead of launching a separate bank, Hamilton decided to represent Church and Wadsworth on the board of the new bank. Ironically, he held in his own name only a single share of the bank that was long to be associated with his memory.

On February 23, 1784, *The New-York Packet* announced a landmark gathering: "It appearing to be the disposition of the gentlemen in this city to establish a bank on liberal principles . . . they are therefore hereby invited to meet tomorrow evening at six o'clock at the Merchant's Coffee House, where a plan will be submitted to their consideration."⁵² At the meeting, General Alexander McDougall was voted the new bank's chairman and Hamilton a director. Snatching an interval of leisure during the next three weeks, Hamilton drafted, singlehandedly, a constitution for the new institution—the sort of herculean feat that seems almost commonplace in his life. As architect of New York's first financial firm, he could sketch

freely on a blank slate. The resulting document was taken up as the pattern for many subsequent bank charters and helped to define the rudiments of American banking.

In the superheated arena of state politics, the bank generated fierce controversy among those upstate rural interests who wanted a land bank and believed that a money bank would benefit urban merchants to their detriment. Within the city, however, the cause of the **Bank of New York** made improbable bedfellows, reconciling radicals and Loyalists who were sparring over the treatment of confiscated wartime properties. McDougall was a certified revolutionary hero, while the Scottish-born cashier, the punctilious and **corpulent William Seton**, was a Loyalist who had spent the war in the city. In a striking show of bipartisan unity, the most vociferous Sons of Liberty—Marinus Willett, Isaac Sears, and John Lamb—appended their names to the bank's petition for a state charter. As a **triple power at the new bank—a director, the author of its constitution, and its attorney—Hamilton straddled a critical nexus of economic power.**

One of Hamilton's motivations in backing the bank was to introduce order into the manic universe of American currency. By the end of the Revolution, it took \$167 in continental dollars to buy one dollar's worth of gold and silver. This worthless currency had been superseded by new paper currency, but the states also issued bills, and large batches of New Jersey and Pennsylvania paper swamped Manhattan. Shopkeepers had to be veritable mathematical wizards to figure out the fluctuating values of the varied bills and coins in circulation. **Congress adopted the dollar as the official monetary unit in 1785,** but for many years **New York shopkeepers still quoted prices in pounds, shillings, and pence.** The city was awash with strange foreign coins bearing exotic names: Spanish doubloons, British and French guineas, Prussian carolines, Portuguese moidores. To make matters worse, exchange rates differed from state to state. Hamilton hoped that the Bank of New York would counter all this chaos by issuing its own notes and also listing the current exchange rates for the miscellaneous currencies.

Many Americans still regarded banking as a black, unfathomable art, and it was anathema to upstate populists. **The Bank of New York was denounced by some as the cat's-paw of British capitalists.** Hamilton's petition to the state legislature for a bank charter was denied for seven years, as Governor George Clinton succumbed to the prejudices of his agricultural constituents who thought the bank would give preferential treatment to merchants and shut out farmers. Clinton distrusted corporations as shady plots against the populace, foreshadowing the Jeffersonian revulsion against Hamilton's economic programs. The upshot was that in **June 1784 the Bank of New York opened as a private bank without a charter.** It occupied the

Walton mansion on St. George's Square (now Pearl Street), a three-story building of yellow brick and brown trim, and three years later it relocated to Hanover Square. It was to house the personal bank accounts of both Alexander Hamilton and John Jay and prove one of Hamilton's most durable monuments, becoming the oldest stock traded on the New York Stock Exchange.

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