

The Raleigh Minerva.

Vol. 1.

FRIDAY, FEBRUARY 19, 1849.

No. 5.

RALEIGH, (N. C.)

PRINTED WEEKLY, BY HARVEY AND CASSO.
EDITED BY A. LUCAS.

Terms of Subscription: Three dollars per year, one half to be paid in advance. No paper to be continued longer than three months after a year's subscription begins to come due, and notice thereof shall have been given. Advertisements, not exceeding 14 lines, are inserted free for one dollar; for twenty-five cents each subsequent insertion; and in like proportion where there is a greater number of lines than fourteen. The cash must accompany those from persons unknown to the editor.

No subscription can in any case be received without payment of at least \$1.50 in advance; and no discount without payment of arrears, unless at the request of the editor.

Congressional Proceedings.

(Concluded from our last.)

The committee are surprised to find so little good business paper done at the Bank and its offices, where it was to have been reasonably expected that the merchants would have preferred transacting their business. The directors themselves avow that they uniformly gave a preference to stock notes over business paper; their reasons are contained in their examinations. But when the complaint is, that the Bank had more capital than it could employ, it is singular that any business paper should have been rejected. In July 1817, that kind of paper, to the amount of about \$100,000, and in August to the amount of about \$93,500 was rejected at Philadelphia; and at Baltimore in July about \$407,000 and in August about \$183,000 were rejected. These sums are not precisely accurate, but are sufficiently so for general views. Whether the paper was such as ought to have been rejected, the committee have no means of determining. The amounts rejected, are probably not more than might be expected from a bank doing business on such an extensive scale, at any other time than when it was anxious to employ its capital. Not an instance has occurred of a note secured by a pledge of stock, being rejected.

On the 9th January 1817, the board resolved (paper marked xxxvi) from and after the 20th February then next and to the 1st of July to discount notes to those who should have revenue bonds to pay during that period. The amount done under that resolution was small, and it does not appear that such notes have at any time been discounted extensively.

The principal business of the Bank certainly has been to discount on notes secured by a pledge of stock under the various resolutions before recited. Their effect was to abandon all personal security, and to rely entirely on the stock pledged. A system which your committee think need only to be stated to ensure unqualified reprehension. Besides, the objection which arises from these loans, being in their nature perpetual, after all personal security was abandoned, it appears to have been an act of self immolation, thus to place beyond the reach of the institution, in the event of an emergency, to which it and all others are liable, so large a portion of its loans. On the 20th October last, a statement was made exhibiting the amounts discounted on notes secured by a pledge of the bank stock, and then remaining unpaid at the following places: at Philadelphia 4,680,800 dollars, of which 173,450 dollars was above the par value; at Baltimore 2,402,430 dollars, of which it cannot be ascertained what proportion was above the par value, but it is believed to have exceeded 500,000 dollars; at Charleston 897,429, of which \$2,000 was above par at Washington, 298,570, of which but a small amount was above par; at Richmond 209,820, and none above par. There are no accounts from the other offices, the directors having required statements only from those whose discounts on stock exceeded 100,000. A statement has been furnished by the bank of the amount discounted at the above places, and remaining unpaid at this time, marked xlii, which differs somewhat, but not materially, from the statement in October last; by that statement the total amounts of discounts at the bank, and at their offices, on pledged stock is, 8,022,954; and by the general statement on the 1st December last, the total amount of such discounts at the bank and all its offices, is 8,934,712; the difference between which sums in the amount discounted at all the other offices not above enumerated. The committee have compiled a statement xliii, which exhibits among other things the total amount of discounts at the Bank, and all its offices, at different periods, on personal security, and on pledged stock, from which it will appear that the largest amount discounted on bank stock, was in January and February, 1818, when it was 11,244,514 dollars.

From this recital it will be apparent how large a portion of the capital of the Bank was thus placed beyond its control. Although there have been some fluctuation in the amount of these discounts at different periods, yet the greatest part of them, indeed the whole, with but few exceptions, have been constantly renewed from time to time, as the notes fell due, in many cases for four and six months. Indeed every subsequent act of the Bank has been wholly at war with the profession of these loans being temporary, held out in the recital

of the resolution of 25th July, marked xxxi and in order to insure the greatest amount such loans, and at the same time afford facilities to the prompt purchase and sale of stock the directors on the 8th August 1817, passed a general resolution authorizing the President and Cashier to discount all stock notes that should be offered between discount days to a certain amount, and by various resolutions adopted at different meetings until 7th September, appropriated two millions of dollars to their disposal for that purpose. The papers referred to are marked xlii. And on the 30th September 1817 the resolution already referred to, marked xxxiii passed authorizing these offices in all cases to renew the stock notes as they fell due between discount days.

Another, and probably much more censurable effect of these various resolutions and proceedings was to keep the price of the stock constantly advancing until it reached a point where it exploded and fell. From various sources of information, the committee have compiled a table of the prices of stock at the different periods, when these resolutions were adopted marked xlv, from which their effect in enhancing the price of shares is very clearly exhibited. It will appear from that table, that the price of shares at Philadelphia on the 20th of Aug. 1817, was, according to the public reports, \$47.50; according to the testimony of Mr. M'Each, a broker, it was 144 dollars; at the same place on the 30th of the same month, the price was \$156.50. The resolution, authorizing discounts on stock at \$125, was passed on the 26th of the same month, vide xxxv. These facts would, in the opinion of your committee, be sufficient to condemn a system which thus enabled a stockjobber to sport with the property of others. Stockjobbing, to an immense extent, and wagers, on the price of shares, were its inevitable consequences. It gave equal facilities to the bankrupt, who had not credit enough to obtain an endorser, and to the capitalist. Stock could be, and was, purchased, without the advance of a cent, by the purchaser, or to the president and cashier, between discount days, for a loan on the shares, about to be bought, and, by what is termed a simultaneous operation, he obtained his discount, and, with it, paid for his stock. A rise in the market would enable him to sell his shares, pocket the difference, and commence operations anew. And the committee are compelled to state, that, in fact, the largest loans, on pledged stock were made to brokers and to individuals, who appear to have been constantly in the market. Loans on stock, at a rate below its par value, may, unquestionably be useful to the merchant, who would avoid the obligation imposed by requiring an endorser, and would be highly beneficial to the bank, when restrained within moderate limits, and not made permanent.

But the loans actually made were most of them unreasonable and excessive in their amount; they were not made to the merchant and trader, but to few persons consisting of directors, brokers, and speculators; and have been renewed and continue, almost invariably at the option of the borrower. And when in July last, the board decided a curtailment of its discounts, it fell in almost all cases upon the business paper, while the immense amounts loaned on stock pledges were but little affected, excepting at the office at Richmond and Washington, where the curtailment appears to have fallen equally on all notes.

But the discounts at those places on stock were very small, particularly when compared with Baltimore, where the loans were such and so long continued as to receive the animadversions of the parent board. An unwillingness to injure the private credit of those engaged in the above mentioned transactions, where no public good is perceived, to be probable from the disclosure, induces the committee to withhold the mention of their names.

But in respect to the directors, the committee consider their conduct intimately connected with the general management of the concerns of the Bank; and under a sense of the duty devolved upon them, they state that many of the directors, as well those appointed by the government as those elected by the stockholders, appear to have been the most forward and the most active in trafficking in stock. The mere purchasing shares with an intention to retain them, would not be improper, even in a director, if made without any view to intended future proceeding of the board of which he was a member; But the practice of purchasing at one time, when the stock was low, and selling at another, after its price had been enhanced by the measures adopted by the directors, is certainly unfair and censurable; it is the perversion of a public and honorable trust to the purposes of self aggrandizement and places the directors in a situation where their own interests afford a strong temptation to the abuse of that trust. Still more reprehensible is the conduct of those directors who made contracts for the purchase of stock deliverable and payable, at a future period, at a low rate, and during the intermediate time by their own official acts, raised the price of

stock to its highest point. The committee do not deem it necessary to repeat the details, which will be found in the examinations of the directors and officers, herewith submitted, marked li, liii.

By comparing those examinations with the prices of stock herein before referred to, the House will be enabled to perceive which of the directors have participated in this business. With respect to the public directors considering them as public officers, responsible to the government, and subject to the constitutional power of this House, the committee deem it their duty to state, that the President, Wm. Jones, esq. and George Williams, esq. appear, from their own declarations, and from the testimony of a number of witnesses, to have been deeply concerned in those speculations. Mr. Jones appears to have purchased 1550 shares at a high rate, and to have sold a large part of them at a loss. He states, that in the summer of 1817, he purchased a contract of 1000 shares at 132 dollars per share, deliverable 2d January, 1818, and soon after another contract for 1000 shares, deliverable in November following at 135 dollars per share, both of which he says, were sold at \$150 per share, from which two contracts, it would appear, he realized \$33,000 dollars. There is much ambiguity rests on these transactions, arising from the incompatible statements of Mr. Jones, Mr. George Williams, Mr. D. A. Smith, and Mr. James W. M'ulloch. The three latter gentlemen appear to speak of the same contracts and purchases, but give accounts of them somewhat variant from that of Mr. Jones; particularly Dennis A. Smith and James W. M'ulloch speak of one of these contracts, or of some other, as having been presented to Mr. Jones gratuitously, after the stock had risen and it was obvious that a profit would be realized, of which Mr. Jones makes no mention. Mr. Jones states that he sold both those contracts to D. A. Smith; Mr. Smith says he was one of the persons who made one of these contracts a present to Mr. Jones; that the stock never was transferred, and that the profit, amounting to 5,000 dollars, was paid to Mr. Jones in money. Although the precise time is not specified by Mr. Jones, yet it is obvious, from the rate at which the contracts were purchased, that it must have been some time anterior to the 25th of August, 1817; for, at no time after that period, during the year 1817, was stock so low as 135. Had the resolution of that date, authorizing discount on stock at 25 per cent. above its par value had an immediate effect on its price, will have been seen from a former part of this report. The committee are not at all satisfied with Mr. Jones's vote given without any reference to his private interest, yet his situation forbade his acting on a question whose result was so important to him; or rather that he ought never to have placed himself in that situation. The high trust reposed in the President of a National Bank, by the government and by the representatives of the stockholders, required that he should abstain from all concerns in which the price of stock was material. Mr. Jones appears to consider them as lawful private concerns, the committee deem them intimately connected with the public management of the institution; of their lawfulness and propriety, it is for the House to judge.

Mr. George Williams, another public director, appears to have been deeply concerned in the purchase of stock, and in the making and purchase of contracts for the delivery of stock to a large amount. Every witness that has been examined speaks of Mr. Williams, himself declared, stating the amounts and prices at which he purchased, and the committee did not think proper to insist upon his answers, as they had already obtained satisfactory information respecting his conduct; and examined him chiefly to give him the opportunity of making such explanations as he thought proper, of which he was advised at the time. With respect to the other public directors, Messrs. Pierce Butler and John Connelly, it satisfactorily appears that they were not in the least concerned in the stock-jobbing transactions, and with respect to Walter Bowne, although his residence in New-York did not give the committee the same means of information, yet no evidence has been discovered to implicate him. Jonathan Smith, esquire, the Cashier of the Bank, has had considerable dealings in the purchase and sale of stock, and in making and purchasing contracts for its delivery at future periods. The remark is applicable to J. W. M'ulloch, esq. the cashier of the office at Baltimore, to a much greater extent. Although these gentlemen might have no direct agency in the measures which were to affect the price of stock, yet the influence of their stations ought to be great; and it is to be lamented that they should have placed themselves in a situation where the exercise of that influence might be ascribed to improper causes. With respect to the other directors, their examinations will enable the House to determine how far they have mingled in these transactions.

Besides the objection which has already been

urged to the resolution of the 8th Aug. 1817, authorizing the president and cashier to discount notes, as being connected with series of proceedings evidently calculated to enhance the price of stock, by affording facilities to the making of prompt purchases, it is still more objectionable as being a delegation of power which, in the opinion of your committee, the directors had no right to grant. And when, connected with the power also given to them, of indefinite and unlimited renewal of the stock notes, it was placing the great bulk of the capital of the bank entirely within their control. The same practice appears to have been almost universal at the office in Baltimore, where the president and cashier, as appears by their examinations, have, under the authority of the board of directors at that place always discounted notes, without an endorser, secured by a pledge of stock. As they were not restricted by the board, they appear accordingly to have exercised the power to a very considerable extent. Still more objectionable, in the opinion of your committee, is the practice of that office of allowing the president and cashier to purchase or discount drafts and bills, payable from sight to sixty days; because in those discounts, the personal security is the most important circumstance. It has been done to very large amounts, though no loss appears yet to have accrued. At Richmond, an equally improper delegation of power to the cashier, appears to have been granted, in authorizing him to discount notes on pledged stock at 60 days; and afterwards, a similar authority to discount at 4 months. After an experiment of three weeks, the directors of that office had the wisdom to abandon it, vide papers of Richmond office xlii. At the office in this city, the power has been discreetly limited, and as discreetly exercised. Two bye laws of the bank seem to your committee to deserve notice—one of them, that no discounts shall be made without the consent of three-fourths of the directors present; and another, that no director, without special authority, shall be permitted to inspect the cash account of any person with the bank. These bye laws appear to render nugatory the provisions of the charter, authorizing the appointment, by the government, of one-fifth of the whole number of directors; and are different from the provisions in that respect by the former bank of the United States, although most of the local banks in Philadelphia have similar regulations. Should a state of things exist, in which the stockholders should deem their interest hostile to that of the nation, such provisions as those stated would render the government directors mere spectators of the proceedings of the board. The committee endeavored to obtain a statement of the shares, upon which the instalments had not been paid, and of the persons owing them. The officers of the Bank satisfied them that, from the irregular manner in which the accounts of the payments had been made, it was impossible, to obtain a separate statement. But the fact is admitted, that frequent stockholders who are few, and to whom but a small amount of stock belongs. The dividends have been in a former paid to the stockholders whose notes were discounted to the full par value of the stock with the proceeds of which they paid their instalments, including the funded part as well as the specie part. The injustice of this proceeding towards those who had really paid their instalments according to their engagements, and who received no more benefit from those payments than those stockholders who substituted their stock in place of specie and fund a debt, is most obvious. The stock that had really never been paid for, but which remained pledged for the very credit given, it was entitled to draw, and did draw as much dividend as that which had been fairly and punctually paid.

The root and source of all these instances of misconduct was, the illegal and reprehensible division of stock. By the first fundamental article of the charter, no person, copartnership or body politic, shall be entitled to more than thirty votes; and yet, in violation of this provision, it will appear, from the examination of Dennis A. Smith, and James W. M'ulloch, it was a common and general practice, well known to the judges of the election and to the directors, to divide shares into small parcels, varying from one to twenty shares to a name, held in the names of persons who had no interest in them, and to vote upon the shares thus held, as attorneys, for the pretended proprietors. By some of the witnesses it is avowed the object was to influence the election. Mr. Leiper, one of the judges of the election, states that he did so himself. The effect was, that Baltimore, which had about 1/7th of the shares owned by individuals, gave more than 1/4th of all the votes that could be given.

In that place there were 1172 shares taken in 1172 names by George Williams, as attorney, the whole of which, on examination, he owned. At Philadelphia, nearly one third of the shares was owned, and the votes given at that place were about two ninths of the whole authorized. For a more particular knowledge of these divisions of shares the committee refer to the statement herewith submitted, marked xlvii. They are not aware that any remarks which could be made by them could present the subject in a stronger light than the above statement of facts. The same persons who thus held the power of appointing directors, are found to have the

(See fourth page.)