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MR. LOVE'S SPEECH

Introductory to his motion on the subject of A NATIONAL BANK.

FEBRUARY 22.

Mr. LOVE said he rose to offer a resolution on a subject which he believed to be of great importance, and which circumstances rendered it necessary for Congress to speedily to act on. A report had been made on the petition of the President and Directors of the company incorporated under the name of the United States Bank, which he would take the liberty to say presented no objection on the subject of a national bank, which it was either expedient or necessary to discuss; but the discussion of it, he conceived, could only produce a waste of time. Had that report presented a general view of the reasons and principles relative to such a measure, he would not have troubled the House with the observations he intended to make; but by an examination of it, it appears that after the delay of a long debate, we should be no nearer a decision on the questions the favorable measure would turn on, than when we commenced. My duty, said Mr. L., is to place the enquiry on a broader ground of general principle, and to endeavor to point out some of the modes in which the establishment of a National Bank may be ascertained into effect, and shew how the question of constitutionality in establishing it, has no application to us here. On a reference of a similar petition to the Secretary of the Treasury, we have been furnished with a report in which the utility of a bank has been argued principally on four grounds. 1. The keeping of public monies. 2. The circulation of public monies. 3. The collection of the revenue. And 4th Loans - being in this respect a ready resource, as experience had shown.

The Secretary of the Treasury, in the report alluded to, fixed the amount of capital to which a National Bank might be extended at thirty millions of Dollars. The reasons for an opinion in such an amount of capital might be stated, but I think may readily be conceived. If we look back to the establishment of this country, in the year 1791, when the U. States Bank company was established with a capital of ten millions of Dollars, all of which was immediately paid in, and so anxiously sought for, that the stock rose to thirty or more per cent above par - we cannot doubt that an equal facility would be found at the present time, in creating a bank with a capital of three times that amount; but, certainly a doubt can exist, but it is not to be feared, when we have been established on a basis. The uses for establishing a medium have since that time certainly increased in more than a three fold quantity, in the state of commerce & manufactures, of internal improvements, & expenditure. I is however necessary, I will acknowledge, to fix on the utility of circulating medium is required by the state of society in the United States; it may not be possible to furnish exact statistics, but on which this question should be decided; a reference to the state of circulation in other countries may indeed serve to show that we have not a great deal to fear on this score.

In the United States it is conjectured that there is not at this time the banks of any one state of kind together to the amount of \$10,000,000. The additional capital of the report of the Secretary of the Treasury, and also in the plan of the U. States Bank, would be \$20,000,000, and all \$30,000,000 of bank capital in the U. States. In England, a country with whose internal affairs we are well acquainted, and whose best authorities we are told by our writers are the most correct in their views, including the chartered bank, a bank capital of \$100,000,000 of dollars is about the population to be about the same as we have in the United States. The population is perhaps about six times as great as in the United States, and one third to each of the States. If, in a commercial nation, it is true, but much of it consists in external commerce, in conducting which a National Bank cannot be used, and in some of the most extensive branches of which the National Bank operates against the interests of banking institutions. In the United States, the exportation of our pro-

ducts, has always been greatly aided, by the facilities afforded mercantiles in the purchase of it, through the means of the banks - our bank paper here is employed then directly in the purposes of the most substantial and beneficial objects of external commerce. In England the banks, it is said, afford great accommodations to the manufacturers by Loans, but little to the merchant unless in discounts of bills of exchange, and other real transactions. Should our manufactures continue to increase, which in conducting them have use for an increased circulation, and in addition to the nature of the demand they have in England for carrying on those works, we want an amount of circulation for the purposes of constructing them.

But on this subject I forbear at present to enlarge. I should as it is a question involved in uncertainty, be willing to relinquin the opinion not yet controverted. If the capacity of the country to bear an establishment of a national bank to the amount of \$30,000,000. If an evil is supposed to exist from the extension of bank capital, I presume it will be found to be in the numerous institutions of the kind which have been permitted to be established without the sanction of law, an evil which it is not difficult to demonstrate, the establishment of a national bank on an extensive capital would have a certain tendency to obviate.

Having promised these general observations on the important subject of a national bank, I will proceed to present to the House, a plan, or rather a varied view. The plan, on which, or some of which, such an establishment might perhaps most advantageously be erected. In doing so, I beg it may be considered that I feel by no means confident that I present the best, or even the most practicable mode of effecting this purpose; it may lead however to inquiry, and when the ability of this House shall seriously engage in the task, no doubt can remain of its accomplishment - I therefore proceed to submit the following

PLAN OF A NATIONAL BANK. Capital not to exceed \$30,000,000. Fund 1st - \$10,000,000 in stock, which the government may immediately create, receivable in subscriptions, to the national bank, when the books shall be opened in March 1811. This stock after that date, to bear an interest of six per cent, and let it be optional with the holder to subscribe it to the national bank or not. 10,000,000. Fund 2d - \$6,000,000 to be subscribed on the part of the United States, payable in ten annual instalments, bearing an interest of 3 per cent. 6,000,000. This fund I shall shew will be worth about 4,200,000 to the United States. Fund 3d - \$10,000,000 payable one half in specie, the other half in the six per cent stock of the United States, either that already in existence, or such as the United States might create before the banks were opened. This fund payable, one fourth at the time of subscription, the balance in three equal instalments of 90 days each, by the United States' bank company, or the states if more eligible. 10,000,000. Fund 4th - \$4,000,000 to be subscribed for or not, as the stockholders should determine at any time after the first meeting, on the terms of the last mentioned item, or by the banks in the district of Columbia, if they chose. 4,000,000. Sum total \$30,000,000.

And before I proceed to comment on the nature of these funds, I will take the other view I have mentioned, of the 3d and 4th constituent funds. The 3d item of funds might be changed in part, or the whole, by admitting the company of the United States' bank to subscribe their whole stock; or only so much thereof as is held by citizens. In either case the amount subscribed should be paid one half in specie, and the other half in gold dollars, due or to become due in 60 or 90 days from the time of subscription, indorsed by the president and directors, on behalf of the

company, or in such of the six per cent stock as may then be held by the company. The old certificates of stock shall be surrendered and new ones taken.

And the 4th item of funds might be changed, and the sum of 4,000,000 be subscribed in like manner as that last mentioned, by the different banks in the district of Columbia, or such of them as the stockholders of those institutions might choose, should contribute their funds.

But if the commissioners who shall be appointed to receive subscriptions to the National Bank, should not be notified of the intention of the bank of the U. S. & the banks of the district, or such of them as cause to incorporate their stock with the National Bank, within three days after the books to receive subscriptions are open, and the terms of subscription actually complied with in 30 days from that time, they shall receive subscriptions in the manner mentioned in the third item of funds, to the amount of ten millions, or for so much as the said subscriptions, on the part of that company, shall fall short of ten millions.

The said banks or such of them as accede to the terms proposed may continue for a limited time, not exceeding five years, the loans for the balance of the debt due them under their present establishments, granting however no new loans, nor even for the interest on such debts, nor issuing any new bank notes. This provision, together with that for receiving the notes or bills discounted in payment for the new stock, would be entirely sufficient to prevent any danger of distress to the customers of the present banks, from the refusal of accommodation. Should it be deemed best to exclude foreigners from holding stock in the National Bank if the company of the United States' bank should accede to the terms proposed the most ample justice would be done them, by giving them a limited time to dispose of it to our citizens, or to exchange it for the debt of the United States, which there would be no danger, but an increased safety from their holding.

This plan contemplates the establishment of the mother bank within the district of Columbia, with such a portion of the capital as might be found convenient, and the establishment of branches in the most advantageous situations in the States, with the consent of the States, as already given in most of them, for so far it is immaterial whether the present United States' bank company accede to the proposal or not, for the existing charter of the U. States' bank ceasing to operate by the laws which have been passed in the several States authorizing those establishments for the accommodation of the general government, the right would be considered as already transferred, and in those States where no such establishments have been made, little doubt could be entertained if a permission to establish branches of a bank, which would partake less of the quality of a monopoly, & be better calculated for the general purposes of good to the country. I will only here observe, that I do not mean that the U. S. could claim for their national bank the property now specially vested in the present company, but that the right of that company to exercise the permission of the States, will cease with their charter, and to this right, but not their property, the United States would succeed in any change of the mere institution. This is a legal question which I have no doubt can be here supported, should a progress in this business render it necessary. If I am correct, no constitutional question on the right of this government to create a body corporate need be discussed.

It is admitted to exist, as it respects this district, where the mother bank would be established, and had not the States already granted it, no doubt ought now, more than in the year 1791, to be entertained of their permission. The resolution submitted by the committee on the petition of the U. States' Bank Company was intended to present this question of constitutionality; & were we now compelled for the first time to discuss the direct point of constitutionality, as in 1791, I should say the minority on that occasion urged unanswerable objections; but the people have sanctioned the power - the States have recognised it by the laws. I speak at least of Virginia - Congress has subsequently acted on it - courts have made decisions on it - punishments have been inflicted in its support - and the financial department

of our government has not propounded a doubt, as supposed to exist. Avoiding, therefore, an argument on this question, as unnecessary, from the mode proposed of establishing this bank, as from the already expressed assent of the people, and of the States, to the exercise of the power, I will confine my remarks to the part of the subject which may be considered financial, and endeavor to explain more especially the nature of the funds which the new national bank is proposed to be constituted of. Premising, however, that the modifications, which, in any of the ways proposed, or in any other which a committee might think proper to adopt, would be a subject of subsequent discussion - and as to Fund No. 1. should the state of the finances render it necessary to use the whole of this fund immediately, it is probable, from the best accounts, it would produce a sum not less than 12,000,000.

Let the Secretary of the Treasury, under the direction of the President, be authorized to open subscriptions in the principal cities for this loan. The stock thus receivable in subscriptions to the National Bank to be sold to the best bidder. The information of the most intelligent men assures us that the U. S. can borrow money to the amount of \$50,000,000: when, therefore, a mode of creating stock is devised, which shall ensure 6 per cent, and the option of investing it in the National Bank, no doubt can be entertained of a ready sale at an advance of 20 per cent. upon the principal; which would add a clear sum to our Treasury of 2,000,000. Many gentlemen with whom I have conversed on this subject, think 20 per cent. would be obtained on the principal, making a clear sum of 4,000,000 - Let it be estimated, however, at 2,000,000, and I will say nothing either of the advantage the U. S. would enjoy by the advance of the money here, or that I March 1810, without interest, a though that might be worth something considerable. We have already, and are daily now in the habit of setting up public contracts to the best bidder; no objection, therefore, exists to the principle, it is presumed.

But if the U. S. should, from a restoration of neutral rights, & a successful commerce, or by a continuation of peace, not require so large a sum, any part the Treasury might not want might not be sold till the books were open, when it would sell probably at a still greater advance; or in case we should be disappointed in the sale of stock as contemplated, any part of this item, not taken up, might be transferred to Fund No. 2, with this difference, that such part of the transferred fund as the United States might take, should be chargeable with an interest of six per centum instead of three per centum, under the idea, that the United States ought not in justice, nor would the institution probably bear an advantage of so great a magnitude as would be given us by taking so large a portion of the stock on such terms. At six per cent. the stock would be worth something to the U. States, and might be readily sold at an advance, while the debt of the U. States to the bank bearing this interest, might be sold at least at par. Or, the balance of this fund, in the event of its not being sold, might at once be transferred to Fund No. 3, and a smaller portion of specie be required to be paid on the whole fund so united; and in either way provision be made for the states to subscribe, if they thought proper.

Fund No. 2. forms a very important portion of interest to the U. States. It will give to the government, on the fairest principles of justice, a claim to a share, in the administration of the bank. It may be asserted and proved to be necessary in a peculiar degree from our relative situation with foreign nations, particularly if the capital is a large one, and the term of continuance for the charter considerable. Specific propositions on this part of the subject must be reserved, however, for the details of a report or a bill. I have before glanced at some of them. The fund itself will probably produce to the U. States, annually, rating the dividends of the bank at 8 per cent. a fraction less than they have averaged, the sum of \$300,000 which would be equal to the discharge of half the instalments in principal. The whole gross sum received from the stock in ten years, would be probably about 3,000,000. But the 3 per cent. would be extinguished every year for a tenth part, which, rating money at the value of five per cent. only, would produce a

bonus to the government in this item of an additional 1,200,000 making it really worth to us 4,200,000 on the most moderate and unfavorable mode of calculation.

Thus these two items would be worth to the U. S. at least \$6,200,000. But if the stock was not sold, as contemplated by the first item, it would probably be worth much more at the time of subscription than now.

The one half of fund No. 3, might also be applied, in case an intermediate call of an extraordinary kind for money should take place, from war or a further embarrassment of our commerce, in aid of the revenue, by authorising stock to be issued in a similar manner to No. 1, with this difference, that it should be reserved for one half of the subscription and the balance in cash by instalments. This alternative might be made subject to the determination of the U. S. Bank Company, to be ascertained in a limited time, whether it would subscribe its stock in the manner I have before mentioned, or such portion of it as Congress may think proper to admit, distinguishing, if we thought proper, between the holders of it who at the time of subscription are citizens, and those who are foreigners. So far, however, in any way, as the subscription should be made on the part of the U. S. Bank, it would certainly be attended with a loss to the U. States.

If the whole funds should not be subscribed, independent of the fourth item, in 30 days after the books open, the directors may close them for a period not exceeding 5 years, or not, as they may find most proper, unless otherwise ordered by law.

An institution thus established, at the seat of government, under the eye of its administration, in the management of which the nation itself would enjoy a just proportion, from the interest it would hold in its funds, would claim & merit the confidence of the people and of the world. It would no longer, when under such control, be unsafe to permit it to deal in the public securities of the country, it would be rendered the most convenient and happy instrument for the preservation of public credit, it would be the means of affording every facility, under proper regulations, which might be required in times the most distressing to our finances. Let me not be understood to say, that this capital or any very large proportion of it, would be necessary at the seat of government - on the contrary, no diminution would probably be suffered by the branches from that portion they now hold. The Bank of the U. States at Philadelphia would, as a branch, perhaps, wield the capital it does now, as a mother bank. But, single other branches might be erected, the funds would stand a better chance to have a direction for the public good. In times of prosperity, large sums would be accumulated beyond the possible operations of the Sinking Fund, would not these be best applied then in union with the funds for internal improvements, or at least in aid of them? It would, sir, be the work of a whole day, to enumerate the certain benefits which would result to the people of this country, from the operation of this system. Shall we, then, throw away these flattering prospects the present period presents for such an establishment? Shall we give away more than 6,000,000 of the people's property? - For they have a property in the advantages our situation presents, & take the pitiful sum of 1,250,000 of dollars, all the Secretary of the Treasury informs us, this company called the 'United States Bank' can give us. Shall we pour into the lap of this rich Dutch and English company, for so it is by a majority of three-fourths, these immense advantages, by continuing to them the monopoly of this important branch of our resources? Can justice to those we represent sanction it? Does justice to that company - but I forbear.

I beg leave now, sir, to submit the resolution for enquiring into the propriety of establishing a National Bank, for there is none now in existence, whether it might once have been thought of the institution called so, while we had a share in its funds - but never, in my opinion properly called so - as the nation never had a voice in its management, or any efficient controul whatever over it. I ask a reference of the resolution, and should certainly have asked its reference of it to the Secretary of the Treasury, had I not observed, that it is stated in the report of the committee I