

P 9-15
Commonwealth of Massachusetts.

The Committee of both Houses, appointed "to examine into the doings of the State Bank, and to whom was referred the message of his Excellency the Governor on the subject of the said Bank, and the documents accompanying the same," have attended the service assigned them, and ask leave to

REPORT:

THAT by the Act incorporating the State Bank, passed the 27th June, 1811, it is enacted "that whenever the Legislature shall require it, the said Corporation shall loan to the Commonwealth any sum of money which may be required, not exceeding three hundred thousand dollars at any one time, reimbursable by five annual instalments, or at any shorter period at the election of the Commonwealth, with the annual payment of interest, at a rate not exceeding five per cent per annum: *Provided however,* That the Commonwealth shall never, at any one time, stand indebted to said Corporation, *without their consent,* for a larger sum than six hundred thousand dollars."

The same obligation is imposed upon all the other Banks in the Commonwealth in proportion to their capitals respectively, excepting the Massachusetts, Essex and Portland Banks, all which were incorporated many years previous to the State Bank.

The Legislature availing itself of the right thus providentially secured to the Commonwealth, has, upon various occasions, required of the several Banks in Boston to make loans to meet demands against the

state, and especially those arising from the late expenditures for defence. In pursuance of authority granted to the Treasurer, he has, at different times, in behalf of the Commonwealth, borrowed of said Banks at five per cent interest different sums, amounting in all to 811,025 dollars, of which 334,000 dollars now remain unpaid, as appears by a statement from the Treasurer, dated October 6, 1811, and which the Committee refer to as a part of their report.

On the 12th of September last, in pursuance of authority from the Legislature, the Treasurer, for the first time since the establishment of the State Bank, applied to the Directors of that Corporation for a loan of *twenty thousand dollars*, required to complete the payment of a warrant in favour of the Commissioners for sea coast defence. *This application was not granted.* And on the 15th of September, in pursuance of said authority, and by virtue of a resolve passed on the day of June last, the Treasurer again applied to the same Institution for a sum of *fifty thousand dollars*, to which the President, in behalf of said Corporation, replied—"It is not in the power of this Institution to make any loan at this time," adding his belief, "that so soon as it should be in their power, the Directors would cheerfully comply with the request." Copies of the documents relative to these applications accompany this report.

In the full hearing of the Corporation which has been had by the Committee, in obedience to their instructions, the officers of the Bank have endeavoured to excuse their neglect to comply with the requisitions of the Legislature, for the loans above mentioned, *solely on the ground of the inability of the Bank to make any loans*, at the times when the said requisitions were respectively made.

From an examination of the state of the Bank, it appears to the Committee that in consequence of the alarm which existed in the town of Boston, from apprehen-

sions of invasion, and of the refusal of the Southern banks to pay specie for the great amount of their bills in circulation, and from various other causes, considerable sums in specie were drawn from the different banks; and that the specie capital of the State Bank particularly was much reduced. And the Committee feel it their duty freely to declare their opinion, that at the time when these applications were respectively made, and from thence hitherto the situation of the Bank was, and still is, such as to render it *extremely imprudent to make new loans, unless by some means their specie capital could be increased.*

The Committee now beg leave briefly to state the causes of this situation, so far as appears from their said examination and full hearing.

By an agreement between the said Bank and the Secretary of the Treasury of the United States, shortly after the commencement of the present war, the Treasury Notes of the United States were to be received by the Bank, from the Collectors of Imports and Taxes within the District of Massachusetts, and passed to the credit of the United States, as deposits in specie.

In addition to the large amount of Treasury Notes thus received, the Bank in 1812 loaned by special contract to the United States *one million dollars*, the half of which has since been paid, and the other half of which falls due in December next. At the close of the last year the Bank also applied for and obtained directly from the Treasury Department *one million two hundred thousand dollars*, in Treasury Notes, which sum was also passed to the credit of the United States as specie. From all these negotiations the Bank on the 12th September last, when the loan to the Commonwealth was first required, was creditor to the United States for more than *two million seven hundred thousand dollars*, or nine tenths of its whole capital stock. No part of this large amount is payable by the United States at an earlier period than 1st November next, and

from the refusal of the Banks in the Southern States to pay specie, no reasonable expectation can be entertained, that the Treasury Notes payable in those States, will be discharged as they become due, in a manner to facilitate the operations of this Bank.

From the foregoing facts, it is obvious, *that all the embarrassment under which the said Corporation now labours, may be imputed to the unlimited, and, as the Committee believe, misplaced confidence of their Directors, in the Treasury of the United States.*

How far a Banking Corporation in this Commonwealth may lawfully embark its capital in loans to the general government, or in the purchase of its funds, the Committee will not undertake to decide. But they cannot for a moment doubt, that to employ in these ways, so large a portion of capital as appears in this instance to have been done, on security of any description, and especially where the payment was distant and cannot be compelled, was a most imprudent exercise of any discretion with which they were vested.

It appears to the Committee that since the 10th of September last, Treasury Notes have not been received at the Bank, except as special deposit for the United States; and that since the 25th of August last no loans have been made to individuals. Indeed, since that time great exertions have been made to reduce the amount previously loaned; and this amount, in the opinion of the Committee, has been reduced, *in its gross sum*, as fast as is consistent with the security of the Bank, the general ability of borrowers, and the established principles of banking. And the Directors profess a readiness, as soon as the state of the Bank will permit, to make any such loan to the Commonwealth as may be required in pursuance of their act of incorporation, and assured the Committee that every exertion should be made to place the Bank in such situation as early as possible.

The Committee are fully aware of the importance at all times, and especially in times of publick pressure, of the provision in the several acts incorporating Banks, by which they are obliged to aid the Commonwealth with loans, and of the inconvenience and embarrassment which the government may experience by a refusal to comply with that provision when it becomes necessary, upon any sudden emergency to resort to it for assistance. How far the situation of this Bank is to excuse its neglecting to conform to a condition, without which it would probably never have obtained its charter, or whether it should by some pecuniary sacrifice have raised from its extensive funds, the comparatively small sum required as a loan to the Commonwealth, the Committee wish not to determine.

Among the Papers referred to this Committee is the letter of the Treasurer to His Excellency the Governor, upon the subject of the refusal, at the said Bank, to pay the interest on the stock held by the Commonwealth in the funds of the United States, except in Treasury Notes. Upon this subject the Committee *Report* :

That prior to the first of October instant, a draft was presented to the Bank, drawn as is usually done by the United States Treasury, in favor of the Commissioner of Loans, for the sum of 200,000 dollars, for the payment of the interest due on the books of this Commonwealth. At that time there was standing to the credit of the United States on the books of said State Bank, about 650,000 dollars, received by said Bank, in specie or Treasury Notes received as specie, under the agreement before mentioned.

It appeared to the Committee that on the 8th of September last, the President of the Bank in behalf of the Directors, wrote to the Treasury department, stating that they should offer Treasury Notes in payment for any drafts which might be drawn upon said Bank, until the Treasury Notes held by said Bank should be

paid; and "that if the balance due at this Bank to the National Treasury should be relied on as the only fund from whence the approaching quarterly interest on the public stocks in this place is expected to be paid, it would be literally and physically impossible for the Bank to make those payments, in any other manner than by an offer of Treasury Notes."

To the letter communicating this information, the Directors stated that no answer had been received. The Committee will barely remark that at the time of the date of this letter, as well as at the time when the draft above mentioned was presented, there was standing to the credit of the United States a much larger sum than the amount of said draft.

The Committee from a consideration of the importance of the subjects submitted to them, both to the Bank and the Commonwealth, beg leave to recommend that the further consideration thereof be referred to the next session of this General Court.

All of which is respectfully submitted

DANIEL SARGENT, *Per Order.*

In Senate, October 18, 1814.

Read and accepted, sent down for concurrence,

JOHN PHILLIPS, *President.*

DOCUMENTS.

His Excellency Governor STRONG.

Sir,

I think it my duty to communicate officially to His Excellency the Governor and the Honorable Council, that after having given some days previous notice to the President of my intention; on Monday last, the 12th inst. I made an application to the State Bank, for a loan to the Commonwealth of twenty thousand dollars, to pay the balance due to the Commissioners of Defence, on the warrant issued on the authority of the resolve of the 27th February, 1813— which application, after much deliberation on the part of the Directors, was not complied with by said Bank. It may be proper to observe that this was the first demand for money for the use of the State, ever made upon that institution, and considering that this sum is so small a proportion of the amount that it is by the terms of its charter, liable to be called upon for, and moreover that at this period the Commonwealth has so urgent a call for its resources, I should deem it wrong not to notify the Executive of this inconvenient diminution of them.

I am, with the utmost respect,

your very humble servant.

JOHN T. APTHORP, *Treasurer.*

Treasury Office, Boston, 14th Sept. 1814.

THE Committee who were appointed to confer with the Treasurer, on the expediency of obtaining a loan from the President and Directors of the State Bank, of fifty thousand dollars, for the use of the Commonwealth.

RESPECTFULLY REPORT—

THAT an express provision has been made in the acts of incorporation of nearly all the Banks in the Commonwealth, that whenever the Legislature may require it, they shall loan to the State, certain proportions of their capital. This provision may be considered as the sine qua non of their incorporation, and as a remuneration to the State for the advantages they enjoy by its favor, above the mass of their fellow-citizens, it was to be presumed all the Banks would have been emulous, most promptly and cheerfully to have complied with ; and it was also reasonable to suppose, that this disposition in an especial degree, would have been felt and acted on by the Banks in the metropolis, whose extended capitals and resources gave them a greatly increased ability over the Banks in the interior, to meet at all times, the wants of the government, and on which account the Banks in Boston have hitherto alone been applied to, whenever advances for the use of the government were necessary, and in no instance, except a recent one on the part of the State Bank, have they failed with equal alacrity and readiness to afford them.

That of the six Banks established in the town of Boston, to wit, the Massachusetts, the Union, the Boston, the State, the New-England, and the Manufacturers' and Mechanics', the first possessing the most ancient Bank Charter in the State is alone not obligated to loan to the Commonwealth a certain portion of its funds ; and of the five which are so obliged, the two latter being of recent establishment, all their capital not having as yet, it is believed, been paid in, it would naturally follow, that whenever the necessities

or conveniencies of the Commonwealth should require loans, it should look for the present to the three oldest Banks, that is, to the Union Bank, the Boston Bank, and the State Bank, for the fulfilment of their obligations to furnish them.

Of these Banks, the Union possesses a capital of one million two hundred thousand dollars ; the Boston, one million eight hundred thousand dollars ; and the State Bank a capital of three millions of dollars. This latter Bank being bound by its act of incorporation, passed June 27th, 1811, and entitled, an act to incorporate the President, Directors and Company of the State Bank, to loan 600,000 dollars to the Commonwealth, whenever the Legislature shall require it, provided a larger sum should not be required from the said Bank, at any one time, than 300,000 dollars ; and that the sum or sums so borrowed on behalf of the State, should be reimbursable by five annual instalments, or at any shorter period, at the election of the Commonwealth, with the annual payment of interest at a rate not exceeding five per centum per annum.

And the Committee further report, That by sundry resolves of the Legislature, authority was given to borrow of the Banks, certain sums of money which might be necessary for the payment of the ordinary demands made upon the Treasury ; and the Treasurer was also by a resolve passed February 27th, 1813, providing for the defence of Boston and other places, authorised to borrow from the Banks, a sum not exceeding 100,000 dollars ; in pursuance of which authority, and of the wants of the government, the Committee are informed by the Treasurer, there has been borrowed on behalf of the Commonwealth, the sum of 234,000 dollars in full for the last mentioned resolve, and on account of the other resolves first before referred to, of the undermentioned Banks, viz. :—

Of the Union Bank, - - 92,000 dollars,
Of the Boston Bank, - - 132,000 dollars, and
Of the New-England Bank, 10,000 dollars ;

which sums are still owing to the said Corporations ; and that no loan is now due, or ever has been obtained on account of the Commonwealth from the State Bank, but that the said State Bank having been recently applied to by the Treasurer for a loan of 20,000 dollars, on account of the Commonwealth, has declined to furnish the same.

And the Committee also report, That by a resolve of the Legislature, passed June 16th, 1813, for the defence of the sea coast, authority is given to the Treasurer to borrow 100,000 dollars of any Bank or Banks in this Commonwealth, the said amount to be borrowed in such sums as the Governor, with the advice of Council, shall direct. And as a large part of the said sum of 100,000 dollars is already wanted, and the whole will shortly be required to meet the engagements of the Commissioners for the defence of the sea coast, in conformity with the provisions of the resolve aforesaid, of the 16th June, 1813, and as it is highly proper that the Banks should at all times, and more especially at a period so momentous as the present, when it is indispensable that the State should have at command all its resources, be held promptly to respond to their engagements with the Government, and as it is also expedient, as future loans to an uncertain amount will be wanted, in some degree to equalize in proportion to their respective capitals, the amount to be borrowed by the State from the several Banks in Boston, the Committee therefore recommend,

That his Excellency the Governor, with advice of Council, direct the Treasurer to make application to the President, Directors and Company of the State Bank, for a loan, in behalf of the Commonwealth, of \$50,000 in pursuance of the before mentioned resolve of the Legislature of the 16th of June, 1813, and that the Treasurer report to the Governor and Council his doings hereon as soon as may be.

All which is respectfully submitted,

JAMES LLOYD, *Per Order.*

In Council, September 14th, 1814.

The above Report is read and accepted, and the Council advise that the Treasurer be instructed accordingly.

BENJAMIN WHITWELL, *Dep. Sec.*

A true copy.

Attestor, ALDEN BRADFORD,

Secretary of the Commonwealth.

In Senate, October 6th, 1814.

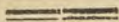
Read, and, with the Documents accompanying, Committed to the Hon. Messrs. Thorndike, Lathrop, and Parris, with such as the Hon. House may join, to consider and report. Sent down for concurrence.

JOHN PHILLIPS, *President.*

In the House of Representatives, Oct. 6th, 1814.

Read and concurred, and Messrs. Pickman, of Salem, Brown, of Boston, Ware, of Wrentham, and Longfellow, of Portland, are joined.

TIMOTHY BIGELOW, *Speaker.*



To the President and Directors of the State Bank.

Gentlemen,

IN obedience to the direction of of his Excellency the Governor, given with the advice of Council in pursuance of a Resolve of the 16th of June, 1813, providing for the Defence of the Sea Coast ; I hereby make application to you for a Loan from the State Bank of Fifty Thousand Dollars, and I request you to favor me with a written answer to this application, that I may be enabled to report it to the Executive as soon as may be.

A Copy of the Resolve and a Note for the abovementioned amount are inclosed, as well as his Excellency's letter containing the aforesaid direction, which letter you will please to return.

I am Gentlemen respectfully

Your very humble servant,

J. T. APTHORP, Treasurer.

Treasury Office, 15 Sept. 1814.

State Bank—Boston, Sept. 15, 1814.

SIR,

I AM honored with your letter of this day requesting a Loan of Fifty Thousand Dollars for the Commonwealth.

I am sorry that it is not in the power of this Institution to make any Loan *at this time*. So soon as it is in our power, I presume the Directors will cheerfully comply with your request.

Pr order of the Directors,

I am Sir, respectfully

Your most obedient servant,

WM. GRAY, President.

John T. Apthorp, Esq.

To his Excellency Governor STRONG.

SIR,

I HAVE the honor to transmit to you a Copy of the application for a Loan of Fifty Thousand Dollars,

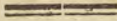
made to the State Bank in consequence of your instruction for that purpose, together with the answer thereto, and am

with the greatest respect,

your Excellency's most obedient servant,

J. T. APTHORP, *Treas'r.*

Treasury Office, Boston, Sept. 15, 1814.



His Excellency CALEB STRONG, Esq.

SIR,

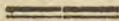
I HAVE thought it my duty to inform your Excellency, that I this day applied at the State Bank for the Quarter's Interest, now due upon the Stocks of the U. States, belonging to the Commonwealth, and was informed by being referred to a Notification there posted up, that in those cases, where the amount of Interest exceeded one hundred dollars, payment would only be made in Treasury Notes of the United States; to receive these for the Interest due to the Commonwealth I thought proper to refuse, and called upon the President of the Bank and the Clerk who usually pays the Interest to witness the same.

I remain, with the utmost respect,

Your Excellency's most obedient servant.

J. T. APTHORP, *Treasurer.*

Treasury Office, Boston, Oct. 1, 1814.



Treasury Office, Boston, 6 Oct. 1814.

The Hon. the Speaker of the House of Representatives.

SIR,

IN obedience to an order of the Honorable House of Representatives, of this date, I have the honor to

transmit the subjoined statement relative to monies borrowed at different times from the following Banks.

Of the Union Bank	326,725	
of which there now remains due		112,000
Of the Boston Bank	434,300	
of which there now remains due		172,000
Of the New England Bank	30,000	
which now remains due		30,000
Of the Manufacturers' and Mechanics' Bank	20,000	
which now remains due		20,000
		<hr/>
Total Borrowed	\$ 811,025	

Total now due exclusive of interest \$ 334,000

No money has been borrowed of any other Bank for the use of the Commonwealth.

All which is respectfully submitted,

J. T. APTHORP, *Treas'r.*

In the House of Representatives, Oct. 7, 1814.

Read and Committed to the Committee to whom was referred the Report of a Committee of the Council concerning the State Bank.

Sent up for concurrence,

TIMOTHY BIGELOW, *Speaker.*

In Senate, October 7, 1814.

Read and Concurred,

JOHN PHILLIPS, *President.*

The Committee of both Houses to whom was referred the Message of his Excellency the Governor, relative to the State Bank, with the Documents accompanying the same, ask leave to report the following resolution.

S. LATHROP, *Per order.*

Ordered, That the Hon. Messrs. Sargent, Hooper and Mills, with such as the Honorable House may join, be a Committee for the purpose of examining into the doings of the State Bank, with the right of free access to all their books and vaults. And the said Committee are hereby specially instructed, that, after such examination made, and a full hearing of said corporation thereon, they report to this Legislature, whether the said corporation have exceeded the powers granted them, or have failed to comply with any of the rules, restrictions and conditions imposed upon them by their act of incorporation.

In Senate, October 7, 1814—Read and accepted.

Sent down for concurrence.

JOHN PHILLIPS, President.

In the House of Representatives, Oct. 7, 1814.

Read and concurred, and Messrs. PICKMAN, of Salem,
 WARE, of Wrentham,
 WELD, of Boston,
 SOLEY, of Charlestown,
 are joined.

TIMOTHY BIGELOW, Speaker.

