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Business – Serials 10

ANNUAL REPORT

OF

THE PRESIDENT

OF

THE COMMERCIAL BANK

OF NEW-ORLEANS.

JANUARY, 1838.

NEW-ORLEANS:

PRINTED BY BENJAMIN LEVY,

1838.

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COMMERCIAL BANK OF NEW-ORLEANS,

NEW-ORLEANS, JANUARY, 1838.

ON the 9th of January last, I had the pleasure of presenting to the board of directors, a statement showing the very prosperous condition of the bank. Events have since transpired, most seriously affecting all business operations, and which caused an almost total prostration of credit, from one end of the country to the other.

In such a state of things, it is impossible that any bank, however prudently managed, can have entirely escaped embarrassments and losses. The extent of these losses is now a subject of solicitude on the part of the stockholders; and I purpose to lay before you, such an exposé of the actual situation of this institution, as will give them the desired information.

Though the statement of January last, was very generally circulated among the stockholders, yet there may be holders

of stock now, who were not so at that time, and I think it well, therefore, to make some references to it here:

The capital was full paid, ($3,000,000,) of which, 27,147 shares were owned in the United States, and 2,853 shares appeared to be held in London. Of the latter, probably one-half was on account of citizens of the United States.

The amount of notes discounted in the previous six months, was $6,677,137 in 9,956 notes, averaging about $670 each.

The amount of notes considered as bad or doubtful at that time, was $18,362, being the whole amount of bad and doubtful debts, incurred in a period of three years and a half.

The collections made for other banks in six months, amounted to $5,494,143.

The amount of exchange purchased in the same period, was $4,875,439.

The rates on the Atlantic cities (excluding interest) ranged, during the year 1836, from ¾ per cent. discount to ¾ per cent. premium, averaging par.

On Mississippi, Alabama, and Tennessee, 1½ to 2 per cent. discount, and on Missouri, Kentucky, and Ohio, about 1 per cent. discount.

The rate for checks at sight on the Atlantic cities, ranged from 1 to 1½, never exceeding 1½ per cent. premium.

The circulation for six months, previous to my last statement, averaged	$573,773
Individual deposits,	305,452
Average liabilities,	$879,225

The average amount of specie was $300,637, being the proportion generally considered ample, and which it was proposed at the last session of our Legislature, to require by law.

In addition to this amount of specie, the average amount of notes of the other city banks, and balances due by them, was $459,937.

The average amount of government deposits was $1,716,985, always kept covered by domestic exchange.

The net profits were $200,198, which, added to the balance of profit and loss on the 1st of July preceding, made a surplus of over $300,000.

A dividend of 5 per cent. was declared, leaving a surplus of nearly $150,000.

The operations of the whole year (1836) were:

Notes discounted,	$12,546,854
Exchange purchased,	11,381,845
Checks drawn, (exclusive of government transfers,)	4,855,474
Collections for other banks,	9,470,993
Total,	$38,255,166

The actual condition of the bank on the 9th January last, was as follows:—

General Statement Commercial Bank of New-Orleans,

JANUARY 9, 1837.

DR.

To Banking House and Lot,		$87,231 63
" Real Estate,		49,705 82
" Notes and Bills discounted,		2,699,583 62
" Domestic Bills of Exchange,		2,085,542 09
" City Bonds,		100,000 00
" Expenses prior to Dec. 1833,		7,182 68
" Current Expenses,		18 00
" Water Works,		565,272 25
" Albert Stein, Superintendent,		3,087 01
" George Wildes & Co., London,		450 58
" Suspense Account,		400 00
" J. W. Breedlove, Collector,		1,410 43
TO CASH—		
Specie,	$403,066 13	
Notes of City Banks,	188,746 55	
Do. late Bank United States,	97,170 00	
	$688,982 48	
Balances due the City Banks, viz:		
Union Bank of Louisiana,	$75,013 16	
Mechanics' and Traders' Bank,	49,990 02	
N. O. Improvement & Banking Co.,	44,202 66	
Bank of Louisiana,	42,754 31	
Consolidated Association,	38,774 47	
Gas Light and Banking Company,	31,771 16	
Citizens' Bank,	27,401 38	
Louisiana State Bank,	27,239 51	
Carrollton Bank,	23,950 24	
Atchafalaya Bank,	22,976 62	
Bank of Orleans,	19,818 08	
Canal and Banking Company,	10,866 27	
City Bank,	2,614 57	
Merchants' Bank,	782 02	
	$417,154 47	
	$1,106,136 95	
	$6,706,021 06	

CR.

By Capital Stock		$3,000,000 00
" Circulation,		689,740 00
" John Campbell, Treasurer United States,		1,723,932 67
" Public Officers,		59,528 50
" Individual Deposits,		307,328 27
" Distant Banks,	$755,257 08	
" Date Checks on do.,	173,070 52	
	$928,328 20	
" Less—amount due by Distant Banks,	564,077 39	
		364,250 81
" Certificates of Deposit,		21,270 45
" Exchange Account,		1,975 32
" Sinking Fund, City Corporation,		36,790 77
" Reid, Irving & Co., London,		1,799 58
" F. de Lizardi & Co, London,		213,536 95
" Unclaimed Dividends,		138,065 69
" Profit and Loss, amount of reserved fund,		147,802 05
		$6,706,021 06

By which it appears, that the circulation was	$689,740
Deposits were	307,328
Total	$997,068
The specie amounted to	$403,066
Notes of City Banks	188,746
Notes of Bank United States	97,170
Balances due by City Banks	417,154
Total cash	$1,106,136

exceeding the whole amount of deposits and circulation.

These had been the operations of the bank, and this was its situation, a short time previous to the events, which producing such great changes and losses throughout the country, compelled all the banks, without a single exception, to suspend operations on a specie basis. At this moment, when we had

just published this very full statement, showing our affairs to be in a condition so flourishing, we had the misfortune to incur the censure of a committee of our legislature.

It is far from my intention to discuss the subject, which was made the groundwork of the attack on this bank. Whether the state has or has not the right of investigating the affairs of banks, in whose charters no reservation of such power has been made, is a question to be settled neither by the legislature nor the bank, but by the judiciary. My sole object in noticing the subject now, is to show, that in 1834, a committee was named to examine this bank, notice given and afterwards withdrawn, probably for the reason, that previous to that time, no committee had ever been appointed to examine a bank, in whose charter, the right to do so, was not expressly reserved; that in 1835, the right was, for the first time, insisted on, but denied by the bank; that the legislature then admitted that it was to be sought for in the charter, and that no action against the bank followed its denial; that in 1836, a committee was again raised to examine this bank; that the right was again denied; that the legislature of that year declared it to be a question, to decide which, was "entirely within the competency of the judiciary," and directed the attorney general to commence suit, *if* he should be of opinion that the state had the right claimed.

I also wish to show, that whilst contesting the *right*, the bank, in both instances, invited a full examination, and that the preceding facts being undeniable, there was no just ground for the reproaches cast upon this bank by the finance committee of last year. The facts are, that in the year 1834, notice was given to the bank, that a committee of the legislature had been appointed to examine its affairs, but it was understood that the committee was discharged, in consequence of its being discovered that the right had not been reserved in the charter.

In the year 1835, a joint committee was appointed to examine the Commercial Bank, and the following report was made:

"To the honorable the Senate and House of Representatives of the State of Louisiana, in General Assembly convened. The joint committee appointed to examine the affairs of the Commercial Bank of New-Orleans, agreeably to the instructions received from both Houses, have the honor to make the following report:

"Your committee for the purpose of fulfilling the duties allotted to them, repaired to the banking house of the Commercial Bank, where they were received by Mr. William G. Hewes, president of the board of direction of said bank; and upon his invitation, your committee visited the spot where the company have commenced the works which are to furnish water to the city of New-Orleans and its suburbs, according to the provisions of the charter of the said Commercial Bank.

"Your committee were much pleased with the important works already executed by the Commercial Bank, and could not refrain from applauding the zeal and spirit of enterprize which seemed to animate the board of directors of this bank; and your committee, on the information received from the president, and the able engineer employed by the company, are happy to state, that they share in the hope which the board entertains of seeing by the month of July next, water spouting from a fountain in the public square.

"Your committee, agreeably to the powers imposed on them by the legislature, were desirous of examining the books of the bank; but the *right*, although with much regret, was contested by the board of directors. The president, acting in the name of the board, would have consented that a thorough investigation of the affairs of the bank should have taken place by your committee, had not the board feared to establish a precedent. And your committee think it is due here to acknowledge, the deference with which the president refused the right of investigating any thing which did not relate to what was necessary to furnish water to the city of New-Orleans, and its suburbs. The board were desirous of having the affairs of the bank examined, on condition that your committee should first acknowledge that they had not the *right* to require such investigation; but your committee having no powers conferred on them by the two houses, by which they could abandon the right of investigating, and not wishing to assume so great a responsibility, were unanimously of opinion, that they should refer the question to the legislature itself, for the purpose of deciding whether the state will insist upon the *right* of examining the affairs of the Commercial Bank; and as your committee did not have access to the books, they cannot say whether the Commercial Bank has fulfilled the obligation imposed upon it by the 11th section of the charter, under penalty of losing their charter, if not fulfilled. Your committee therefore think it to be their duty, in closing their report, to present to the two houses of the legislature, the following resolution:

"*Resolved by the Senate and House of Representatives of the State of Louisiana, in General Assembly convened,*

That the judiciary committee of the two houses be required to examine the act approved 1st April, 1833, entitled 'An act to incorporate the Commercial Bank of New-Orleans,' and to report within the shortest delay, by resolution, bill, or otherwise, the measures which should, in their opinion, be adopted by the legislature, with regard to the refusal of the Commercial Bank to submit its books to the investigation of the joint committee appointed to examine the affairs of the bank.

(Signed) A. HOA,

Chairman Committee on part of the Senate.

H. LAVERGNE,

Chm'n. Committee on part of the House of Rep."

The preceding report is a fair and candid one, but the remark, "that as the committee did not have access to the books, they could not say whether the bank had fulfilled its obligations in regard to the construction of the water works," is unnecessary, as the committee admit, that information on *that* subject was not denied them, even as a matter of *right*. The committee admit that the bank appeared to *desire* an examination, that the *right* only was contested—that this was done with reluctance, and from a sense of duty; and the report closes with a recommendation that the judiciary committee should examine the charter of the bank—for what? Not to look *there* for the *inherent* right, surely; but in fact, though not so expressed in exact words, to see whether the right had been reserved or not. Thus the matter rested for this year, a question not to be settled by arbitrary enactments, but by sober reason and the laws of the land.

In the year 1836, a committee was again appointed, who gave a verbal notice of the fact to the president of the bank. The following letter from the chairman embraces the answer of the bank.

NEW-ORLEANS, 10TH FEBRUARY, 1836.

MR. WM. G. HEWES,

President of the Board of Direction of the Commercial Bank of New Orleans:

SIR:—I have received your letter of the 10th instant, by which you have the politeness to inform me, that yesterday a meeting of the board had been called by you, in consequence of a verbal notification on my part, and that a resolution has been passed by said board, in the following terms:

"*Resolved*, That the president be directed to answer the joint committee from the legislature, appointed to examine the affairs of this bank, that the board of directors, under the advice of its counsel, doubt the right of the legislature to examine, therefore propose to submit the question to the attorney general of the state, and the counsel of this institution. At the same time, the president is authorised to respectfully tender to the present committee, *an invitation*, similar to that which was made to the committee of the legislature last year, viz: to examine the books and affairs of the bank, as a matter of courtesy on the part of the direction, without admission of the right of visitation by the legislature."

I have the honor, in answer, to say, that the Honorable Thomas H. Lewis, chairman on the part of the house, and myself, in my official capacity, have agreed to thank the board for their courtesy, stating at the same time, that although individually we sensibly feel the delicacy of your invitation,

we can yet in our public character, but act according to the instructions of the legislature, and claim as a right invested in the state, the investigating of the affairs of the Commercial Bank. The committee will communicate your letter to both houses of the legislature, and will wait for their action on the same.

I am, Sir,

Respectfully,

(Signed) A. HOA,

Chairman on the part of the Senate.

By the above letter it appears, that in 1836 the bank did not require the committee to *abandon* the right of examination, but being sincerely desirous to have an investigation, which could only redound to its credit, the board gave the invitation, *without admission*, on *their part*, of the right claimed. The whole matter was this year referred to the attorney general by the following resolution:

"Whereas, the Commercial Bank of New-Orleans has contested the right claimed by the state, to investigate the affairs of said bank; and whereas, the Commercial Bank would lay before the joint committee of the two houses only that part of its operations relating to works which are to furnish the city of New-Orleans and its suburbs with water; and whereas, such a question is entirely within the competency of the judiciary,

"*Be it resolved by the Senate and House of Representatives, in General Assembly convened*, That the attorney general is hereby required to give in writing to the legislature during the present session, his opinion on the right of the state to examine the affairs of the Commercial Bank of New-

Orleans; and in case his opinion should be favorable to the state, he is further required to apply to the competent tribunals, in order to obtain a decision of the question."

By the preceding report, it will be seen, that prudent and just counsels yet prevailed in our legislature. In 1835, they looked to the *charter* for the right. In 1836, they say that "the question is entirely within the competency of the judiciary," and therefore, direct the attorney general to apply to the competent tribunals, if his opinion should be favorable to the state. From the action of the legislature down to this period, every reasonable man will admit, that the bank had a right to consider the question as a very doubtful one, and that there was no impropriety in joining the legislature in the wish, that it might be finally settled by the tribunals, within whose competency to decide it, they had declared it to be. The bank, therefore, when again called on, maintained the ground originally assumed, and which no action of the legislature had declared to be inadmissible. But counsels of a different character were now, for a time, to have influence.

In a community like ours, where each is pursuing what he considers the path to fortune, and in which, unfortunately, there are so many jealousies and so many clashing interests, it is hardly to be expected, that he who engaged in this active strife, accepts a seat in the legislature, can, in the performance of his public duties, entirely shake off all partialities and prejudices, and be governed neither by one nor the other.

Whilst this is freely admitted, I must say, that I cannot account for the evident unkindness which is exhibited towards this bank in the "*Report of the Joint Committee of Finance, on all the monied institutions of New-Orleans, submitted to the Legislature in February*, 1837."

As this report has been published and widely circulated, I conceive it to be the duty of the board to make such answer, as will be warranted by facts.

In page fourth of the report, it is stated, as one of the objects in requiring a general statement among the banks on the same day, "to use the banks themselves to check one another," and it adds, "this object was partially defeated by the refusal on the part of the Commercial Bank, one of the depositaries of the national treasury, to meet any inquiry instituted under the authority of the legislature." Now, it is not denied that a refusal was given, but the committee might have added, that they were afterwards informally furnished with the very information desired.

It was evident from the recent publication of the state of its affairs, that the bank did not wish to keep back any information, but it was *forced* into a refusal, by the assertion of a right on the part of the committee, which the bank had always denied, and which the legislature itself had declared should be settled by the judiciary, and yet the committee use this language: "The readiness on the part of monied institutions to meet such inquiries, is in itself, with few exceptions, the surest pledge and guarantee of the soundness of the principles on which these establishments are conducted, and the fidelity with which the duties confided to the directors are performed. It was, therefore, a source of great gratification to your committee, in their delicate mission, to have found, on the part of all the other banks, the greatest readiness to furnish them with the most minute details of their operations."

The preceding was written after the committee had prepared "a tableau of the situation of all the banks on the 23d January," by which it was shown, that two only out of

fourteen of the banks stated to have shown so much "readiness" the evidence "of the soundness of the principles" on which they had conducted their business, had observed the "sound principle" of having always specie in their vaults equal to one third of their liabilities. At the same time, the committee had in their possession, a published statement of *this* bank, showing that the average amount of specie in its vaults for six months previous, was a little over the required proportion, and that the amount on the 23d January, was nearly *one half* of its liabilities, and when the bank of which the chairman of the committee himself is president, had not the amount which "sound banking principles" required, and which the report recommends should be enforced by law.

Had the committee been willing to have availed themselves of the desired information, they might have done so, as it was given them *precisely in the form required.* It was in possession of the committee, and might have been used by them, exactly in the same manner as they used the other statements sent them. It was in all respects as authentic. The committee returned this statement, with the remark, that they considered it their duty to report that only which it was in their power to investigate. Now, it is believed, that the statements of the other banks were not investigated; and though the committee could not report on the statement made on the 23d January, in the exact form required by them, yet they did report on the printed statement published for the information of the stockholders, on the 9th of the same month, and used it to draw conclusions unfavorable to the bank. Either nothing should have been said in regard to the affairs of this bank, on the ground of there being no official statement, or in referring to them, the committee should have used that statement, which

had been made out in conformity with their requirement, and by which only could a fair comparison be drawn between this and other banks.

The "General Tableau of the situation of the Banks on the 23d January," marked A, would have been much improved by the insertion of the omitted statement. There would have been an addition to the amount of specie of nearly half a million, and it would have shown the fact, that the Commercial Bank had on that day a greater proportion of specie to its liabilities, than any other bank in the city, excepting the Merchants'. The other banks are complimented in page 4th of the report, for the "readiness" with which they furnished the information desired by the committee; but it might have been added, that these banks were obliged by their charters to submit to these investigations, and could not refuse, and also, that the Commercial Bank had never shown any disposition to conceal the state of its affairs from the public; that in October preceding, a full statement had been furnished to the chairman himself, individually, to aid him in some investigations which he was desirous of making, and that two days only, previous to the official call on us, we had published and sent to each member of the legislature, a very minute statement of our condition; thus showing that we were contending only against the right claimed, and that so far from wishing to conceal the condition of the bank, we had made it public in a form much more in detail than had been usual. All this might have been said, in justice to the bank, but it was not; and though naught may have been set down in malice, yet certainly nothing was extenuated.

The statement handed to a member of the committee, made out precisely as requested by them, was as follows:

GENERAL STATEMENT OF THE COMMERCIAL BANK OF NEW-ORLEANS, JANUARY 23, 1837.

Dr.

To Banking House and Lot,		$87,231 63	
" Real Estate,		49,705 82	
			$136,937 45
" Notes and Bills discounted,		$3,173,526 33	
" Ditto protested and doubtful,		4,651 80	
" Ditto in suit, (of which $10,000 are considered good,)		13,711 60	
" Ditto on pledge of Stock,		732,774 00	
			$3,924,663 82
" Domestic Bills of Exchange,		$2,157,473 00	
" Ditto protested, (since paid,)		9,800 00	
			$2,167,273 00
" Cash, viz:			
Silver,	$366,099 80		
Gold,	63,962 75		
Bullion,	3,708 08	434,370 63	
" Notes of other banks, and Checks, viz:			
Bank of Orleans,	7,458 40		
State Bank,	4,050 00		
Gas Bank,	10,945 00		
Bank of Louisiana,	36,880 00		
Consolidated Bank,	50,195 00		
Canal Bank,	15,385 00		
City Bank,	3,980 00		
Union Bank,	4,350 00		
Mechanics' and Traders' Bank,	13,635 00		
Citizens' Bank,	7,641 50		
Carrollton Bank,	4,440 00		
Atchafalaya Bank,	645 00		
Improvement Bank,	6,665 00		
Merchants' Bank,	18,491 98		
		190,611 88	
Foreign Bank Notes,		27,900 00	
" Balances due by the other banks, viz:			
Bank of Louisiana,	$94,393 39		
Improvement,	30,850 31		
Atchafalaya,	23,216 95		
Canal,	8,220 21		
State,	8,081 93		
Orleans,	5,202 65		
City,	3,695 20		
Consolidated,	1,307 55		
	$194,977 30		
Less due to			
Union Bank,	$45,495 79		
Mechanics' and Traders',	16,016 44		
Gas,	15,886 47		
Citizens',	6,291 30		
Carrollton,	2,471 76		
Merchants',	1,359 15		
	88,420 91		
		$106,556 39	
			$759,438 00
To Expenses prior to December, 1833,		$7,182 68	
" Ditto current,		660 35	
" Ditto importing specie,		956 10	
			8,799 13
" Superintendent of Water Works,			1,775 47
" Collector of the Customs,			1,410 43
" George Wildes & Co., London,			450 58
" Bonds of City of New-Orleans,			100,000 00
" Water Works,			569,091 91
			$6,669,830 69

Cr.

By Capital Stock,			$3,000,000 00
Owned by City of New Orleans,	5,000 shares		
" " Citizens and public institutions of the state,	14,406 "		
" in City of New York,	7,741 "		
" in City of London,	2,853 "		
	30,000 shares.		
" Circulation,			567,975 00
" Treasurer of the United States,			1,400,370 84
" Public Officers,			80,043 60
" Discount on Notes and Exchange,			25,102 93
" Due distant banks,		$951,047 10	
Less due by ditto,		267,270 38	
			683,770 72
" Sinking Fund, City of New Orleans,			30,700 77
" Certificates of Deposit,			21,270 45
" Cashier's Checks on distant banks,			64,174 16
" Unclaimed Dividends,			74,792 87
" Reid, Irving & Co., London,			1,799 58
" F. de Lizardi & Co., ditto,			213,338 95
" Water Rent account,			180 00
" Suspense account,			591 84
" Individual accounts,			319,013 93
" Reserved Fund,			147,802 05
			$3,669,830 69
NOTE.—Acceptances of individual bills discounted for residents of the state, originating out of the state, but within the United States,			180,765 29
Ditto originating in foreign countries,			32,282 30
Bank Checks, two of $10,000 each,			20,000 00
			$223,047 59

The letter declining to give the preceding statement, under the call of the committee is as follows:

COMMERCIAL BANK OF NEW-ORLEANS,

NEW-ORLEANS, 25th JAN., 1837.

To the Chairmen of the Committee of the Honorable the Senate and House of Representatives, etc. etc.

GENTLEMEN:

I had the honor to receive, a few days since, your note of the 18th inst., requesting to be furnished with certain information relative to the state of this institution; and having submitted the same to the board of directors, I am instructed to return the following answer:

The legislature, last year as well as in the year previous, appointed a committee to examine the affairs of this bank, and to report thereon. To the applications of the committees, the same answers, in substance were given, to wit: That as the state held no stock in the bank, and had no direct interest therein, the board of directors, acting as the mere agents of the stockholders, could not recognise the right of the legislature to inspect the books of the bank. But at the same time that they declined permitting such an examination, *if demanded as a right*, they expressed their readiness and wish to furnish the committees any information they might desire, *provided* that such a proceeding should not be interpreted as an admission on their part, of the *right* in the legislature to exercise any kind of visitatorial power over the bank, except in the usual mode known to the laws. The committees, however, did not avail themselves of these offers; and the one of last year made a report, in which, while the refusal of the board of directors to allow the committee to inspect the books, was stated, ample justice was done to the motives which had prompted that refusal. The whole subject was then referred to the attorney general, by the following resolution.

"Whereas, the Commercial Bank of New-Orleans, has contested the right claimed by the state, to investigate the affairs of said bank: and whereas, the Commercial Bank would lay before the joint committee of the two houses, only that part of its operations relating to the works, which are to furnish the City of New-Orleans and its suburbs with water: and whereas, such a question is entirely within the competency of the judiciary:

Be it resolved, by the Senate and House of Representatives in general assembly convened, that the attorney general

is hereby required to give in writing to the legislature, during the present session, his opinion on the right of the state to examine the affairs of the Commercial Bank of New-Orleans; and in case his opinion should be favorable to the state, he is further required to apply to the competent tribunals, in order to obtain a decision of the question."

This resolution was approved by the Governor, March 2d, 1836. Having heard nothing of the matter since, we were induced to believe, that the attorney general had come to the conclusion, that the state had not the right claimed.

The demand now made, though differing in form from the preceding, is in substance the same. They all involve the assertion, by a committee of the legislature, of a right to scrutinize the affairs of the bank, and to be the sole judges of the extent to which their scrutiny shall be carried, to require of the officers of the bank, either to lay open its books for the general inspection of the committee, or to furnish them with such portions of their contents, as they may deem necessary, and finally as a consequence of all this, to report to the legislature the result of their proceedings.

These are high powers, and such as we supposed were only conferred (except in cases where the legislature expressly retains them in their own hands) on the judicial tribunals of the country, when the interposition of their authority is required, to prevent or punish infractions of their charters by incorporated companies. Be this as it may, we do not feel ourselves at liberty to permit the exercise of such powers in the present instance Acting as the mere trustees of the stockholders, we know of no guide but the charter which the legislature has granted them, and should deem ourselves unworthy of the trust, if we surrendered any of the privileges which it

confers, having complied most strictly with all the obligations which it imposes. Among these privileges, is the right of the stockholders to manage their funds by agents appointed by themselves, in the manner provided by the charter, and subject to no other control than the provisions of that charter, and the general laws of the land.

Had the legislature deemed it expedient to retain a supervisory control over the institution, it is presumable they would have done so, as they have done in the charters of the other banks, in which the state has a direct interest as a stockholder, or as liable for their obligations. But having omitted it, the charter is now invested with all the sanctity of a contract, and the state can with no more justice claim the right for itself than it can confer it on others. Besides the appointment of two directors, the city council has the right of supervision to a certain extent, as regards the water works, and this right has been constantly exercised.

Within a few days past, a very minute statement of the operations of the bank for the last six months, and of its present condition, was published for the information of the stockholders and the public. Supposing that the prosperous view which it exhibits of one of the monied institutions of the state, would be gratifying to the legislature, we furnished a copy to each member. To this document we beg leave to refer you, as it contains, with but little exception, all the information which you ask.

For these reasons, gentlemen, we beg leave respectfully to decline the request contained in your note. Whatever personal gratification it might afford us, we do not feel authorised as the agents of the stockholders to accede to a request, the granting of which, however innocent, or even beneficial it

might be at the present moment, as it regards this bank, would establish a precedent, which at some future period, and under circumstances impossible now to foresee, might prove highly detrimental not only to the institution, but to the community.

I have the honor to be,

Very Respectfully,

Your Most Obedient Servant,

(Signed) WILLIAM G. HEWES, *President.*

A. HOA,

Chairman, Committee of the Senate.

E. J. FORSTALL,

Chairman, Committee of the House of Rep.

The report finds fault with the concluding passage of the above letter, and says "from which it follows, that when the circumstances alluded to in the above paragraph shall arrive, they will take very good care, they the sole expounders of the charter, not to publish it to the world." We certainly would not publish any thing likely to be "highly detrimental not only to the institution but to the community," but we never claimed to be the sole judges of our charter. We agreed with the legislature, that it was a matter "entirely within the competency of the judiciary." The objections to admitting the right of examination to the extent claimed, arose mainly from a fear of its abuse. Committees are often influenced by individual partialities or prejudices in their reports, and great injustice might be done in that case. For instance, a bank in a highly prosperous condition in every respect, might recently and unexpectedly have had a considerable amount of exchange protested, perhaps in a foreign country; negociations might be on foot for arranging the

whole, the success of which depended entirely on the prudence and discretion with which the affair was managed. It might be an amount important to the stockholders, and yet of no moment as affecting, in the least degree, the solvency of the bank; and the community, therefore, in no way interested in the matter: yet a committee at this moment examining the bank, and disposed to censure, might "publish it to the world." Does the public good require such exposures as regards banks, any more than with respect to individuals?

There was no objection on the part of the bank to furnish the statement required by the committee, and it *was* furnished informally, thirteen days previous to the date of their report; but the objection was, the admission "of a right in a committee of the legislature, to scrutinize the affairs of a bank, and to be the sole judges of the extent to which that scrutiny should be carried;" and it must be remembered by all, that some most extraordinary notions as to this power were broached about that time, which made it the more incumbent on those who were disposed to resist the torrent of innovation, to be firm in their resolve. This may be done without any denial of the right of the legislature to claim information, necessary for the protection of the currency; but it was our duty to prevent, if possible, the improper extension of this privilege to the examination of accounts of individuals with the bank, and into matters unconnected with the public interest.

The report considers the refusal to give up the point as to the right of the legislature to examine, as "the more extraordinary," because, by the contract with the secretary of the treasury, in relation to the government deposits, we had agreed, that "if the secretary of the treasury shall think

proper to employ an agent or agents, to examine and report upon the accounts and condition of the banks, in the service of the government, or any of them, the said bank agrees to pay an equitable proportion of his or their expenses and compensation, according to such apportionment, as may be made by said secretary;" and it says, "thus this bank, which denies to the legislature which created it, the right of investigation, grants it to any agent, that the secretary of the treasury may think proper to appoint, *and binds itself* to pay that agent."

Is it possible that the committee could see no difference in the two cases? In the one, the legislature claims the right of examining at all times, *and to any extent*, the affairs of the bank. It admitted, however, that the right was to be sought for in the charter; that it was a question to be decided by the judiciary, and the board concurring, asked to have it so settled.

How different is the other! This bank had been selected as "one of the depositories of the national treasury." It accepted the appointment for the benefit of the stockholders. Large sums were to be placed with it, which it could use without any allowance of interest. The secretary of the treasury desired to have the power of ascertaining, at any time, the safety of these heavy deposits; and as it was anticipated that there would naturally arise considerable transactions in exchange, between the several deposit banks, it was very desirable that the general situation of each should be known to the others, and it was for that reason that the bank agreed to pay the expenses attending the examination of any one of them. This was a contract for mutual advantage; no right was given up, but a privilege granted for a consideration; a privilege which the bank could annul at any time by returning

the deposits, and which, in fact, has ceased by such payment. There is a vast difference between an arrangement like this, and the abandonment of a right to refuse examinations at all times, and *to any extent*. The right granted was never exercised, probably because the secretary was satisfied with the weekly returns, and the banks did not require it, as they received quarterly statements from a general agent, showing the situation of each other. The two deposit banks of this city did not recognize any control of congress over them, and refused to answer interrogatories put to them by a committee.

They received the deposits from the government as they would receive very large deposits from an individual, which were likely to be beneficial to the institution, and would grant to such depositor, for such an advantage, the privilege of seeing that his money was safe. When that was paid him, his privilege would cease, of course; and so precisely was it with the contract with the secretary of the treasury.

The report recommends, not as in the two former years, an examination of the charter, or that the question should be submitted to the competent tribunals, but "that the Commercial Bank and the Bank of Orleans, be compelled to submit to any inquiry which the legislature may think proper to institute." The question then naturally arises, have the banks a right to contest *any* claim which a majority of the legislature may set up, or to refuse answering any questions, however unconnected they might be with the currency, or the public interest?

I have alluded to this part of the report with great unwillingness. I am aware of the prejudices which it excited against us, and which any allusion to it may revive in minds unwilling to be convinced in opposition to former impressions; but I know also, that there exists much misconception on this

subject with others, who would gladly have it removed by an exhibition of all the facts as now given.

There are some admissions in this report, which I will notice. In page 11th, it says, "that the Commercial Bank, according to its statement, is in a good condition, no one can deny." That it had not done too much business, and by its excessive issues and discounts assisted in bringing about the disastrous state of things which soon after ensued, is indirectly admitted, because the report states as follows:

Capital paid in,	$3,000,000
Individual deposits and circulation,	997,068
Government deposits,	1,783,460
	$5,780,528
Amount remitted to New-York and other cities out of the state,	$2,085,542
Amount under discount,	$2,699,588
Water Works, real estate, banking house, and city bonds,	802,208
	$3,501,791

"Dividends for six months, 5 per cent.; local investments over its capital, 16⅔ per cent.," showing the loans to be quite moderate: but in the above form, is this a fair statement? In page 6th, the report, alluding to what it calls the "movement," says, "the deposits of the government are also omitted, being provided for by domestic exchange, held for the express purpose of meeting all transfers that may be ordered by the secretary of the treasury." If the committee knew that these deposits were covered by domestic exchange, held expressly for their redemption, with what propriety could they include

the public money amounting to $1,783,460 among the *resources* of the bank, and then alluding to the very exchange thus held to meet the transfers, and excluding it from the *investments*, say "amount remitted to New-York and other cities out of the state, $2,085,542?"

It may be said, that having no official statement from us, neither the deposits nor the exchange of this bank were included in the items constituting the "banking movement," mentioned in the report, and that they were, therefore, not alluded to in the preceding remark quoted.

Whether they had a statement or not, does not alter the case; they had every reason to suppose, what *was* the fact, that our exchange, like that of the other deposit bank, was held to meet transfers, and they had no right to imagine, against all probability, that which was *not* the fact, that it had been, as they say, "transferred to increase the capital of New-York and other cities out of this state."

To show that the bank had not extended itself as it might have done, or as the report expresses it, had not "fulfilled the intentions of the national government," the committee quote the letter of Mr. Taney, of the 4th November, 1833, in which he anticipates that the public deposits will enable the bank to accommodate the community, &c. These facts are named now, to show that in the opinion of the finance committee of our legislature last year, this bank according to its published statement in January last, was in a good condition, ought to have done more business, and better answered what it considers were the expectations of the secretary of the treasury. This, however, is a matter entirely of opinion. It is probable that the direction of the bank understood the wishes of the secretary; at all events, it was hardly to be expected that they

should have been reminded of their inattention to them, by any other than the secretary himself. This bank has never had else than approbation from that quarter, in regard to the manner in which it has performed its duties as a deposit bank. The direction did not think that it had a right to consider the public deposits as so much additional capital, to be loaned out in a way not likely to be easily collected; but that the amount should be kept covered by bills of exchange running absolutely to maturity, within two to four months, by which the deposits could be repaid to the government whenever required.

The sum of $2,085,542 in exchange is not considered in the report as an *investment*, though in the *means* of the bank, it includes the government deposits, amounting to $1,783,460!

The committee state our local investments over our capital to be 16⅔ per cent. As they were commenting on the situation of the banks, as they were on the 23d January, I repeat, that either they should have said nothing in the report in relation to this bank, or if they chose to remark on either statement, they should have selected the one which was made up to the same time with the others, by which only could a fair comparison be instituted. This statement shows:

Notes and bills discounted,	$2,924,663
Water works, bonds, &c.,	806,008
Local investments,	$3,730,671

So that excluding the exchange over and above the amount held to cover the public deposits, the local investments were on the 23d January, 24⅓ per cent. The report says "at the present moment the investments of all our monied institutions do not exceed 29 per cent. of their capital paid in."

The resources and investments of the bank as by the statement of the 23d of January, were as follows:

Capital,	$3,000,000
Individual deposits and circulation,	906,988
Government deposits,	1,416,379
Resources,	$5,323,367

Not $5,780,528, as stated in the printed report of 9th January, and quoted in the report of the committee, for in fourteen days our circulation and deposits were reduced $90,000, and the government deposits $367,000, a difference in one fortnight of nearly half a million of dollars.

Notes and bills discounted,	$2,924,662
Exchange,	2,167,272
Other investments,	806,008
Investments,	$5,897,942

After all, where was the necessity of making any remarks on the smallness of our investments over our capital? There were others which had less, the Citizens' Bank for instance; its capital and that of this bank were at that time precisely the same, $3,000,000

Its circulation and deposits, 1,101,607

$4,101,607

Our circulation and deposits were $906,988, which added to our capital, made $3,906,988. A difference in favor of the Citizens' Bank of nearly $200,000 in resources.

The investments of the Commercial Bank (excluding exchange) were $3,730,670 or about 24½ per cent., whilst those of the Citizens' Bank were $3,517,234, or only about 17 per cent. over its capital, within a fraction of the very

proportion, which is charged on us as being too small! The investments of the Citizens' Bank were only 86 per cent. of its resources, whilst those of the Commercial were 95 per cent.

Much is said in the report about sound principles of banking, specie, &c. In tableau A annexed to the report, the liabilities of the Citizens' Bank, (the president of which was chairman of the committee, who reported the document now under consideration) were as follows:

Deposits,	$729,497
Circulation,	372,110
	$1,101,607

Requiring $367,202 in specie. It had by its statement only $293,595, and held at that time a smaller amount of the notes of local banks than either of the other banks, excepting a small one, just commencing operations.

The Commercial Bank statement of the same date, showed its deposits to be $319,013

Circulation, 587,975

$906,988

Requiring $302,329 in specie. It had $434,373, exceeding the required amount by $132,044 and held local notes to the amount of $190,000 besides: so much for comparisons!

The report after stating, "that not only every cent belonging to the national government has been transferred to increase the capital of New-York and other cities out of this state, but also a large portion of the additional capital furnished by the circulation and individual deposits," adds "a branch of a northern bank here could not have operated more favorably for its mother bank."

I deny the accuracy of this sweeping declaration. The western and northern balances were so generally against us, that we have never adjusted an interest account that was in our favor, so far therefore from increasing the capitals of banks out of the state, we have been generally using funds belonging to other states, for the accommodation of our own citizens, and in several instances have allowed interest on such balances.

The balances due by this bank to our New-York correspondent, (the northern bank whose capital according to this report, we have so much increased) averaged as follows at the periods named, being nine of the ten months immediately preceding the date of the report, viz:

In April,	1836,		$99,505
" May,	"		231,770
" June,	"		261,770
" July,	"		331,449
" August,	"		172,728
" September,	"		34,750
" November,	"		16,900
" December,	"		100,600
" January,	1837,		106,046

Average balance for the nine months, $150,613 due by us, and the amount of interest paid that bank was $5,028, and yet the report states, that not only every cent of the government deposits, but also a large portion of the additional capital derived from the circulation and individual deposits, have been remitted by us "to increase the capital of New-York and other cities out of the state!"

The preceding statements prove conclusively that our remittances did *not* "increase the capital of New-York and

other cities out of the state," and that the investment of $1,416,379 in exchange, was absolutely necessary to cover the public deposits, which were payable at the north.

An unfavorable comparison is drawn between this and other banks whose capital is owned in the state, by saying that our dividend of 5 per cent., then just declared, "could not fail to please the London stockholders, who thus receive a handsome income from the deposits of the national government."

These deposits seem to have caused the committee considerable anxiety, but how such a remark as that now quoted could have been permitted to appear, "is the more extraordinary," when we consider that the following statement is made in the report itself.

"Stock—amount held in	New-Orleans,	18,708
" "	New-York,	8,439
" "	London,	2,853
	Shares,	30,000"

Showing how very small is the proportion of our stock held in London, and what unfriendly feelings towards us, must have dictated the remark, that foreigners were deriving a handsome income from the government deposits.

The distribution in London of so large a sum as $14,265, must indeed have been very gratifying! The fact is, however, that a part only of these 2853 shares were really owned in London, the remainder having been remitted by citizens of the United States, some of whom did not even have the stock placed on the transfer books there, and 425 shares were actually returned to this country, the dividend paid here, and the gratification in London, thus reduced to something less than £2800 sterling! In page 10th, the

committee point out to the legislature the greater advantage (which they very wisely say, is too obvious to require illustration) of borrowing capital at 5 per cent. or less, and making 8 or 9 per cent. out of it, than to sell stock to "foreigners and strangers," and let them have the benefits arising from the use of the capital. There can be no doubt of this, if as much foreign capital as we require, can be had at "5 per cent. or less." The difficulty experienced by some institutions in selling bonds, would seem to show that this is not the case. There was no proposition before the legislature to incorporate a bank on either one principle or the other, but the introduction of the subject required that a comparative view of the two systems should be given, in order to demonstrate the advantages of the first, and it would appear that it was thought, this could be most effectually shown by quoting the Commercial Bank, and why? Was it because a larger proportion of its capital was held abroad than that of other banks founded on the same principle? Not at all, for there were other banks, a much larger proportion of whose capital was so held, and who have thus as the report says, "fallen under the control of foreigners and strangers."

In order to place this disadvantage (if it be one) in the strongest light, it might have been supposed, that the committee would have selected that bank for the comparison, the largest proportion of whose capital was held out of the state, but no, the Commercial Bank was chosen, *although its proportion was the smallest of the whole*, which is shown by tableau A, of the report under examination. In ascertaining the proportion, I omit of course that part of the capital of the banks not called property banks, which was derived from sales of bonds of the state.

The proportion which is held out of the state, of the capitals of the following banks, is thus:

Merchants' Bank,	about	96 per cent.
Canal Bank,	"	92 "
Bank of Louisiana,	"	73 "
Louisiana State Bank,	"	67 "
Gas Bank,	"	58 "
Mechanics' and Traders' Bank,	"	54 "
City Bank,	"	53 "
Carrollton Bank,	"	43 "
Commercial Bank,	"	35 "

Why the Commercial Bank was singled out, and so connected with all the *alleged* evils of the system, it is difficult to explain, especially when we consider the declared unwillingness of the committee to report on any statement which (as they say was the case with ours) "they had not the power to investigate." It is, however, in keeping with the extreme partiality for this institution, which is to be found on almost every page of the report.

In objecting to the currency given here, to the notes of banks out of the state, the reporter says, "in the statement lately published by the Union Bank of Tennessee, is to be found the following item: "Circulation payable to bearer at New-Orleans, $1,730,400. Their agent is the Commercial Bank!"

Now, a plain man knowing all the facts, might naturally ask why the Commercial Bank was *lugged* in, in this manner, and all the other agents of banks, out of the state, omitted. How is this to be accounted for? Why were not the Union, the Mechanics' and Traders', the Louisiana, the Orleans, and the *Citizens' Bank*, named; banks, which at that time re-

deemed foreign notes, and the latter, *even now*, redeeming the notes of an Alabama bank, made payable at its counter? Nearly the whole circulation of the Union Bank of Tennessee was payable in New-Orleans, a very trifling amount only at home; much of this, of course, formed the currency of the state of Tennessee, and the greater part of that which reached this city, came in large sums, as remittances, and passed at once into bank in payment of debts, or for redemption. But a very small proportion was really in circulation here, and it was redeemed by funds provided by the Tennessee bank. Facts of which the committee were perhaps not aware. The naked statement in the report would lead one to suppose, that $1,730,400 was the amount of the circulation in this city, of the notes of the Union Bank of Tennessee, which were payable and redeemable at the Commercial Bank.

There are some subjects introduced into the report which, though of a general nature, were, at the time of publishing it, intimately connected with the operations of the Commercial Bank in particular, therefore require some notice here. Among other evils enumerated, is the "suffering heavy balances to be created in favor of banks out of the state."

The Commercial Bank was at that time transacting a heavy business with the banks in Ohio and Kentucky, much to the advantage of the citizens of both portions of the country, and as in fact the Commercial was the only bank that did regularly take exchange on these two states, I hardly know how the business could have been transacted at all, had her accommodations been withheld. In one part of the report, we are accused of having balances *due us* in other states, increasing in that way the capital of those states; in another part, it is contended that it is an evil to have the balance the

other way. If the banks out of the state *owe us*, they are using our capital; if we *owe them*, they will have an undue control over us. Now, I consider an accumulation of funds here, under proper regulations, as very beneficial. But suppose it to be otherwise, can it be prevented? It is impossible to prevent western produce from being sold here for the bills of our banks, and these bills deposited in the banks, and balances accumulate in favor of individuals or banks. The products of an immense region here find a market, giving employment to our citizens, and a value to property, which, without this trade, would be valueless. Bills to a large amount are drawn on this produce, payable here, and if we were to refuse to collect these bills, *from fear of being burthened with too much money*, the course of the western banks would be to employ individual agents to make such collections, who would keep their accounts with our banks, or at all events, hold our notes. We would thus be more immediately under the control of "strangers and foreigners," than if the banks themselves made the collections under suitable conditions.

The balances *will* accumulate, that is certain; and the only question is, whether they shall be collected by strangers who will withdraw and use them as they please, or by our banks, who will employ them for the mutual benefit of the citizens of our state and our western friends, in exchanges between us, so far as may be required, and the remainder in facilitating the purchase and shipment of our own produce, and thus acquiring northern funds, the most acceptable payment which we can offer.

This, and special arrangements, are our security in common times, against specie drafts.

It must be remembered, that the investment of these "accumulated balances" in northern bills, is an operation particularly advantageous to this state, as it enables the banks to do what they otherwise could not; to take these bills founded on shipments, to an almost unlimited extent, enabling us to ship and realize the value of our cotton, sugar, &c., at prices certainly more favorable than if these increased facilities did not exist.

I have now placed before you, all the facts in regard to the contesting, by this bank, of the right claimed by the legislature of examining its affairs *at all times, in any way, and to any extent that a committee may think proper*, even if headed by an officer of another bank. The prejudice with which such examinations might be conducted, can be judged of by that which appears to pervade the report under consideration.

In January of last year, we stood on high ground, but great changes have since taken place, and however strong may have been, and may yet be, our convictions of the correctness of the position then taken by the bank, yet the altered circumstances of all the banks, of almost every citizen, and a compliance with which may be considered the general wish, in the peculiar state of affairs at this moment, have induced us (without admitting or denying the right in question) to offer the fullest information as to our affairs, and to answer inquiries relative to accounts of individuals, which we have always considered as wholly improper and unauthorized.

I have shown you that this bank has always *wished* an examination, and *invited* it, that it has furnished statements when desired, and published them at regular periods. I have shown you that our statement of 23d January will compare

favorably with that of either of the other banks, and that in the report there are several inaccurate statements, none of which are in our favor. It was published just before the close of the session, and this is the first opportunity which has presented itself, for bringing it to your notice in such a manner, as I have considered necessary, to remove any unfavorable impressions which its circulation may have created; and it is with this motive only, that I have done so. Had this report been permitted to have slumbered quietly among the neglected papers of the Senate, it would have been soon forgotten, and any reply would have then been unnecessary, but it is frequently awakened to lend its aid in carrying through measures which a majority of this board believe would prove injurious to the best interests of the state. The period of its appearance is referred to, as a "financial era" in Louisiana, and such exertions are made to attract attention to it, that some answer to that portion which relates to the bank is absolutely requisite.

I have endeavored to vindicate the bank in a manner, inconsistent neither with that respect which is due to a committee of our legislature, nor with that temperate but free investigation of public documents, which is the right of every individual.

In March of last year, commenced that great revulsion, from the terrible effects of which, we can hardly say, that we have begun to recover. A strict examination of our operations will show, that this bank had not allowed the great houses which first felt the effects of this change, to obtain large loans; our discounts to them had been generally small. In some instances, in which accounts had imperceptibly increased

beyond what was considered proper, a prompt check was given, and when the reverse came, these accounts had been very greatly reduced; still we were not able to avoid all entanglement. We had a large amount of funds to place at the north, and as exchange on the Atlantic cities was very difficult to be obtained, we were under the absolute necessity of purchasing the bills of some houses, to which we had not been in the habit of granting discounts to any extent.

The scarcity of northern exchange, the speculations in lands, &c., caused a steady demand for specie, which this bank imported at great expense. The calls, however, were confined almost exclusively to strangers, our own citizens, most patriotically, abstaining from any unusual demands on the banks, with which their interests were so closely identified. After every effort made to avoid it, all the banks (in some shape or other) suspended specie payments on the 14th May. At a meeting of the board on the morning of that day, it was agreed, that as the suspension would cause, at first, much anxiety on the part of the holders of small savings, and much inconvenience to all classes for the want of change, that this bank should continue to pay its notes of the denominations of five and ten dollars, in specie, as usual; which we have continued to do from that time to this, without intermission, although the reasons inducing us at first, no longer exist. A large sum has thus been paid out, which will account for the small amount of our specie at this time.

At the commencement of the past year, the amount of the public deposits in this bank was $1,819,047 42. On the 1st of March, advice was given to the secretary of the treasury, that the whole debt was provided for by bills of exchange, purchased and remitted to points where his warrants could be

conveniently met. To use the language of our representative, the Hon. Henry Johnson, "had these bills, so purchased and remitted, been paid, nearly the whole debt due the government would have been extinguished. They were drawn on houses believed to be perfectly good at the time, and would have been punctually paid but for the recent pressure, which has created such a convulsion in the commercial affairs of the country." The suspension of specie payments rendered some of these transfers impracticable, and the orders were therefore withdrawn.

The numerous suspensions and failures which followed this great event, caused much of our paper to be protested, or required that it should be arranged for here; so that a portion of the government debt, and also many date checks (all of which were considered as provided for) were, in fact, returned upon us; and for the exchange on which the checks were founded, we were compelled to accept the best arrangements offered; the effect of which has been to burden us with a considerable amount of long paper. These arrangements have been made in a spirit of liberality, and not a single suit has yet been commenced by the bank. Damages have been generally waived by us, in consideration of the peculiar circumstances under which they were incurred, and holders of our checks pursued the same course, so that the settlements have been promptly made, and with less unkindness of feeling than might have been expected, from the amount and the number of individuals interested.

Loans to a considerable amount were granted in March, to houses with which we had not previously transacted much business, in the hope that the relief extended would prevent failures which might seriously affect the interests of other

classes holding their paper, and thus produce general distress. The sudden fall of cotton, then 16 to 18 cents, to about half these rates, destroyed all the calculations of the borrowers, and the suspensions became very general. These loans are now being paid up gradually, and there is no doubt of their ultimate safety.

These extra accommodations, and the necessity of re-providing for the government deposits and our returned checks, rendered it necessary that the bank should, for a while, act in opposition to what a majority of the board considered as the true policy of all the banks, and the only course by which the community could be saved from ruin. This was to furnish an amount of circulation necessary for the legitimate wants of the public, and to apportion that amount among the banks according to their means of sustaining it.

On the 17th May, the Consolidated Association, one of the best managed banks in the city, proposed, as a check on excessive issues, (as that of paying in specie was suspended,) that the banks whose circulation was then greater than it was on the 23d January preceding, should pledge themselves not to increase their emissions, and those whose circulation had been diminished since that period, should bind themselves not to increase the same over and above the amount apportioned to each by a certain scale to be agreed on.

The Citizens' Bank proposed to retire the sight notes from circulation, and to issue notes payable at a future day, to be stamped with the words, "Receivable in payment of debts due this bank. Payable in current local bank notes, on demand."

That these notes should be received by all the banks in payment of debts due them.

That any bank resuming specie payments, should have the right to exact specie for all notes which it might have in its possession thus stamped.

That the issues should be limited to 20 per cent. of the capital, to which scale all the banks were to conform, on or before the 1st August, 1838.

That a statement of each bank should be deposited every Saturday at the Union Bank.

That each bank should bind itself, to have in its vaults, by the 1st August, 1838, at least one-tenth of its capital, in gold and silver, preparatory to a general resumption of specie payments.

That the paper of any bank refusing to agree to these terms, should not be taken by the other banks.

Neither of these propositions met the views of a majority of the banks, though that of the Consolidated Association was considered very good as far as it went. The objections to that of the Citizens' Bank, were:

1st. That it omitted one bank entirely.

2d. That it proposed to substitute for notes *demandable* in specie, others stamped "payable in current local bank notes."

3d. That the stipulation, that any bank resuming specie payments, should have a right to *exact* specie from either of the others, was a safe one only for a bank without much circulation, but which could not be acceded to by banks whose issues were larger in proportion to their capital.

4th. That the limit to circulation was fixed at 20 per cent. on capital, whether large or small, to be conformed to by 1st August, 1838, a restriction that would have closed the small banks.

5th. That however desirable it might have been, to agree to have a certain amount of specie on hand at any fixed time, yet, that under the then existing circumstances, such a pledge could not be made with a certainty of its being practicable to comply with it.

The following resolutions were adopted by the Commercial Bank, on the 20th May, and the president directed to use his exertions to have them acceded to, by all the other banks.

Resolved, 1st. That in order that there may be confidence in the redemption of the notes of all the banks of the city, it is indispensably necessary that the circulation of each bank should be limited.

2d. That the circulation of the several banks should be as follows:

[Here followed the names of all the banks, the amount left blank to be filled by agreement.]

3d. That the banks, whose circulation is *less* than is allotted to them by the preceding resolution, should *increase* it; and that those which have a *greater* circulation than the limit, should *diminish* it gradually, in order that the community may not be deprived of the requisite amount of circulation; nor, on the other hand, be subjected to the risk of excessive issues.

4th. That the banks, where circulation is now *greater* than the limit agreed on, should contract, so as to conform to it by the 1st January next.

5th. That all the banks may, if they think it expedient, retire their sight notes from circulation, and issue notes redeemable at a future day. That these notes, as well as those now in circulation, shall be received by all the banks

in payment and on deposit, to be regularly exchanged every day.

6th. That the time of redemption of notes which may be issued under the above resolution, shall not extend beyond the 1st August, 1838.

7th. That the operations of the banks should be so managed, as to bring about a resumption of specie payments as soon as practicable, but that in the present unsettled state of affairs, it is not possible to fix the time, and of course not expedient to make any pledges in relation to it.

8th. That in order that it may be known whether the banks having *less* than the prescribed circulation, *increase* it, and those having *more*, *diminish* it, agreeably to the spirit of these resolutions, each bank shall, every Saturday morning, deposit with the Union Bank, a statement of its circulation, signed by the president and cashier.

At a meeting of the presidents of *all* the banks in the city, the blanks in the 2d resolution were filled. It was not expected that it would be necessary to go fully to the sums named, but that in no event was any bank to exceed them.

The preceding resolutions were then (with some unimportant amendments) agreed to unanimously; some members reserving the right of obtaining the sanction of their respective boards, and four of the sixteen banks declined signing the agreement.

This important principle of keeping up a *suitable* amount of circulation, and apportioning it among *all* the banks, would, of course, have brought all under suspension, but would have prevented many failures, and saved the banks from losses which a contrary course occasioned. Unfortunately for the state, some of our banks had too great a circulation, and some

too little; and although the general principle of apportioning the required amount among all the banks was admitted to be correct, yet it was found much easier for the extended banks to agree to contract, than to induce those having very little circulation to increase it; the consequences were what we have all witnessed. Curtailments seemed to be considered as the only remedy, whilst at the same time the bank issues were admitted to be quite moderate. The great difficulty was, that the banks whose emissions were small, made them still less, and the whole circulation of the city, was confined to the notes of some three or four banks, which were urged to reduce the amount. This it was evidently impossible for them to do, unless the others would expand. The Commercial Bank, was, at that period, peculiarly situated. In addition to its usual liabilities to individuals and banks, it was indebted to the government, $1,177,214, which might be called for at any moment. Collections could be made only with extreme difficulty, and as there was a probability of our being called on to make heavy payments to the government, which could be effected only by some increase of circulation, it was necessary to keep that down as much as possible. It was, therefore, gradually reduced to $317,630, which was its lowest point.

The payments to the government were now rapidly made, and this debt which on the 24th of December amounted to $1,910,995, was, on the 23d of December last, when we made our return to the legislature, only $90,374, with an increase of circulation of only $214,895, and this in a year of extraordinary difficulties and embarrassments. *This debt is now paid in full.*

The following table will show the average amounts of government and individual deposits, circulation and specie, for each month of the past year:

A TABLE,

Showing the average amount of government deposits, individual deposits, circulation, and specie of the Commercial Bank of New-Orleans, for each month of the year 1837.

	Gov. Deposits.	Ind. Deposits	Circulation.	Specie.
January,	$1,580,843	$316,022	$545,965	$447,316
February,	1,435,764	328,398	576,445	431,473
March,	1,434,502	299,086	668,280	388,631
April,	1,461,852	322,238	710,245	338,028
May,	1,218,479	307,064	434,635	174,616
June,	1,154,345	380,546	397,955	130,478
July,	987,050	370,084	331,735	120,454
August,	775,227	385,549	351,765	118,266
September,	570,249	360,112	449,580	109,123
October,	428,470	299,116	663,770	164,090
November,	287,390	300,409	711,615	165,802
December,	160,536	345,662	812,655	159,160
Average,	$957,892	$334,524	$554,555	$228,953

The amount of notes discounted during the year past, was $14,592,533.

The domestic exchange purchased for the same period, was $3,983,163.

The condition of the bank on the 31st day of December, 1837, was as follows:

GENERAL STATEMENT OF THE COMMERCIAL BANK OF NEW-ORLEANS, DECEMBER 31ST. 1837.

Dr.

To banking house and lot,	$89,424 28	
" Real estate,	70,983 12	$160,407 40
" Bills receivable,	16,780 00	
" Notes and bills discounted,	$2,643,800 59	
" Ditto ditto protested,	136,753 24	
" Ditto ditto (old) in suit,	13,442 53	
" Loans on pledge of stock,	812,938 00	$3,623,714 36
" Domestic bills of exchange,	127,476 21	
" Ditto protested,	204,578 47	332,054 68
" Bonds of the State of Louisiana,	127,456 27	
" Bonds of the City of New-Orleans,	100,000 00	
" Carrollton Bank Stock,	10,300 00	237,756 27
" Cash—Silver,	$52,357 56	
Gold,	99,402 64	
Bullion,	4,073 83	
	$155,834 03	
Notes of other banks,	104,927 68	
Municipality notes,	448 00	261,209 71
" Due by distant banks,		231,175 17
" Expenses prior to December, 1833,		4,365 18
" Geo. Wildes & Co., London,	450 58	
" F. de Lizardi & Co., London,	20,307 79	20,758 37
" B. Poole,		4 58
" City Corporation of New-Orleans,		6,694 40
" Water Works account,		722,004 18
		$5,600,134 30

Cr.

By capital stock,	$3,000,000 00
" Circulation,	848,620 00
" Due to distant banks,	381,675 77
" Ditto to local ditto,	21,010 52
" Treasurer of the United States,	90,186 17
" Ditto, special specie deposit,	13,000 00
" Public officers,	77,937 47
" Sinking fund, city corporation,	12,743 59
" Certificates of deposits,	41,056 81
" Checks on distant banks,	153,789 58
" Unclaimed dividends,	4,747 44
" Water rent account,	8,986 00
" Reid, Irving & Co., London,	99,988 73
" Individual deposits,	402,325 08
" Suspense account,	4,551 87
" Profit and loss,	439,515 27
	$5,600,134 30

By which it appears, that the amount now to credit of profit and loss, is $439,515 27, or about 14⅔ per cent. on the capital.

How much of the paper held by the bank may be fairly considered as bad, is a question which will naturally be asked by every stockholder. The cashier and myself have made a very careful examination of all the paper belonging to the bank, whether under protest or not, in order to be able to answer this inquiry. At this time it is extremely difficult to class paper as *good*, *doubtful*, or *bad*, as opinions differ very much. We endeavored to make such an examination as would enable me to report to the board, what amount will probably be *lost* by the bank. Some notes and bills were

valued at one discount, some at another, and some we considered as wholly bad. In this way, the probable loss, according to our opinion, has been ascertained, say $102,205. This, deducted from the amount to credit of profit and loss, will still leave a surplus of $337,310 27, considered good. This is, however, unavailable at present, as in settlements of exchange, we have been obliged to receive a considerable amount of long paper.

I am aware of the desire of many stockholders, that a dividend should be declared, as there is now a surplus of over 10 per cent. on the capital, considered good. Some of our largest stockholders, however, are of opinion, that inasmuch as the very heavy payments to the government and to distant banks, have absorbed much of our active means, and as the amount of long paper held by the bank is large, that we should not *pay* a dividend until we have placed the bank in a strong position. This we shall soon be able to do. I conceive it to be our first duty, to provide such an amount of specie as will place the bank in a situation, which would be desirable, in order to resume specie payments. This being effected, a handsome dividend might be paid. In meantime, it will, no doubt, be desirable to the stockholders, to know what they can depend on. I therefore propose, that a dividend be now *declared*, of *seven per cent.*, of the profits of the year 1837, and (for the reasons given) that it be payable on the 31st May next, with interest added, at the rate of 6 per cent. per annum, from the 1st of January. Nine per cent. having been paid for 1836, and seven per cent. now declared for 1837, would make an average of eight per cent. for the two years. Should the board conclude to make this dividend,

there will still remain a surplus of $127,310, considered as good, to cover any losses which may possibly occur, over the amount estimated.

In connection with this subject, I would call your attention to the following remarks in my report of last year. "Owing to the decline in value of all stocks, much of this which has been held elsewhere, has been purchased and transferred here, and our stock loans, heretofore quite moderate, have been thus considerably augmented. The board will, no doubt, see the propriety of making a gradual reduction, so soon as it can be effected with less inconvenience to the stockholders, than at this moment."

No favorable opportunity has occurred to accomplish this desirable object, but on the contrary, the difficulty of obtaining money has induced many to ask for loans on stock, who had previously avoided doing so. I propose, therefore, that which I believe every stockholder, who has borrowed, will consider as just, that as the stock loans are heavy, the dividend now declared shall be applied to their reduction. If this proposition should be acceded to by the board, the amount actually to be paid out, will not materially interfere with the imperative duty of increasing the amount of our specie.

We have not hitherto considered it important, or indeed proper, to purchase specie at a high premium, merely to hoard it in our vaults; and the heavy payments to the government have rendered it difficult to procure much, without increasing considerably our circulation, which it was not desirable to do. This large debt being now entirely extinguished, we can soon obtain the requisite amount without inconvenience, and at a very great reduction in the premium.

The cost of procuring specie, and other extra expenses of the past year, have been heavy.

The whole amount of interest and exchange earned the past year, was		$344,463 27
Deduct this proportion of expenses incurred previous to December, 1833,	$4,000 00	
Current expenses,	35,924 73	
Cost of importing specie, and other extra expenses,	13,328 84	
		$53,253 57
Net profits for 1837,		$291,209 70
Amount to credit of profit and loss at the commencement of the year,		148,305 57
Net profits, January 1, 1838,		$439,515 27

Considering the extent of our operations, I think we have reason to congratulate the stockholders, that notwithstanding the amount of paper taken in settlements, which has a long time to run to maturity, and by which our active means are considerably diminished, our actual loss is comparatively small, (about one third of the net profits of last year) and that a handsome surplus remains.

Aware of the desire of distant stockholders, to be informed of the condition and prospects of the WATER WORKS connected with this institution, I intended to have added a full account of them to this report, but the materials for it are not yet prepared, and a report on them must be made hereafter. The large amount invested in these important works, renders such information absolutely necessary, as, on their success, the value of our stock very much depends. It may be well, however, to state here, in general terms, that

they have been pushed with zeal and energy, nearly double the amount stipulated in the charter has been expended within the time prescribed. The water is delivered at twice the height required; the community now appreciate the great advantages of these works, and the demand for water is gradually but steadily increasing. The mound stands firm; upwards of *fifteen miles* of pipes have been laid; no defects have been found in any part of the works, and they are now in full and successful operation.

WILLIAM G. HEWES, *President.*