

Alexander Hamilton's Report on a National Bank, December 14, 1790 (excerpts)

To the Speaker of the House of Representatives:

The Secretary respectfully reports:

. . . That a National Bank is an Institution of primary importance to the prosperous administration of the Finances, and would be of the greatest utility in the operations connected with the support of the Public Credit . . .

The following are among the principal advantages of a Bank.

First. The augmentation of the active or productive capital of a country. Gold and Silver, when they are employed merely as the instruments of exchange and alienation, have been not improperly denominated dead Stock; but when deposited in Banks, to become the basis of a paper circulation, which takes their character and place, as the signs or representatives of value, they then acquire life, or, in other words, an active and productive quality . . . It is evident, for instance, that the money, which a merchant keeps in his chest, waiting for a favourable opportunity to employ it, produces nothing 'till that opportunity arrives. But if instead of locking it up in this manner, he either deposits it in a Bank, or invests it in the Stock of a Bank, it yields a profit, during the interval . . . His money thus deposited or invested, is a fund, upon which himself and others can borrow to a much larger amount. It is a well established fact, that Banks in good credit can circulate a far greater sum than the actual quantum of their capital in Gold and Silver . . .

The same circumstances illustrate the truth of the position, that it is one of the properties of Banks to increase the active capital of a country . . . The money of one individual, while he is waiting for an opportunity to employ it, by being either deposited in the Bank for safe keeping, or invested in its Stock, is in a condition to administer to the wants of others, without being put out of his own reach . . .

. . . This yields an extra profit, arising from what is paid for the use of his money by others,

when he could not himself make use of it; and keeps the money itself in a state of incessant activity . . .

This additional employment given to money, and the faculty of a bank to lend and circulate a greater sum than the amount of its stock in coin are to all the purposes of trade and industry an absolute increase of capital. Purchases and undertakings, in general, can be carried on by any given sum of bank paper or credit, as effectually as by an equal sum of gold and silver. And thus by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth . . .

Secondly. Greater facility to the Government in obtaining pecuniary aids, especially in sudden emergencies. This is another and an undisputed advantage of public banks: one, which as already remarked, has been realised in signal instances, among ourselves . . .

[T]hat Banks tend to banish the gold and silver of the Country . . . is an objection, which if it has any foundation, lies not against Banks, peculiarly, but against every species of paper credit.

. . . well constituted Banks . . . augment in different ways, the active capital of the country. This, it is, which generates employment; which animates and expands labor and industry. Every addition, which is made to it, by contributing to put in motion a greater quantity of both, tends to create a greater quantity of the products of both: And, by furnishing more materials for exportation, conduces to a favourable balance of trade and consequently to the introduction and increase of gold and silver . . .

There is nothing in the Acts of Congress, which imply an exclusive right in the institution, to which they relate, except during the term of the war. There is therefore nothing, if the public good require it, which prevents the establishment of another . . . This is a strong argument for a new institution, or for a renovation of the old, to restore it to the situation in which it originally stood, in the view of the United States.

Source: *The Papers of Alexander Hamilton*, ed. Harold Syrett et al. (New York and London: Columbia University Press, 1963), 7:305–342.